康龙化成
PHARMARON

Pharmaron Beijing Co., Ltd.

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

Stock Code: 3759

2024 ANNUAL REPORT

PREMIER R&D SERVICE PROVIDER FOR THE LIFE SCIENCES INDUSTRY

About Pharmaron

Pharmaron (Stock Code: 300759.SZ/3759.HK) is a premier R&D service provider for the life sciences industry. Founded in 2004, Pharmaron has invested in its people and facilities and established a broad spectrum of research, development and manufacturing service capabilities throughout the entire drug discovery, preclinical and clinical development process across multiple therapeutic modalities, including small molecules, biologics and CGT products. With over 21,000 employees, and operations in China, U.S., and U.K., Pharmaron has an excellent track record in the delivery of R&D solutions to its partners in North America, Europe, Japan and China.

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

Dr. LOU Boliang (樓柏良) *(Chairman)*
Mr. LOU Xiaoqiang (樓小強)
Ms. ZHENG Bei (鄭北)

NON-EXECUTIVE DIRECTORS

Mr. HU Baifeng (胡柏風)
Mr. LI Jiaqing (李家慶)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LI Lihua (李麗華)
Mr. TSANG Kwan Hung Benson (曾坤鴻)
Mr. YU Jian (余堅)
Mr. ZHOU Qilin (周其林) *(ceased on November 27, 2024)*

SUPERVISORS

Dr. YANG Kexin (楊珂新) *(Chairperson)*
Ms. FENG Shu (馮書)
Ms. ZHANG Lan (張嵐)

AUDIT COMMITTEE

Mr. YU Jian (余堅) *(Chairperson)*
Mr. TSANG Kwan Hung Benson (曾坤鴻)
Ms. LI Lihua (李麗華)

REMUNERATION AND APPRAISAL COMMITTEE

Ms. LI Lihua (李麗華) *(Chairperson)*
Dr. LOU Boliang (樓柏良)
Mr. LOU Xiaoqiang (樓小強)
Mr. TSANG Kwan Hung Benson (曾坤鴻)
Mr. YU Jian (余堅)

NOMINATION COMMITTEE

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Dr. LOU Boliang (樓柏良)
Ms. ZHENG Bei (鄭北)
Mr. TSANG Kwan Hung Benson (曾坤鴻)
Mr. YU Jian (余堅)

STRATEGY COMMITTEE

Dr. LOU Boliang (樓柏良) *(Chairperson)*
Mr. LOU Xiaoqiang (樓小強)
Mr. HU Baifeng (胡柏風)
Mr. LI Jiaqing (李家慶)
Mr. ZHOU Qilin (周其林) *(ceased on November 27, 2024)*

COMPANY SECRETARY

Ms. MAK Po Man Cherie (麥寶文)
(ceased on April 25, 2024)
Mr. YIM Lok Kwan (嚴洛鈞)
(appointed on April 25, 2024)

AUTHORIZED REPRESENTATIVES

Mr. LOU Xiaoqiang (樓小強)
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Mr. YIM Lok Kwan (嚴洛鈞)
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3759.HK/300759.SZ

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Chairman's Statement

Dear Shareholders:

On behalf of the Board of Directors of Pharmaron and its subsidiaries (collectively, the "Company"), I would like to express my sincere gratitude for your trust and support. Let me present to you the business performance results of the Company for the year ended December 31, 2024.

With the uncertainties arising from the headwinds from macro-economy and biotech funding cycle as well as the geopolitical tension, 2024 was a year full of challenges for the global healthcare community as well as Pharmaron. Despite all these challenges, we are confident in continual growth of the pharmaceutical and healthcare industry, and are resolved in implementing our core strategy of developing an end-to-end, fully integrated and multiple modalities-capable service platform with global footprints to support our customers in improving the efficiency and flexibility of their pharmaceutical R&D and manufacturing efforts. The Company has maintained a stable growth momentum, demonstrating strong resilience of its business model. On behalf of Board of Directors of the Company, I would like to briefly summarize and review the performance and work approach in 2024.

I. UPHOLDING OUR MISSION, OVERCOMING CHALLENGES, MAINTAINING A STEADY DEVELOPMENT MOMENTUM

Facing a complex external environment, the Company along with more than 21,000 employees remained dedicated and diligent, adhering to the corporate mission of supporting our partners' success and contributing to human health. The Company provided integrated solutions from drug discovery, development to drug production for our global customers. In 2024, the Company realized revenue of RMB12,275.8 million, with a year-on-year growth of 6.4%. The Company obtained the profit attributable to the owners of the parent of RMB1,793.4 million, with a year-on-year growth of 12.0%. Net cash flows generated from operating activities of the Company were RMB2,576.7 million, a year-on-year decrease of 6.4%. After deducting the capital expenditures allocated to support its business growth, the Company's free cash flow was RMB536.0 million.

II. FIRMLY IMPLEMENT OUR CORE STRATEGY WHILE SHARPENING OUR COMPETITIVE ADVANTAGES

1. Contributing to global pharmaceutical innovation

We have been committed to our corporate philosophy of "Customer Centric", while implementing our core strategy of developing an end-to-end, fully integrated and multiple modalities-capable service platform with global footprints to support our customers in improving the efficiency and flexibility of their pharmaceutical R&D and manufacturing efforts. In 2024, the laboratory services team participated in 781 drug discovery projects for global innovative drug R&D. In CMC (small molecule CDMO) services, we supported 1,066 molecules or intermediates, including 782 projects in preclinical stage, 242 projects in Phase I-II clinical trials, 23 projects in Phase III clinical trials and 19 projects in process validation and commercialization stage. Clinical CRO team provided services to 1,062 ongoing projects, including 94 projects in Phase III clinical trials, 407 projects in Phase I/II clinical trials, and 561 other clinical trial projects (including Phase IV clinical trials, investigator-initiated trials and real-world evidence trials). In Biologics and CGT services, we had 22 GLP and non-GLP toxicology studies for CGT products either had been completed or were in progress. In terms of gene therapy CDMO services, we had 14 projects across different service offerings and R&D stages, including 1 Phase III project, 6 Phase I/II projects, and 7 preclinical projects. The Company served more than 3,000 global customers, had extensive technical cooperation with clients and made joint publications from research results, including 42 articles published in peer-reviewed international scientific journals, such as *J. Med. Chem., Org. Lett.* and *OPR&D*, 34 granted or submitted domestic and international patent applications (14 of which Pharmaron invented and owns the IP rights, and 20 IP rights owned by our clients with Pharmaron scientists as coinventors) in 2024.

2. Further strengthening the competitive advantages of our integrated service platform

After years of development, our service platform is comprehensive and broad, covering the entire process of drug discovery, drug development and production. It achieves seamless integration of the same discipline across different pharmaceutical R&D stages, and the integration of different disciplines at the same pharmaceutical R&D stages. It also promotes interdisciplinary collaborations, effectively improving the efficiency of innovative drug research and development while shortening the cycle time. These aspects constitute the core competitiveness of our service platform. In 2024, on one hand, we continued to enhance our project management and global operations, promoting cooperation and coordination across teams, regions, and disciplines to achieve cross-site synergies. On the other hand, we rapidly introduced and developed new skills and technologies. In 2024, the Company took a significant step forward in automation and AI technologies. A series of fully automated chemistry synthesis and bioscience screening platforms were established to achieve a comprehensive technological upgrade. In addition, we actively explored the application of AI in chemistry and bioscience services, including reaction condition prediction and route design, analytical and separation method development, simulation and prediction of the growth of immortalized cells *in vitro*, and bio-informatics analysis. Through the enhancement our management and technologies, we are committed to improving the productivities of our services and strengthening the competitive advantages of our platform.

3. Expanding the service capabilities for new modalities

With our chemistry services already covering advanced small molecules including PROTACs and molecular glues, we further strengthened and developed our R&D service capabilities for new drug modalities, such as ADCs and peptides which achieved solid market development and penetration. The Company has established a fully integrated ADC discovery service line, including antibody preparation, payload synthesis, linker synthesis, bioconjugation and biological testing. The Company's peptide discovery services continued to advance with a comprehensive synthesis platform consisting of automated synthesis, analysis and purification. The Company's service capabilities for oligonucleotide drugs (including siRNA, ASO, etc.) have adopted many cutting-edge technologies. Going forward, the Company will accelerate the development and upgrade of its laboratory and manufacturing service capabilities for new drug modalities, such as ADCs, peptides, oligonucleotide drugs, and build a comprehensive end-to-end service platform by continuously put emphasis on internal cross-discipline collaborations.

III. INVESTING IN EMERGING TECHNOLOGIES AND INNOVATION TO FUEL LONG-TERM DEVELOPMENT

1. Continuing to invest in technologies to enrich our service capabilities

Guided by the trend of innovative drug R&D, the development of pharmaceutical industry and the evolution of emerging technologies, we have been adopting the fundamental strategy of combining in-house R&D with external partnerships to quickly build up new capabilities. In 2024, the Company took a leap in automation and AI technologies. Leveraging cutting-edge automation technologies, it significantly increased the efficiency of chemical reaction conditions selection and lead compounds screening. Meanwhile, the Company built fully-automated chemical synthesis and high throughput biology screening platforms to achieve a comprehensive technological upgrade. More importantly, the Company began to incorporate AI technologies into different service lines, including applying AI tools in chemistry services to optimize reaction conditions and develop separation methods. In bioscience services, the Company utilized machine learning to train the models of simulation of the physiological conditions and prediction of the compound potency. In addition, the Company integrated multi-omics data (including WGS/WES, RNA-seq, scRNA-seq, and proteomics) by using ML data mining tool for mechanism elucidation or biomarker identification. The Company is committed to taking advantage of AI technologies to empower target identification, drug resistance mechanism investigation, and in vitro toxicology evaluation to improve the efficiency of drug discovery services.

2. Nurture academic and innovation capabilities and developing a highly-skilled and motivated talent pool

In 2024, we continued expanding our academic and innovation capabilities for sustainable development of the Company. Pharmaron College, aiming to achieve "Come Here, Go Further", fostered many research and management talents for the Company. Through various academic activities, including internal seminars, "Reaction of the Day" and "BIO of the Day", we promoted knowledge and experiences sharing across departments; and by establishing awards such as "ROD Application Award" and "Chemist Star", we encouraged the application of new technologies. In addition, we organized symposiums, virtual lectures and other activities, enabling our scientists to engage with distinguished industry experts and renowned scholars, to connect our colleagues with cutting-edge sciences and broadening their global perspectives.

Good health and well-being are universal aspirations. We firmly believe in the beneficial and profound value of innovative medicines brought to our lives and social well-being. Looking forward to 2025, we are determined in our commitment to pharmaceutical R&D service industry, maintaining strategic focus and upholding our mission to support our partners' success in discovery, development and commercialization of innovative medicines. We are committed to our long-term growth strategies, deliver value to our shareholders and advancing healthcare innovation worldwide.

On behalf of the Board of Directors and our hardworking employees, I would like to express my sincere appreciation to our shareholders who have trusted and supported us!

Pharmaron Beijing Co., Ltd.
Dr. Lou Boliang
Chairman and Chief Executive Officer
March 26, 2025

Financial Highlights

	Year ended December 31,		
	2024 RMB'000	2023 RMB'000	Change %
Revenue	**12,275,775**	11,537,996	6.4
Gross profit	**4,149,255**	4,094,820	1.3
Profit attributable to owners of the parent	**1,793,351**	1,601,096	12.0
Non-IFRSs adjusted net profit attributable to owners of the parent	**1,606,852**	1,903,431	(15.6)
Net cash flows generated from operating activities	**2,576,656**	2,753,539	(6.4)

- During the Reporting Period, the Group recorded aggregate revenue of approximately RMB12,275.8 million, representing an increase of approximately RMB737.8 million, or 6.4%, as compared to the year ended December 31, 2023.

- During the Reporting Period, the profit attributable to owners of the parent was approximately RMB1,793.4 million, representing an increase of approximately 12.0% as compared to the year ended December 31, 2023.

- During the Reporting Period, the net cash flows generated from operating activities was approximately RMB2,576.7 million, representing a decrease of approximately 6.4% as compared to the year ended December 31, 2023.

- The Board proposed to declare a final dividend of RMB2.0 (inclusive of tax) per 10 shares or an aggregate of approximately RMB354.2 million for the year ended December 31, 2024.

Financial Summary

	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024 RMB'000**
Operating results					
Revenue	5,133,597	7,443,770	10,266,288	11,537,996	**12,275,775**
Gross profit	1,916,113	2,672,044	3,749,276	4,094,820	**4,149,255**
Profit for the year	1,146,992	1,620,077	1,352,137	1,581,781	**1,714,159**
Profit attributable to owners of the parent	1,172,383	1,661,029	1,374,604	1,601,096	**1,793,351**
Profitability					
Gross profit margin	37.3%	35.9%	36.5%	35.5%	**33.8%**
Profit margin for the year	22.3%	21.8%	13.2%	13.7%	**14.0%**
Earnings per share (RMB)					
Earnings per share – Basic	0.6589	0.9325	0.7750	0.9033	**1.0133**
Earnings per share – Diluted	0.6569	0.9127	0.7739	0.9019	**1.0113**

	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024 RMB'000**
Total assets	11,908,792	18,389,124	20,492,557	26,476,713	**23,927,399**
Total liabilities	2,975,053	8,093,817	9,652,689	13,238,667	**9,704,526**
Non-controlling interests	63,420	166,066	291,252	681,249	**603,538**
Equity attributable to owners of the parent	8,870,319	10,129,241	10,548,616	12,556,797	**13,619,335**
Gearing ratio	25.0%	44.0%	47.1%	50.0%	**40.6%**

SUPPORTING OUR PARTNERS' SUCCESS IN DISCOVERY, DEVELOPMENT AND COMMERCIALIZATION OF INNOVATIVE MEDICINES


3M 9042

STATE-OF-THE-ART FACILITIES LOCATED IN CHINA, UK AND US

PHARMARON IN CHINA

Beijing Headquarters

Beijing TSP

PHARMARON IN CHINA

Ningbo Campus I

Ningbo Campus II

Shanghai

Tianjin

Xi'an

Shaoxing

Nanjing

Qingdao

PHARMARON IN UNITED KINGDOM

Cardiff

Hoddesdon

Rushden

Liverpool

Cramlington

PHARMARON IN UNITED STATES

Baltimore

Germantown

Exton

San Diego

Boston

Coventry

Management Discussion and Analysis

A. BUSINESS REVIEW

1. Principal Business

The Company is a leading fully-integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for our customers, providing fully-integrated drug research, development and manufacturing services throughout the research and development cycle. The Company has 21 R&D centers and manufacturing facilities across China, the U.K. and the U.S., and keeps strengthening the integration of its service offerings both vertically and horizontally, continuously investing in building new service capabilities and improving management efficiency to meet the needs of the market and customers. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is strengthening the integration of different disciplines at the same pharmaceutical R&D stages, improving the science and technology of each discipline, expanding the service offerings, and promoting the interdisciplinary collaborations. The Company has built a fully-integrated service platform for small molecule drugs, biologics and CGT products, and is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities. In addition, the Company will further develop the global footprints of its service platform to provide customers with interdisciplinary and global service solutions, making full use of the Company's global scientific research talent network and meet customers' regional strategic needs.

2. Operating Models

Our principal business is categorized into four business segments: laboratory services, CMC (small molecule CDMO) services, clinical development services, and Biologics and CGT services, mainly covering the following services:

(1) Laboratory services

Laboratory services of the Company include laboratory chemistry and bioscience services, covering small molecule drugs, oligonucleotides, peptides, antibodies, antibody-drug conjugates (ADC) and CGT products, etc.

Laboratory chemistry is the root of our business, making it the core in the development of the Company. Laboratory chemistry services include medicinal chemistry, synthetic chemistry, chemistry for new modalities, analytical and purification chemistry, and computer-aided drug design (CADD). Laboratory chemistry provides customers with chemistry services such as design and synthesis of compound library, discovery of hit and lead compounds, design and/or synthesis and optimization of lead compounds, synthesis of new modalities (nucleosides/nucleotides, lipids, saccharides, peptides, and conjugates), and chiral and non-chiral separation and purification.

Bioscience services include in vitro and in vivo DMPK/ADME, in vitro biology and in vivo pharmacology, safety assessment and other services. Bioscience services provide customers with drug discovery services such as target validation, structure activity relationship studies, candidate compound identification, and druggability studies.

(2) CMC (small molecule CDMO) services

Our experienced CMC (small molecule CDMO) services team offers customers process development and manufacturing, material science/pre-formulation, formulation development and manufacturing, and analytical development services, covering a broad range of products including small molecule drugs, oligonucleotides, peptides, linkers and payloads. The process development and manufacturing team provides such services as discovery and development of efficient and green synthetic routes, optimization of existing synthetic routes, and process scale-up to support preclinical and other stages of clinical development and commercial manufacturing needs; the material science/pre-formulation team provides services for crystal screening, process development, and early formulation development; the formulation development team designs, modifies, and prepares oral formulations to satisfy preclinical, clinical, and commercial needs; and the analytical development team provides comprehensive analytical support for process development and manufacturing of APIs and pharmaceutical products.

The CMC (small molecule CDMO) services of the Company mainly provide pharmaceutical companies with chemical and formulation process development and manufacturing services with capabilities and capacities to cover the needs in all clinical and commercial stages. The cGMP API and drug product manufacturing facilities of the Company have had the qualification to manufacture products to support clinical trials in global markets, including U.S., China and EU. Our quality assurance system follows the guidelines of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH Guidelines) and supports the development and manufacture of APIs and pharmaceuticals meeting the regulatory requirements from FDA, NMPA and EMA, and can also support the preparation of complete regulatory data packages and documentation for regulatory filings and cGMP audits in U.S., EU, and Asia.

(3) Clinical development services

Our clinical development services include overseas and domestic clinical development services.

The overseas clinical development services include radio-labelled science services and early stage clinical trial services. The radio-labelled science services of the Company help customers synthesize 14C and tritium 3H radio-labelled compounds and use for DMPK/ADME studies of various compounds in human, so as to accelerate their clinical development process. Through the independent early clinical R&D center with 96 beds in Maryland, U.S., the Company provides customers with clinical research services including comprehensive FIH studies, vaccine development/infectious challenge studies, comprehensive 14C drug absorption, distribution and excretion trial, TQT/cardiac safety, and cross-ethnic bridging studies. In 2024, the Company strengthened its clinical operations, biostatistics, pharmacovigilance, and FDA regulatory submission services in the U.S.. These efforts will better assist Chinese customers in developing their products overseas and overseas customers in developing their products in China.

Domestic clinical development services include clinical research services and site management services, covering different service needs of clinical research. Among which, clinical research services mainly include: regulatory affairs and product registration, medical affairs, medical monitoring, clinical operations, data management and biostatistics, bioanalysis, pharmacovigilance, quantitative pharmacology, etc.; site management services include CRC services, hospital research and selection, SSU (Study Start Up) rapid start-up, healthy and patient volunteer recruitment and management, quality assurance and its training, post-marketing studies, etc.

The Company's bioanalytical platforms in China and U.S. are able to support the bioanalysis of clinical trials of small molecules and biologics around the world. In addition, with the collaboration among the domestic and overseas clinical development services and the preclinical service offerings, it allows the Company to simultaneously submit IND applications for customers' drug candidates to regulatory agencies in China, U.S. and EU.

(4) Biologics and CGT services

Biologics and CGT services include biologics discovery, development and manufacturing services (CDMO), CGT lab services and Gene Therapy CDMO services.

Biologics discovery services include biologics plasmid design, cell screening, target biologics expression and purification, analytical method development, and analysis of products, primarily serving various needs for cells and proteins, including mAbs, at the early stage of research and development.

Biologics development and manufacturing services (CDMO) provide customers with development services include cell line development, upstream and downstream process development, formulation development and fill-and-finish process development, supported by analytics with method development, as well as drug substance and product manufacturing services armed with 200L to 2,000L production capacity to support projects from pilot to commercial stage production.

Biologics and CGT lab services include analytical method development and validation for various proteins, cells, and DNA and RNA products. The analytical platform also provides services in evaluation of activity, toxicity, tissue distribution and viral shedding, as well as quantitative analysis of gene and cell products, in compliance with GLP/GCP/GMP regulations during the preclinical and clinical development and marketing stages. In addition, the Company's U.S. laboratory services provide customers with discovery and development services in biologics, CGT products and medical devices in the areas of ophthalmology.

Gene therapy CDMO services include plasmid synthesis containing therapeutic genes, cell line development, cell bank establishment, plasmid and cell production process development, formulation process development, manufacturing of products, analytical method development and validation, product-related impurities identification and analysis, stability evaluation, product analysis and GMP batch release, etc., covering the entire gene therapy CDMO process, to support the needs for preclinical safety evaluation, Phase I, II and III clinical trials, and post-marketing product life cycle management. The facility has been licensed by MHRA, the U.K. pharmaceutical administration authority, for the manufacture of biologics and CGT products.

B. FINANCIAL REVIEW

1. Overall Operation Results

2024 was a year full of challenges. The uncertainties arising from geopolitical tensions, alongside the temporary impact of a tough biotech funding environment, have imposed substantial volatilities on the CRO/CDMO industry. The Company firmly believes that the long-term industry fundamentals remain intact, and is steadfast in implementing its core strategy of developing an end-to-end, fully integrated and multiple modalities-capable services platform with global footprints to further support its customers in improving the efficiency and flexibility of their pharmaceutical R&D and manufacturing needs. In 2024, the Company remained committed to its long-term strategic priorities, including technological innovation, talent development, customer service enhancement, and global operational resilience, to mitigate risks posed by global economic fluctuations and industry uncertainties, while strengthening its business continuity and sustainable growth. During the Reporting Period, the Company has maintained a stable growth momentum, demonstrating strong resilience and customer loyalty, and highlighting the competitive advantages of its business model.

During the Reporting Period, the Company realized revenue of RMB12,275.8 million, with a year-on-year growth of 6.4%. As a result of the initial recovery of the global biotech funding, the Company delivered sequential quarter-over-quarter revenue growth, with year-on-year revenue growth rates accelerating each quarter. Notably, it achieved double-digit year-on-year revenue growth for two consecutive quarters in the second half of 2024, each exceeding 10%, while continuing to expand its global market share. During the Reporting Period, the Company's overseas customer visits reached an all-time high, and its newly signed purchase orders increased by more than 20% year-on-year. The Company obtained the profit attributable to the owners of the parent of RMB1,793.4 million, with a year-on-year growth of 12.0%. The Company obtained the non-IFRSs adjusted net profit attributable to owners of the parent of RMB1,606.9 million, with a year-on-year decrease of 15.6%. This was mainly due to the combined effects of an increase in the number of employees, increased syndicated loans at the end of 2023 which refinanced the Convertible Bonds, and certain capacities were transferred from construction in progress into fixed assets at the end of 2023 and during the Reporting Period. During the Reporting Period, net cash flows generated from operating activities of the Company was RMB2,576.7 million, a year-on-year decrease of 6.4%. After deducting the capital expenditures allocated to support its business growth, the Company's free cash flow was RMB536.0 million.

The Company continued to adhere to the "Customer Centric" corporate philosophy, leveraging its end-to-end and fully-integrated services platform, adhering the highest international quality standards and seamless collaborations among teams in China, the U.K. and the U.S., the Company has effectively met the diverse needs of global customers across different R&D stages. During the Reporting Period, the Company served more than 3,000 global customers, of which the customers using the services of multiple business segments of the Company contributed revenue of RMB9,187.8 million, accounting for 74.8% of the Company's revenue. During the Reporting Period, the Company added more than 900 new customers, contributing revenue of RMB655.2 million, accounting for 5.3% of the Company's revenue; the existing customers contributed revenue of RMB11,620.6 million, with a year-on-year growth of 8.8%, accounting for 94.7% of the Company's revenue. Categorized by customer types, during the Reporting Period, the revenue from the top 20 global pharmaceutical companies was RMB2,188.5 million, with a year-on-year growth of 26.9%, accounting for 17.8% of the Company's revenue; the revenue from other customers was RMB10,087.3 million, with a year-on-year growth of 2.8%, accounting for 82.2% of the Company's revenue. Categorized by regions where the customers are located, during the Reporting Period, the revenue from customers in North America was RMB7,852.7 million, with a year-on-year growth of 6.1%, accounting for 64.0% of the Company's revenue; the revenue from customers in EU (including the U.K.) was RMB2,271.9 million, with a year-on-year growth of 23.2%, accounting for 18.5% of the Company's revenue; the revenue from customers in China was RMB1,847.3 million, with a year-on-year decrease of 6.5%, accounting for 15.0% of the Company's revenue; and the revenue from customers in other regions was RMB303.9 million, with a year-on-year decrease of 4.4%, accounting for 2.5% of the Company's revenue. In addition, we had extensive technical cooperation with clients and made joint publications from research results, including 42 articles published in peer-reviewed international scientific journals, such as J. Med. Chem., Org. Lett. and OPR&D, 34 granted or submitted domestic and international patent applications (14 of which Pharmaron invented and owns the IP rights, and 20 IP rights owned by our clients with Pharmaron scientists as coinventors) in 2024.

In 2024, the Company continued to strengthen its leadership in small molecule R&D and manufacturing services, leveraging advanced synthetic and manufacturing technologies to deliver value for global customers. In addition, the Company further enhanced its service capabilities for new drug modalities including ADCs, peptides, and oligonucleotides and made significant progress: (1) Building on its deep expertise in small molecule R&D services and strategic expansion into biologics services, the Company has established a fully integrated ADC discovery service line, including antibody preparation, payload synthesis, linker synthesis, bioconjugation and biological testing that has achieved rapid business growth, serving dozens of global customers. (2) The Company's peptide discovery services continued to advance based on a comprehensive synthesis platform consisting of automated synthesis, analysis and purification, and have successfully completed GMP production projects. (3) The Company's service capabilities for oligonucleotide drugs (including siRNA, ASO, etc.) have adopted many cutting-edge technologies and have been recognized by global customers, undertaking multiple early-stage R&D projects.

With the rapid development of AI technology, more and more biopharmaceutical companies are starting to use and explore the application of AI in drug discovery and development to improve R&D efficiency and success rate. Centered on AI technology and data empowerment, the Company has proactively advanced the development of related service capabilities to optimize the process and increase its productivity across drug discovery, development, and manufacturing. These efforts aim to shorten its customers' R&D timelines, improve success rate, and ultimately benefit patients. While actively exploring AI applications in drug R&D services, the Company maintains an ongoing commitment to mitigating risks, such as data security challenges and other AI technology risks. Through strengthened governance, it continues to enhance the reliability and sustainability of AI empowered drug R&D services.

In 2024, the Company made significant progress in the field of environmental, social and governance (ESG). For the first time, the Company was selected for "S&P Global Sustainability Yearbook 2025", which means that the Company's sustainability performance has been ranked among the top of the industry. At the same time, the Company was upgraded to AA in the MSCI ESG rating. After being awarded the Industry ESG Top Rated Company in the Sustainalytics ESG Risk Rating, this year the Company continued to break through and won the Regional ESG TOP Company (Asia Pacific). In alignment with the Science-Based Targets initiative (SBTi), the Company has vigorously advanced emission reduction efforts both within operations and across the supply chain. The Company achieved a significant 21% reduction in GHG emissions (Scope 1 + Scope 2) in 2024 compared to 2023 through optimized energy management, enhanced production efficiency, the establishment of green electricity procurement channels, and the exploration of innovative technologies. The Company has successfully met the 2024 annual carbon reduction target. Simultaneously, the Company has made substantial strides in the field of animal welfare. All laboratory animal sites have been certified by the International Laboratory Animal Assessment and Accreditation Council (AAALAC), and have implemented high-standard animal welfare and protection protocols, ensuring that every scientific research endeavor adheres to the highest ethical standards. Furthermore, the Company has optimized the diversity, equity, and inclusion (DEI) aspects of its supply chain, thereby strengthening its core competitive advantage. On the management front, the Company has continued to expand its certifications, including the Environmental Management System ISO 14001, Occupational Health and Safety Management System ISO 45001, and Information Security Management System ISO 27001. By adhering to globally recognized standards, the Company has comprehensively enhanced its management capabilities and systems.

2. Operation results of each business segment

(1) Laboratory services

During the Reporting Period, the laboratory services segment realized revenue of RMB7,046.9 million, with a year-on-year growth of 5.8%; and a gross margin of 44.4%, with an increase of 0.4 percentage points over last year. With the initial recovery of global biotech funding environment, during the reporting period, the newly signed purchase orders of the Company's laboratory services increased by more than 15% year-on-year. Among them, the Company's bioscience services continued to realize synergies with laboratory chemistry services, while actively exploring business opportunities in new drug modalities, and achieved robust growth. During the Reporting Period, the proportion of bioscience services revenue in laboratory services revenue exceeded 54%. The laboratory services team participated in 781 drug discovery projects for global innovative drug R&D in 2024.

During the Reporting Period, the Company's bioscience team continued to improve its technical capability and expand its service offerings. The Company completed the expansion and upgrade of its high-throughput screening and automation platforms, significantly enhancing the stability and reproducibility of experimental data, thereby further assisting customers in improving R&D efficiency. The Company strengthened its service capabilities in 3D cell culture, organoids, animal models, and transcriptomics/proteomics/metabolomics analysis. By providing more comprehensive multi-dimensional data, it assisted customers in deeply understanding disease mechanisms and advancing R&D projects. The Company also actively explored the application of AI and machine learning in drug discovery, mechanism of action analysis, data automation and informatization, to improve its productivity. In addition to its deep expertise in traditional small molecule services, the Company further expanded and strengthened its R&D service capabilities for new drug modalities, including advanced small molecules (such as PROTACs, molecular glues), peptides, oligonucleotides, antibodies, proteins, ADCs, and CGT products. It provided end-to-end services

from early-stage screening to IND filings, offering customers extensive, efficient, and reliable solutions. The Company continued to consolidate the cross-regional collaborations of its DMPK services among China, the U.K., and the U.S., providing more flexible and efficient services for global customers.

As of December 31, 2024, the Company had 10,062 employees in laboratory services. In laboratory chemistry services, the Company has one of the world's leading laboratory chemistry groups in terms of size and expertise with over 6,300 laboratory chemists and technicians. Laboratory chemistry is the core driver of small molecule drug discovery services. The Company leveraged its years of accumulated expertise to continuously expand its service scope and enrich its service offerings. Maintaining focus on cutting-edge technologies and emerging therapeutic targets in drug discovery, the Company had developed specialized laboratory chemistry capabilities for advanced modalities, including PROTACs, molecular glues, peptides, oligonucleotides, ADCs, etc, and achieved rapid development. In addition, the Company provided customers with more flexible and comprehensive laboratory services through seamless collaborations among laboratory services teams in China, the U.K. and the U.S., fulfilling the diverse needs in different R&D stages from customers, improving R&D efficiency, and helping customers rapidly advance R&D projects from preclinical R&D to clinical stage globally. Furthermore, the Company initiated the application of AI tools in laboratory chemistry services and will continue to invest in AI and automation to further improve its productivity.

During the Reporting Period, the Campus III in Ningbo was gradually put into operation, strengthening the Company's service capabilities in safety assessment, DMPK and in vivo pharmacology. Among them, the drug safety assessment laboratory received the national GLP certification in July 2024. The Company's Campus in Xi'an was gradually put into operation in 2024, and the construction of the Campus II in Beijing was continuously promoted to meet the medium- and long-term development needs of laboratory services.

(2) CMC (small molecule CDMO) services

During the Reporting Period, the CMC (small molecule CDMO) services segment realized revenue of RMB2,988.8 million, with a year-on-year growth of 10.2%; and a gross margin of 33.1%, with a decrease of 0.3 percentage points over last year, mainly due to the combined effects of an increase in the number of employees compared to the same period of last year, and certain modules were transferred from construction in progress into fixed assets. As a result of increased utilization and delivery of production projects, the gross profit margin in the second half of 2024 was higher than that of the full-year 2023. With the gradual recovery of customer demand and existing projects advance toward later development stages, the newly signed purchase orders of the Company's CMC (small molecule CDMO) services increased by more than 35% year-on-year.

As of December 31, 2024, the Company had 4,390 employees in CMC (small molecule CDMO) services. With the seamless integration of the Company's fully-integrated R&D service platform and the coordination of different service segments, approximately 81.5% of CMC (small molecule CDMO) services revenue came from the Company's existing customers of drug discovery services. In terms of process development, nearly 2,000 process development chemists of the Company in China and more than 200 process development chemists of the Company in the U.K. worked closely together to provide customized services for global customers with state-of-the-art technology. In terms of manufacturing, the Company's production facilities in China, the U.K. and the U.S. provided customers with flexible and efficient and more cost-effective integrated solutions from pilot to commercial production, covering intermediates, APIs and formulations. The Company continued to invest in end-to-end continuous flow synthesis, continuous hydrogenation

reactions, continuous flow ozonolysis, biocatalysis, electrochemistry, photochemistry, high-throughput experimentation (HTE), and high potency API manufacturing, and made remarkable progress. During the Reporting Period, the Company's CMC (small molecule CDMO) services pipeline reached 1,066 molecules or intermediates, including 19 projects in process validation and commercialization stage, 23 projects in Phase III clinical trials, 242 projects in Phase I-II clinical trials, and 782 projects in preclinical stage. Following the operation of its Shaoxing facility in 2022 and the establishment of commercial API manufacturing capacities in the U.K, and the U.S. through strategic acquisitions, during the Reporting Period, the Company's large-scale production projects increased as a result of the advancement of its CDMO pipeline, driving the growth of the segment's newly signed purchase orders and revenue.

During the Reporting Period, the Company actively explored the application of AI and machine learning in process chemistry R&D, reaction optimization, safety evaluation, quality management, production equipment maintenance, and engineering design, and implemented initiatives to leverage these technologies to improve the productivity of its CDMO services.

As the cornerstone for the sustainable development of the Company's CMC (small molecule CDMO) services, the Company is committed to the continuous improvement of its quality of services. The Company strictly adheres to the highest international quality standards and has laid a solid foundation for the further development of its CMC (small molecule CDMO) services by continuously strengthening its quality management systems. The Company's QA team provides regulatory authorities and customers with a variety of auditing methods, including on-site inspections and remote audits. During the Reporting Period, the Company received 153 QA audits (including 4 audits by regulatory authorities and 149 customer audits), and passed all the audits. Among them, the Company's Ningbo drug product production facility has obtained NMPA (National Medical Products Administration) approvals for the commercial production of 2 innovative drugs for its customers. The Company's API production facility in Ningbo received a pre-approval inspection (PAI) by the U.S. Food and Drug Administration (FDA) from October 28 to November 1, 2024, which was the first FDA regulatory inspection of the Company's API production facilities in China. The inspection results were favorable, and currently, the Company is awaiting the Establishment Inspection Report (EIR) from the FDA. The above results fully verify that the Company's CMC (small molecule CDMO) services have a sound quality management system and GMP commercial production capabilities for API and drug products. The Company remains steadfast in its commitment to excellence in quality management, delivering highest quality services and products to its customers.

(3) Clinical development services

During the Reporting Period, the clinical development services segment realized revenue of RMB1,826.2 million, with a year-on-year growth of 5.1%; and a gross margin of 12.8%, with a decrease of 4.3 percentage points over last year, mainly due to revenue mix of different projects and competitions in the China market, which resulted in temporary pressure on the segment's gross profit margin. Benefiting from the synergy of the Company's fully-integrated platform and the increasing customer recognitions of Pharmaron Clinical, the revenue and the number of ongoing projects of the Company's clinical development services continued to grow, and its market share continued to increase.

As of December 31, 2024, the Company had 4,007 employees in clinical development services, including more than 400 employees overseas. Pharmaron Clinical has established an integrated clinical trial service platform in China, an independent early clinical R&D center with 96 beds in Maryland, the U.S., and an integrated platform of "radioisotope compound synthesis – clinical – analysis" in the U.K. and the U.S.. During the Reporting Period, the Company strengthened its clinical operations, biostatistics, pharmacovigilance, and FDA regulatory submission services in the U.S.. These efforts will better assist Chinese customers in developing their products overseas and overseas customers in developing their products/in China.

During the Reporting Period, the Company's clinical CRO team provided services to 1,062 ongoing projects, including 94 projects in Phase III clinical trials, 407 projects in Phase I/II clinical trials, and 561 other clinical trial projects (including Phase IV clinical trials, investigator-initiated trials and real-world evidence trials). The Company's clinical research site management services team provided services to over 1,600 ongoing projects. Its CRC team covered over 670 hospitals and clinical trial centers in over 150 cities in China for clinical research site management services. Amidst intensifying market competitions, the Company had strengthened its core competitiveness by streamlining organizational structures and enhancing operational efficiency, leading to continued growth in project volume and customer base. Through dual regulatory filing services in China and the U.S., the Company had expanded its presence in the U.S. market, laying a solid foundation for future growth.

During the Reporting Period, the Company made remarkable progress in the digitalization and intelligence of its clinical development services. The Company had tested, evaluated, and implemented multiple AI applications across various business units including regulatory affairs, medical affairs, statistics, and pharmacovigilance. Through the combination of these AI solutions and engineering technologies, the Company had enhanced both the quality and efficiency of its services. During the Reporting Period, the Company acquired approximately 78.5% of the equity of Shanghai Jiying Intelligent Technology Co., Ltd. In February 2025, the Company completed the acquisition of a controlling stake in Zhejiang Aistarfish Technology Co., Ltd. By integrating the high-quality and compliant patient data of Aistarfish Technology and its AI platform, the Company will fully leverage Aistarfish's technological and data expertise in oncology, in combination with Jiying's technical capabilities in data analysis and AI algorithms, and the capabilities and scale advantages of the Company's clinical CRO services, to optimize the clinical trial processes including patient enrollment, patient follow-up, and data management. This integrated approach aims to assist its customers in improving the efficiency of clinical development. Meanwhile, the Company will make additional investments to expand its AI models and data platform into non-oncology fields, establishing unified multimodal data standards and integrating various disease characteristics to achieve cross-disease data integration. Through algorithm-optimized patient screening and stratification, the Company is committed to further promoting the digital and AI transformation of its clinical development service platform, thus better assisting its customers in improving drug R&D efficiency.

(4) Biologics and CGT services

During the Reporting Period, the Biologics and CGT services segment realized revenue of RMB407.5 million with a gross margin of -50.1%. The biologics and gene therapy CDMO business is still in the investment stage. The biologics CDMO service platform of the Campus II in Ningbo was partially put into operation in the first half of 2024, resulting in increased operating costs and depreciation during the Reporting Period compared to last year.

As of December 31, 2024, the Company had 733 employees in Biologics and CGT services. During the Reporting Period, the Company provided analytical release testing services to 24 CGT products at various stages, including 2 potency assays for commercial manufacture and 9 potency assays for clinical studies. For safety assessment services, the Company had 22 GLP and non-GLP toxicology studies for CGT products either had been completed or were in progress. In terms of gene therapy CDMO services, the Company had 14 projects across different service offerings and R&D stages, including 1 Phase III project, 6 Phase I/II projects, and 7 preclinical projects. In terms of biologics CDMO services, the Company successfully completed the first integrated project for an innovative bispecific antibody, from DNA to GMP drug substance and drug product.

During the Reporting Period, the Company had preliminarily established a biologics discovery services platform, and the revenue from laboratory protein and antibody generation services began to take shape. The biologics process development and production service platform (Campus II in Ningbo) was partially put into operation in the first half of 2024, and had successfully delivered GMP batch production of an innovative bispecific antibody to its customer, setting a significant milestone for its biologics CDMO services. The Company's specialty toxicology in vivo laboratory in Carlsbad, California, U.S. was partially put into operation and started to provide services to CGT products, ophthalmology products, and medical devices. This laboratory is equipped with state-of-the-art instrumentation that can support the totality of specialty CGT toxicology studies including formulation preparation/cell culture capabilities, imaging modalities for sophisticated in life dosing/sampling techniques, and bioanalysis. The Company's laboratories and facilities in Liverpool, the U.K. offered customers a scalable and approvable multiple AAV production platform, and further expanded its service capabilities for other advanced modalities. The Company is committed to providing customers with services in line with the highest global standards. During the Reporting Period, the Company's laboratory in Carlsbad, California, U.S., successfully passed the FDA audit, and its laboratory in Exton, Pennsylvania, U.S., successfully passed the EMA audit.

3. Profit for the Reporting Period

The profit attributable to owners of the parent in the Reporting Period was approximately RMB1,793.4 million, increased by 12.0% as compared to approximately RMB1,601.1 million for the year ended December 31, 2023.

4. Basic and Diluted Earnings Per Share

The basic earnings per share for the Reporting Period was approximately RMB1.0133, increased by 12.2% as compared to approximately RMB0.9033 for the year ended December 31, 2023. The diluted earnings per share for the Reporting Period was approximately RMB1.0113, increased by 12.1% as compared to approximately RMB0.9019 for the year ended December 31, 2023.

5. Non-IFRSs Adjusted Net Profit for the Period Attributable to Owners of the Parent

To supplement the financial statements prepared by us, we use non-IFRSs adjusted net profit attributable to owners of the parent as an additional financial measure. We define non-IFRSs adjusted net profit attributable to owners of the parent as net profit before certain expenses/(gains) as set out in the table below.

The Company believes that the consideration of the non-IFRSs adjusted net profit attributable to owners of the parent by eliminating the impact of certain incidental, non-cash or non-operating items is useful for better understanding and assessing underlying business performance and operating trends for the Company's management, shareholders and potential investors.

The non-IFRSs adjusted net profit attributable to owners of the parent is not an alternative to (i) profit before tax or net profit (as determined in accordance with IFRSs) as a measure of our operating performance, (ii) cash flows from operating, investing and financing activities as a measure of our ability to satisfy our cash needs, or (iii) any other measures of performance or liquidity. In addition, the presentation of the non-IFRSs adjusted net profit attributable to owners of the parent is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRSs. Shareholders and potential investors should not view the non-IFRSs adjusted net profit attributable to owners of the parent on a stand-alone basis or as a substitute for results under the IFRSs, or as being comparable to results reported or forecasted by other companies.

	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000
Profit attributable to owners of the parent	**1,793,351**	1,601,096
Add:		
Share-based compensation expenses	**83,385**	185,227
Convertible Bonds related (gains)/losses	**(6,136)**	122,893
Foreign exchange related losses/(gains)	**33,927**	(6,166)
Realized and unrealized (gains)/losses from equity investments	**(407,060)**	381
Non-financial assets impairment	**65,369**	–
One-off loss made by Pharmaron Shanghai Co., Ltd. due to the business close	**44,016**	–
Non-IFRS adjusted net profit attributable to owners of the parent	**1,606,852**	1,903,431

6. Cash Flows

During the Reporting Period, the net cash flows generated from operating activities was approximately RMB2,576.7 million, representing a decrease of approximately 6.4% as compared to the year ended December 31, 2023.

During the Reporting Period, net cash flows used in investing activities of the Group amounted to approximately RMB2,024.3 million, representing a decrease of approximately RMB226.6 million or 10.1% as compared to the year ended December 31, 2023.

During the Reporting Period, net cash flows used in financing activities of the Group amounted to approximately RMB4,796.7 million, representing an increase of approximately RMB8,711.9 million or 222.5% as compared to the year ended December 31, 2023. The increase was mainly due to: 1) increased repurchased of Convertible Bonds and cash repayment of bank loans; 2) increased repurchased of H Shares and A Shares of the Company during the Reporting Period; 3) decreased cash generated from the proceeds from bank loans and the capital injection from minority Shareholders compared to the year ended December 31, 2023.

7. Liquidity and Financial Resources

The Group has maintained a sound financial position during the Reporting Period. As at December 31, 2024, the Group's cash and cash equivalents amounted to approximately RMB1,623.1 million. For the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB2,576.7 million.

The Group recorded total current assets of approximately RMB7,608.2 million as at December 31, 2024 (December 31, 2023: approximately RMB10,874.4 million) and total current liabilities of approximately RMB4,224.0 million as at December 31, 2024 (December 31, 2023: approximately RMB3,654.5 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 1.8 as at December 31, 2024 (December 31, 2023: approximately 3.0).

8. Borrowings and Gearing Ratio

As at December 31, 2024, the Group aggregated interest-bearing bank borrowings of approximately RMB5,424.7 million. Among the total borrowings, approximately RMB1,047.3 million will be due within one year and approximately RMB4,377.4 million will be due after one year.

As at December 31, 2024, the gearing ratio, calculated as total liabilities over total assets, was 40.6%, as compared with 50.0% as at December 31, 2023.

9. Pledge of Assets

As at December 31, 2024, the Group mortgaged property, plant and equipment with a net carrying amount of approximately RMB1,102.7 million (December 31, 2023: approximately RMB691.7 million); and the mortgaged right-of-use assets had a net carrying amount of approximately RMB138.3 million (December 31, 2023: approximately RMB128.3 million).

Those pledged assets above have been used to secure the Group's interest-bearing bank borrowings.

Besides, as at December 31, 2024, the Group pledged deposits of approximately RMB66.8 million (December 31, 2023: approximately RMB127.7 million) to issue letters of credit and for environmental protection.

10. Final Dividend

On June 6, 2024, the 2023 Profit Distribution of the Company was approved at the annual general meeting of the Company. For further details of dividends paid pursuant to the 2023 Profit Distribution, please refer to paragraph numbered "13. Miscellaneous – (1) 2023 Profit Distribution" below under the section headed "B. Financial Review".

The Board proposed to declare a final cash dividend of RMB2.0 (inclusive of tax) per 10 shares or an aggregate of approximately RMB354.2 million for the year ended December 31, 2024.

The aforesaid proposal is subject to the consideration and approval at the AGM. If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended December 31, 2024 will be distributed to the shareholders by the end of August 2025.

Details regarding the closure of the register of members of the Company and declaration and payment of dividends will be announced separately in due course.

11. Contingent Liabilities

As at December 31, 2024, the Group did not have any material contingent liabilities.

12. Treasury Policies

Currently, the Group follows a set of funding and treasury policies to manage its capital resources, foreign currencies and cash flows and prevent related risks. The Group applied its cash flows generated from operating activities and bank loans to satisfy its operational and investment needs.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and financing activities in currencies other than the units' functional currencies. The Group is mainly exposed to the foreign currency of the US dollar. During the Reporting Period, the Group used forward currency contracts to hedge against part of our exposure to foreign currency risk.

13. Miscellaneous

(1) 2023 Profit Distribution

On June 6, 2024, the 2023 Profit Distribution of the Company was approved at the annual general meeting of the Company. Pursuant to the 2023 Profit Distribution, the Company has paid a cash dividend of RMB0.2 (inclusive of tax) per Share to the Shareholders whose names appeared on the H Shares register of members of the Company on July 8, 2024. Please refer to the circular of the Company dated May 14, 2024 for further details.

(2) Acquisition of Control of Shanghai JiYing

The Company has been significantly investing in the development of its sustainable technology platform and promoting innovation, making sure that the science and technology developed at Pharmaron align with the advancements in current and future new drug discovery and development in the biopharmaceutical industry, as well as continuously investing in cultivating and developing technological capabilities from AI. During the Reporting Period, the Company signed relevant agreements to acquire approximately 78.5% equity interest in Shanghai JiYing for a total consideration of RMB43.0 million in the form of equity purchase and capital increase. Shanghai JiYing has been deeply involved in the field of AI and frontier technologies for many years and holds a competitive advantage. The acquisition of Shanghai Jiying will further promote the Company's digital transformation in the clinical service field. With the gradual development and maturity of AI technology, it will be possible to improve the efficiency of clinical services and reduce labor costs.

(3) Additional Investment in PharmaGend

Pursuant to the Company's investment agreement with CMS Medical Venture Pte. Ltd., Rxilient Health Pte. Ltd. and Healthy Goal Limited to invest in PharmaGend, all shareholders of PharmaGend signed a share subscription agreement on August 2, 2024 to jointly make an additional investment of US$20 million in PharmaGend according to their respective shareholding ratios. Pharmaron (Hong Kong) International Limited, a wholly-owned subsidiary of the Company holding 35% equity interest in PharmaGend, will invest an additional US$7 million in PharmaGend. The consideration was fully paid up on September 13, 2024. Please refer to the overseas regulatory announcements of the Company dated August 5, 2024 and September 13, 2024 for further details.

On November 27, 2024, the Company further resolved to jointly make an additional investment of US$30 million in PharmaGend with its other shareholders according to their respective shareholding ratios. Pharmaron (Hong Kong) International Limited, a wholly-owned subsidiary of the Company holding 35% equity interest in PharmaGend, will invest an additional US$10.5 million in PharmaGend. The Company believes that this additional investment will improve the infrastructure and product line construction of PharmaGend, enhance its formulation CDMO service capabilities, thereby promoting the Company's global, high-quality, and sustainable healthy development. It further perfects the full-process integrated service platform, providing more flexible and efficient services to customers. PharmaGend completed the updates of the register of shareholders on March 10, 2025. Please refer to the overseas regulatory announcements of the Company dated November 27, 2024 and March 11, 2025 for further details.

(4) Disposal of Equity Interests in Overseas as Minority Investment of the Company

During the Reporting Period, PROTEOLOGIX, INC. (hereinafter referred to as "PROTEOLOGIX") a company in which the Company holds a minority interest, was acquired by Johnson & Johnson by way of a merger. The Company consented to the merger after having consider factors including PROTEOLOGIX's technical capabilities and operating conditions. The Company cooperated with PROTEOLOGIX in transferring all of its equity interests in PROTEOLOGIX, held directly by a subsidiary of the Company, for consideration of approximately US$102 million. On June 21, 2024, Johnson & Johnson completed the merger of PROTEOLOGIX, and the Company received the payment of US$86.195 million (after deducting relevant transaction fees and making relevant adjustments). The milestone payment will be paid upon achievement of certain milestone in accordance with the Merger Agreement. Please refer to the announcement of the Company dated June 24, 2024 for further details.

(5) Resignation of Independent Non-Executive Director

Mr. Zhou Qilin ("**Mr. Zhou**") resigned as an independent non-executive Director of our Company with effect from November 27, 2024 in compliance with the relevant rules on the part-time management of members of the Chinese Academy of Sciences. Mr. Zhou confirmed that he has no disagreement with the Board and there are no matters in relation to his resignation that need to be brought to the attention of the Stock Exchange, or the shareholders of the Company.

Following his resignation, Mr. Zhou ceased to be an independent non-executive Director of the Company and a member of the strategy committee of the Board. Please refer to the announcement of the Company dated November 27, 2024 for further details.

(6) Additional Investment in AstraZeneca Fund

During the Reporting Period, the Company reached a comprehensive strategic cooperation with AstraZeneca Investment (China) Co., Ltd. ("AstraZeneca China") in respect of integrated services for R&D, commercialization and manufacturing throughout the entire process of drug discovery, preclinical and clinical development, including small molecules, biologics and CGT drugs, as well as investment in the field of innovative drug R&D. Meanwhile, based on the positive role of Wuxi AstraZeneca-CICC Venture Capital Partnership (Limited Partnership) ("AstraZeneca Fund"), one of AstraZeneca China's innovative "three pillars", in promoting China's innovative drug industry, the Company signed the Agreement on the Transfer of the Share of the Property of Wuxi AstraZeneca-CICC Venture Capital Partnership (Limited Partnership) 《關於無錫阿斯利康中金創業投資合夥企業(有限合夥)之財產份額轉讓協議》 with the relevant parties on August 16, 2024 to acquire the AstraZeneca Fund partnership interest held by Jiangsu Yuyue Medical Equipment & Supply Co., Ltd. and Shanghai Zhengxingu Investment Management Co., Ltd. for a consideration of RMB0. The Company subscribed for but has not yet paid the total of RMB91 million AstraZeneca Fund commitment held by Jiangsu Yuyue Medical Equipment & Supply Co., Ltd. and Shanghai Zhengxingu Investment Management Co., Ltd.. After this additional investment, the Company's commitment to AstraZeneca Fund amounted to RMB191 million, accounting for 8.46% of the total contribution to AstraZeneca Fund. Please refer to the overseas regulatory announcement of the Company dated August 16, 2024 for further details.

(7) Connected Transaction in relation to the Investment in the Yongxin Kangjun Fund

On April 8, 2024, Kangjun Investment (as the General Partner) and eight Limited Partners, namely, the Company, Beijing Xinyuan Zhikang, Ningbo Yongxin, Ningbo Yongqian, Ningbo Yongcai, Zhuhai Gaoke, Shanghai Model and Mr. Yu Yuejiang (郁岳江) entered into the Limited Partnership Agreement in relation to the investment in the Yongxin Kangjun Fund. Pursuant to the Limited Partnership Agreement, the Company subscribed for a capital contribution of RMB280.0 million and act as a Limited Partner of the Yongxin Kangjun Fund. As at the date of the Limited Partnership Agreement, each of Kangjun Investment and Beijing Xinyuan Zhikang was a connected person of the Company. Therefore, the Company's investment in the Yongxin Kangjun Fund alongside Kangjun Investment and Beijing Xinyuan Zhikang constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated April 8, 2024 for further details.

(8) Change of Company Secretary, Authorised Representative and Process Grant

On April 25, 2024, Mr. Yim Lok Kwan was appointed as the Company Secretary, the Authorised Representative and the Process Agent upon the resignation of Ms. Mak Po Man Cherie. Please refer to the announcement of the Company dated April 25, 2024 for further details.

(9) Amendments to the Articles of Association

On June 6, 2024, the Shareholders resolved to approve the amendments to the Articles of Association by virtue of (i) the changes of the registered capital of the Company and (ii) the changes of relevant laws and regulations, and in order to incorporate certain housekeeping amendments. Please refer to the announcement of the Company dated March 28, 2024 and the circular of the Company dated May 14, 2024 for further details.

On December 18, 2024, the Shareholders further resolved to approve the amendments to the Articles of Association by virtue of (i) the changes of the registered capital of the Company and (ii) the change in composition of board committee. Please refer to the announcement of the Company dated November 27, 2024 and the circular of the Company dated November 27, 2024 for further details.

C. TECHNICAL INVESTMENT RESULTS

Keeping pace with cutting-edge technologies of innovative drug R&D, pharmaceutical industry trend, and technological evolution, the Company has consistently adopted a strategy of combining internal R&D with external innovations to enhance its technical expertise.

In 2024, the Company took a significant step forward in full-automation and AI technologies. Leveraging cutting-edge automation technologies, it significantly increased the efficiency of chemical reaction conditions selection and lead compounds screening. Meanwhile, the Company implemented fully automated chemical synthesis platform and fully integrated and automated high throughput screening platform to achieve a comprehensive technological upgrade. More importantly, the Company also began to deeply integrate AI technologies into different service lines, including applying AI tools in chemistry services to optimize reaction conditions and develop separation methods. In bioscience services, the Company utilized machine learning to train the models of simulation of the physiological conditions and prediction of the compound potency. In addition, the Company integrated multi-omics data (including WGS/WES, RNA-seq, scRNA-seq, and proteomics) by using ML tool to deeply mining the data for mechanism elucidation or biomarker identification. The Company is committed to leveraging AI technologies to empower target identification, drug resistance mechanism investigation, and in vitro toxicology evaluation to improve the efficiency of drug discovery services.

The Company comprehensively applies advanced technologies while practicing the green chemistry concept. It promoted the application of flow chemistry, photochemistry, and electrochemistry in its laboratory chemistry services. In small molecule CDMO services, in 2024, the Company continued to invest in end-to-end continuous manufacturing, continuous flow hydrogenation, continuous flow ozonolysis, biocatalysis, electrochemistry, photochemistry, and high-throughput experimentation (HTE), and made remarkable progress. In 2024, the Company completed several hundred-kilogram scale photochemistry production projects and ton-scale fully automated continuous manufacturing projects. Taking one project with a final product of four tons as an example, the implementation of fully automated continuous manufacturing saved 60% in labor and material costs compared with traditional methods, while reducing the PMI (Process Mass Index) from 45 to 25.

D. CORE COMPETITIVENESS ANALYSIS

The Company provides customers with fully-integrated services covering drug research, development and manufacturing services for innovative pharmaceutical products throughout the research and development cycle. With this end-to-end and fully-integrated business model, we gain significant competitive advantages in deepening customer collaboration, establishing core technical expertise and professional team building which enable us to better support our customers' innovative R&D programs.

1. Industry-leading fully-integrated pharmaceutical R&D services platform with strong capabilities and provides comprehensive service offerings for customers across the globe

The Company is committed to building a R&D and manufacturing service platform across multiple therapeutic modalities (including small molecule, Biologics and CGT products) throughout drug discovery, preclinical and clinical development process. The Company has a well-established and fully integrated R&D and manufacturing service platform for small molecule drugs, and is rapidly expanding into emerging drug modalities such as peptides, oligonucleotides, and ADCs. In addition, the Company has built an integrated service platform for biologics and CGT products. The Company is in an industry-leading position in drug discovery, preclinical and early clinical-stage research, and has expanded its capabilities downstream to late clinical-stage development and commercial manufacturing. In the process of expanding its R&D service offerings, the Company has successfully transformed from a single laboratory chemistry service provider to an end-to-end, multiple-therapeutic pharmaceutical R&D service platform with business operations in China, U.S. and U.K..

The Company has established comprehensive expertise in different R&D stages, so as to assist customers in accelerating their R&D programs and cater to a full spectrum of customers' needs. With our professional project management capabilities, we are able to utilize our full integrated services platform to cater for the customers' needs. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is strengthening the integration of different disciplines at the same pharmaceutical R&D stages, improving the science and technology of each discipline, expanding the services offering, and promoting the interdisciplinary collaborations. With the integration and collaboration between our discovery and development service platforms, we have accumulated a profound understanding of the unique scientific challenges involved in our customers' new pharmaceutical R&D projects, which will facilitate us to move projects forward more efficiently and in turn maximize the benefits of our customers. The Company's profound industry knowledge, strong execution capability and end-to-end solutions will shorten the drug discovery and development cycle and reduce the associated risks for our customers.

As a fully-integrated pharmaceutical R&D service provider, the Company's comprehensive pharmaceutical R&D services platform has the following six core competences:

(1) Comprehensive chemistry platform throughout the entire drug R&D and commercial stages

As a fully-integrated service provider for the research, development and manufacturing of small molecule pharmaceutical products, the Company's expertise and advantage in chemistry technology is crucial throughout the whole drug R&D process.

With the comprehensive chemical technology platform covering compound design (including CADD), design and synthesis of a compound library, medicinal chemistry, synthetic chemistry, analytical chemistry, early process chemistry, process chemistry, GMP API manufacturing, and formulation development and manufacturing, the Company can satisfy customers' demand for pharmaceutical R&D and manufacturing in each stage of the pharmaceutical R&D process, including laboratory synthesis process at the drug discovery stage, scale up process development from preclinical to clinical stage as well as GMP manufacturing up to commercial stage, which fully cater to the diversified needs of different types of customers. By providing R&D services for the compound synthesis process, and formulation development services, the Company is able to provide customers with fully-integrated pharmaceutical R&D and manufacturing solutions from initial compounds to finished dosages.

(2) DMPK/ADME service platform throughout the entire drug R&D process

The Company provides DMPK/ADME services covering the whole R&D process from drug discovery to development. The early DMPK/ADME studies are of great importance as they can provide a key basis for our customers to determine their late-stage drug development strategy. Radioisotopic analysis technology is critical as an important drug metabolism analysis technology during the clinical stage. The Company is able to provide customers with integrated radioisotope synthesis and DMPK services, which cover radioisotope compound synthesis and human ADME studies using regular isotope analysis technology or high-sensitivity AMS technology. In addition, the Company has established a comprehensive global service network for ADME/DMPK studies, and further strengthen its leading position in discovery and development DMPK services.

(3) Comprehensive integrated platform from drug discovery to POC ("proof of concept")

From inception, the Company has committed to the establishment of integrated services platform from drug discovery to proof of concept stage, which covers compound design, compound library synthesis, synthetic and medicinal chemistry, biology, DMPK, pharmacology, toxicology, drug safety assessment, radiolabelled chemistry and DMPK, clinical pharmacology, clinical bioanalysis, clinical data statistics, chemical process development and API manufacturing and formulation and drug product manufacturing.

With this comprehensive integrated services platform, the Company has undertaken many integrated research projects, and achieved a considerable number of milestones. In addition, the Company can also provide a customized service package at a particular stage of drug R&D process, such as an integrated service package for IND enabling which includes preclinical safety assessment, early process development and manufacturing, pharmacology, DMPK and clinical proposal. With this comprehensive IND enabling solutions and the ability to support IND filing for different jurisdictions, it provides flexibility to the customers, accelerates their drug development process and reduces their overall R&D costs.

(4) Fully-integrated clinical development services in China

As a significant component of the Company's fully-integrated service platform, domestic clinical development platform covers various functions, including regulatory and registration services, medical affairs, medical monitoring, clinical operations, data management and biostatistics, bioanalysis, pharmacovigilance, quantitative pharmacology, site management services, healthy and patient volunteer recruitment and management, and quality assurance, which provides customers with complete, efficient, end-to-end Phase I, II, III and IV clinical development services. Through internal capability building, organic growth and external acquisitions over the years and our effort in integrating different functions and processes and optimizing the team and organization structure. The Company has built a sizeable and highly competitive clinical development services platform in China, offering high-quality clinical development services of new small molecule drugs, biologics and medical devices for domestic and oversea customers.

Leveraging on the technical capabilities and established reputation of our preclinical R&D platform, the clinical R&D services platform collaborates with the preclinical and business development teams to get involved in clinical study planning discussion with customers as early as possible, so as to provide more comprehensive customer services and at the same time, and generate business opportunity for the clinical development services. Also, the medical affair, regulatory affairs, bioanalytical, quantitative pharmacology and biostatistics departments of the clinical development services work closely with the preclinical R&D team for planning of IND-enabling. These high-quality interactions between preclinical and clinical teams accelerate projects progressing in high-quality from preclinical to clinical stage, allowing our customers to fully enjoy the benefits of the Company's fully integrated services platform.

Together with the Company's U.S. clinical pharmacology center, data management and biostatistical, bioanalytical and clinical CRO operation and project management teams who are well versed with clinical development process and culture in both China and U.S., we are able to provide a faster and convenient gateway for domestic customers to present their R&D program globally.

(5) An integrated platform for "laboratory services-IND enabling-process development and manufacturing" of biologics and gene therapy products

The Company has built a comprehensive R&D and manufacturing service platform for biologics from discovery to process development and manufacturing (CDMO). Together with the bioscience services under its laboratory services segment, the Company provides customers with end-to-end biologics services from "laboratory services-IND enabling-process development and manufacturing", including cell screening, biologics generation and purification, analytical assay development and product characterization to support early stage R&D projects. In the first half of 2024, the Company's biologics development and manufacturing service platform located in the Campus II in Ningbo began operation. It provides customers with development services including cell line development, upstream and downstream process development, formulation development, fill-and-finish process development, and analytical method development, as well as drug substance and drug product manufacturing services from 200L to 2,000L production capacity to support projects from pilot to commercial production.

In recent years, through acquisition and integration of related resources and platforms, the Company has initially built an integrated services platform of "laboratory testing – IND enabling – process development and manufacturing" for gene therapy products, including a comprehensive and industry leading analytical platform for biologics and CGT products that are in compliance with ICH guidelines of GLP/GCP/GMP in the U.S., and an integrated platform for the development and GMP manufacturing of gene therapy products in the U.K.. By combining both the analytics and CMC platforms in gene therapy products with our safety assessment center which has been inspected and/or certified for GLP compliance by NMPA, FDA and OECD regulatory authorities, the Company offers customers a complete preclinical IND enabling solution for CGT products, as well as clinical testing material manufacturing and clinical sample analysis services for CGT products.

(6) Building an end-to-end service platform for new drug modalities

In 2024, the proportion of new drug modalities, including peptides, ADCs, bispecific antibodies and oligonucleotide drugs, among the new drugs approved by FDA has significantly increased, leading to a rapid growth in demands for corresponding R&D and manufacturing services. Leveraging its deep expertise in small molecule R&D services and strategic expansion into biologics, the Company has initially established a fully integrated ADC discovery service line, including antibody preparation, payload synthesis, linker synthesis, bioconjugation and biological testing that has achieved rapid business growth. The Company's peptide discovery services continued to advance based on a comprehensive synthesis platform consisting of automated synthesis, analysis and purification. In addition, the Company's service capabilities for oligonucleotide drugs (including siRNA, ASO, etc.) have adopted many cutting-edge technologies. Moving forward, the Company will continue to strengthen its laboratory and manufacturing service capabilities for new drug modalities, such as ADCs, peptides, oligonucleotide drugs, and build a comprehensive end-to-end service platform for multiple-therapeutic modalities. With a more open-minded and proactive attitude, the Company will promote and practice cross-platform collaborations and adopt novel technologies for new drug modalities to improve productivity. With its profound disciplinary expertise and high customer recognition, the Company is committed to further consolidating and building laboratory services for new drug modalities while building manufacturing capabilities to create an end-to-end platform.

2. Global operations, profound experience in pharmaceutical R&D and state-of-the art technologies to provide customized solutions for customers

The Company operates globally through our 21 operating facilities, clinical and manufacturing facilities in China, U.K., and U.S., of which 11 operating facilities are located overseas. The Company's profound experience in global pharmaceutical R&D, together with its global operations and world-class technical capabilities offers our customers a unique value proposition and customized solutions that combines our technical expertise in different geographic locations and efficient services with seamless integration.

Through our global operation, the Company has established a services network and strategic presence in global life science hubs which enhances the customer communication and our understanding of customer needs. Further, by carrying out our R&D services under different jurisdictions, it provides flexibility to customize our services solutions that best suit our customers' geographic and strategic needs. For example, the clinical pharmacology team in U.S. has worked seamlessly with our Chinese team to help customers in China for the preparation and filing of IND application and conducted the first-in-human (FIH) studies in U.S.. In addition, the Company's experience in regulatory filings in various jurisdictions and its service model of providing customers with total solution enable our customers to file IND applications for their drug candidates in China, U.S., or EU in parallel, which makes the IND applications of our customers more flexible and efficient.

On the other hand, it is the Company's core strategy for each international acquisition to effectively integrate with our global services platform and brought in the world class talent and facilities into our integrated services platform to further strengthen our overall services capabilities and increase the efficiency of our services. These strategies complement each other to effectively improve the Company's international operation capability and bring high value-added services to customers.

Currently, the Company has established an integrated CMC (small molecule CDMO) services platform across China, the U.K. and the U.S.. Leveraging its global capacities, the Company is able to offer its global customers more flexible, scalable, and environmentally sustainable end-to-end API production services. In 2024, the Company further increased its capital investment in PharmaGend located in Singapore. Through the advanced production machines and equipment of PharmaGend, a pharmaceutical manufacturing plant with world-leading standards was successfully established. PharmaGend has passed inspections from the U.S. Food and Drug Administration (FDA). It has represented a milestone of the Company's global drug product CDMO services and further strengthened its global services network.

By adhering to the long-standing growth strategy of building "end-to-end, fully-integrated, globalized and multiple-therapeutic modalities" services platform, it facilitates cross-regional and multiple regulatory jurisdictional collaboration for cross-disciplinary and cross-R&D stages projects. Meanwhile, with efficient project management and cross-cultural communication, it facilitates the collaborations among teams, regions and disciplines to maximize the interests of our customers.

3. Committed to utilizing innovative technologies to meet evolving R&D needs and increase efficiency

Since inception, the Company has continually put great emphasis on technology and innovation to fuel the constant grow of the business and satisfy the evolving R&D needs. The Company develops new technologies through multiple measures such as internal research and development, collaboration with academic and professional institutions, customer collaboration and acquisitions. In recent years, the Company has been strategically developing new technologies and capabilities in artificial intelligence (AI), green chemistry and "proteomics, gene-editing and HTS integrated technologies" to further strengthen the integrated services platform. The Company further explores the application of AI in drug discovery, including utilizing AI technology to predict the growth trends of immortalized cells in vitro, utilizing AI technology to predict drug mechanisms of action (MOAs) in vitro, and applying of AI technology for reaction condition prediction and route design. At the same time, the Company has deployed AI tools across multiple clinical CRO service workflows to enhance its efficiency. In addition, the Company is committed to utilizing advanced technologies such as flow chemistry, biocatalysis, and electrochemistry to practice green chemistry concept, as well as integrating chemical proteomics platform, gene editing technologies, and high-throughput techniques to explore a broader drug space and accelerate drug discovery process.

4. Dedicated, stable and visionary management teams, experienced talent pools with progressive corporate culture

The Company's management team is led by Dr. LOU Boliang, our chairman and chief executive officer. With over 30 years of experience in the pharmaceutical industry, he is highly respected in the industry for his excellent leadership that contributes to the Company's rapid development. The Company's senior management team has been with us for more than 10 years. The Company has more than 100 senior scientific and technical leaders, 2 of whom were named as National Talents and 14 of who were named as Beijing Talents. Members of our highly skilled, experienced and international management team possess diverse expertise and extensive knowledge, and have significantly contributed to the growth of the Company's institutional knowledge base. The Company focuses on its homegrown scientific team consisting of selected, young and promising scientists, which enables us to form a cohesive and vibrant mid-level management team composed of nearly 3,700 technical managers and high-calibre scientific research talents across all scientific disciplines of the Company. In addition, the Company's visionary management team has established a highly experienced and skilled talent pool with strong execution efficiency. As of December 31, 2024, the Company had 19,192 R&D, production technology and clinical services staff in China, U.K. and U.S.. The highly professional technical team ensures the Company's continuous provision of high-quality R&D services for customers. The open platform for talent development ensures that the Company will continuously attract talents from around the globe.

The Company is committed to its corporate philosophy of "Employee First and Customer Centric" which put strong emphasis on employee training and improves all mechanisms so as to integrate their career development into the Company's overall development strategy. In order to develop and train our talents, the Company provides training to our employees through our in-house training system including the "Pharmaron College", visiting scholar programs at renowned laboratories and institutions and holds various seminars, forums and academic symposiums regularly, through which our team members acquire updates on the most advanced technology and techniques of the industry. In addition, the Company has developed training programs with the world renowned universities and research institutes for high-calibre scientific research talent. The above measures have greatly improved the scientific research capabilities and cohesion of the Company and its employees. Furthermore, the Company respect and value every single customer so as to ensure R&D quality by tackling each technical challenges and complete every single task with integrity and scientific rigor.

Our dedicated, stable and visionary management team, experienced talent pool and outstanding corporate culture lay a solid foundation for the Company's long-term success.

5. Reputable, loyal and expanding customer base that contributes to our sustainable growth and business collaboration

The Company has a large, diverse and loyal customer base including the global top 20 pharmaceutical companies and numerous reputable biotech companies. In 2024, the Company introduced over 900 new customers, with nearly 95% of revenue contributed by the Company's large, diverse and loyal repeat customers. The Company's fully-integrated solution and deep understanding of customers' needs allow it to provide customized pharmaceutical R&D services for customers according to their needs. With further progress made in the existing customers' projects, the loyal and growing customer base will enable the Company to develop new services in drug development and at the early clinical stage.

The Company benefits from its strategic partnership with specific customers. Through knowhow sharing and training provided during its deep collaboration with these customers, the Company is able to further improve technical capabilities and enhance service excellence, thereby creating a virtuous cycle. With our strong technical expertise, advanced infrastructure, profound industry knowledge, strong execution capability and quality customer services, the Company is able to become our customers' strategic partner and help them form their drug development or R&D outsourcing strategies, which in turn reinforces our close relationships with such customers. In addition to our strong scientific capabilities, the Company puts emphasis on areas like environmental protection, health, safety and intellectual property protection. The Company takes such measures as establishing the intellectual property protection system and building the information system to ensure that our customers' intellectual properties are well protected, and is widely recognized and trusted by customers in this respect. The Company's high-quality services enable it to accumulate a good reputation among our existing customers, and to further expand our customer base by acquiring new customers through word-of mouth referrals.

E. OUTLOOK FOR 2025

1. Industry competition and development

The Company is engaged in pharmaceutical research, development and manufacturing services which provides fully integrated services to support customers' R&D for innovative pharmaceutical products throughout the research and development cycle. Its business is closely related to the development of the pharmaceutical industry and pharmaceutical R&D outsourcing market.

(1) Trend on the global and Chinese drug R&D and manufacturing spending

With the accelerated growth of aging population globally, the expansion of the chronic disease patients population and the increase in the total investment in medical and healthcare industry in various countries, the global and Chinese pharmaceutical markets continue to develop, which in turn drives the continuous increase of the pharmaceutical R&D and manufacturing spending. In the future, the spending on research, development and manufacturing are expected to maintain solid growth both globally and in China. According to Sullivan's forecast, the size of the global pharmaceutical R&D and manufacturing spending was approximately US$643.9 billion in 2024, and it is estimated that the global pharmaceutical R&D and manufacturing spending will increase to US$830.5 billion by 2030, representing an expected CAGR of 4.3% from 2024 to 2030; of which, the pharmaceutical R&D and manufacturing spending in China was approximately RMB721.1 billion in 2024, and it is estimated that pharmaceutical R&D and manufacturing spending in China will increase to RMB1,063.8 billion by 2030, representing an expected CAGR of 6.7% from 2024 to 2030.

(2) Trend on the global and Chinese drug R&D and manufacturing outsourcing services market

Under the pressure of increasing R&D costs and patent cliff, as well as the internal R&D capacity limitation, pharmaceutical companies gradually turn to pharmaceutical R&D and manufacturing outsourcing services with an aim to reduce their overall R&D costs and improve their R&D efficiency. The increasing trend of pharmaceutical R&D and manufacturing spending also provides a solid foundation for the growth of outsourcing services for R&D and manufacturing. According to Sullivan's forecast, the total size of global pharmaceutical R&D and manufacturing outsourcing services was approximately US$174.0 billion in 2024, and it is estimated that such size will increase to US$344.4 billion by 2030, representing an expected CAGR of 12.0% from 2024 to 2030. In addition, with the continuous improvement of the capabilities and capacities of Chinese drug R&D and manufacturing outsourcing service providers and the continuous increase in drug R&D and manufacturing spending in China, the market share of Chinese services providers in the global drug R&D and manufacturing outsourcing service market is also increasing. According to Sullivan's forecast, the size of Chinese drug R&D and manufacturing outsourcing services accounted for approximately 14.8% of the global market in 2024, and it is estimated that such size will increase to RMB482.3 billion by 2030, which represent 19.5% of the global market.

a. Trend on the drug discovery R&D services

Drug discovery is a multidisciplinary and systematic work and process. According to Sullivan's forecast, the size of global drug discovery CRO service market was estimated to be US$13.1 billion in 2024, representing an outsourcing penetration rate of 48.0% (market size of drug discovery CRO service over the addressable market of drug discovery spending). It is estimated that the size of global drug discovery service market will increase to US$22.0 billion by 2030, representing an expected CAGR of 9.0% from 2024 to 2030, and the penetration rate of global drug discovery R&D service market will reach 66.3%; meanwhile, the size of China's drug discovery R&D CRO service market was estimated to be RMB19.5 billion in 2024, accounting for approximately 20.7% of the total global size. It is estimated that the size of China's drug discovery R&D service market will increase to RMB39.8 billion by 2030 with the market share increase to 25.2% of the total global market.

b. Trend on the pharmaceutical development and manufacturing services

Pharmaceutical development and manufacturing (CDMO) services cover the whole process from preclinical, clinical, registration to commercial manufacturing. According to Sullivan's forecast, the size of global pharmaceutical CDMO service market was estimated to be US$86.2 billion in 2024. It is estimated that the size of global pharmaceutical CDMO service market will increase to US$200.2 billion by 2030, representing an expected CAGR of 15.1% from 2024 to 2030; meanwhile, the size of China's pharmaceutical CDMO service market was estimated to be RMB93.6 billion in 2024, accounting for 15.1% of the global pharmaceutical CMO service market. It is estimated that the size of China's pharmaceutical CDMO service market will increase to RMB295.1 billion by 2030 with the market share increase to 20.5% of the total global market.

c. Trend on the clinical development services

Clinical development services cover Phase I to Phase III clinical trials and post-market studies of pharmaceutical products. According to Sullivan's forecast, the size of global drug clinical development services market reached US$61.7 billion in 2024, with outsourcing penetration rate of 46.6% (market size of clinical development CRO service over the addressable market of clinical development spending). The size of global market is expected to reach US$101.5 billion by 2030, representing an expected CAGR of 8.6% from 2024 to 2030, and the outsourcing penetration rate will rise to 50.1%; meanwhile, the market for China's drug clinical development outsourcing services was estimated to be RMB47.8 billion in 2024, accounting for 10.8% of the global clinical development services market. With the growth of the Chinese pharmaceutical industry, it is expected that the size of China's clinical development services will reach RMB100.5 billion by 2030, during which the CAGR of service scale will be 13.2%, and the market share increase to 13.8% of the total global market.

2. Outlook and strategy of the Company's future development

The Company adheres to its core growth strategy to build and improve its global end-to-end and multiple-therapeutic modalities drug R&D services platform that is fully-integrated with the highest international standard. In addition to continuously strengthen its leading position in the small molecule integrated R&D services, the Company has rapidly expanded its service capabilities for new drug modalities including ADC and peptide drugs. The Company has initially completed the establishment and integration of service platforms for clinical development services, biologics and CGT product CDMO services. For the small molecule integrated R&D service platform, through continued expanding and training our talent pools, investing in cutting-edge technologies, upgrading our service capabilities and strengthening the management capabilities for global multidisciplinary collaborations, the Company will further improve the fully-integrated services platform and provide customers with tailored, more flexible and efficient solutions. To cater to the specific needs of domestic and oversea customers, the Company establishes multi-disciplinary and collaborative services teams for customers in a timely manner to address customers' R&D needs, so as to help customers successfully and efficiently advance their pharmaceutical R&D programs. For the new therapeutic modalities such as biologics and CGT products, the Company will leverage its existing strengths to actively expand its customer base, gradually enhance its business scale and operational management efficiency, giving into play the role of a global end-to-end and integrated service platform for biologics and CGT products as the pillar of the Company's overall business. In the clinical development services segment, the Company will further promote the cooperation between teams in China and the U.S., while enhancing its integrated clinical services platform. With its profound disciplinary expertise and high customer recognition, the Company will further consolidate and build an end-to-end platform for new drug modalities, with a focus on manufacturing service capabilities. The Company is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities.

The Company will adhere to its business development strategy and continue to expand its domestic and overseas market shares. In overseas market, with years of proven track record, the Company has a large and loyal customer base with solid relationships. By continuously optimizing and upgrading the technical service platform, the Company is committed to providing customers with high-quality services and continuously improving and expanding its service offerings. Also, with the Company's excellent reputation and brand influence in the industry, it is actively attracting more new customers. For the domestic market, the Company will pay more attention to cultivating the domestic market and adopt a specific market strategy to address the domestic needs.

3. Main operational plan of the Company for 2025

In 2024, global biotech funding has returned to a growth trajectory, with customer demand demonstrating initial signs of recovery and newly signed purchase orders achieving rapid growth. In 2025, the Company will continue to adhere to the growth strategy of "end-to-end, fully integrated, globalized and multiple-therapeutic modalities", and is committed to providing customers with better services and gaining market share. The Company will focus on the following tasks:

(1) Strengthen the fully integrated service platform for multiple-therapeutic modalities

a. Strengthening its leading position in small molecules and continue to develop capabilities for new drug modalities

With over two decades of development, the Company has established an end-to-end small molecule pharmaceutical R&D and manufacturing service platform covering the entire process from drug discovery to preclinical and clinical development and commercial manufacturing. In 2025, the Company will continue to make efforts in strengthening its leading position in small molecule R&D services and enhancing its competitiveness globally. In addition, the Company will continue to expand and deepen its service offerings in new drug modalities including peptides, oligonucleotides, antibodies, ADCs, and CGT products, with a focus on manufacturing service capabilities, and promote the diversification of its integrated platform.

b. Continue to improve the CMC (small molecule CDMO) services capabilities

After the integration of the capacities in China, the U.K. and the U.S., the Company has set up a production information center to coordinate the equipment, manpower and materials of these CDMO facilities to improve utilization; it has streamlined and simplified the operating processes and documentation to facilitate the project transfers and business coordination, and improve productivity. In 2025, the Company will accelerate the enhancement of late-stage and commercial manufacturing capabilities, leveraging its industry-leading process development capabilities, strengths in various areas built from early-stage projects and the global hybrid model to undertake more late-stage and commercial projects.

c. Continue to strengthen the fully integrated clinical development service platform

Through a series of integrations, the clinical development service platform in China will further strengthen its service capability of each subsidiary and department, creating greater synergies across teams. Its overseas clinical development services, while consolidating and expanding early-phase clinical trial services in healthy volunteers, will extend to clinical development services targeting patients with both oncological and non-oncological diseases. In 2025, while driving the continuous improvement of the integrated clinical service platform, the Company will further promote the cooperation between teams in China and the U.S., and help Chinese customers develop their products overseas. Simultaneously, the Digital Innovation Technology Department of Pharmaron Clinical will continue to advance digital and intelligent initiatives, pioneer innovative approaches, and empower multiple clinical research business units through the application of advanced tools including automation and machine learning, enhancing service capabilities and quality standards. In February 2025, the Company completed the controlling stake acquisition of Zhejiang Aistarfish Technology Co., Ltd. By integrating the high-quality and compliant patient data of Aistarfish Technology and its AI technology platform, the Company fully leverages Aistarfish Technology's technological and data expertise in oncology. Combined with the capabilities and scale advantages of its clinical CRO services,

the Company aims to optimize the clinical trial processes including patient enrollment, patient follow-up, and data management. Meanwhile, the Company will make additional investments to expand Aistarfish Technology's AI models and data platform into non-oncology fields, establishing unified multimodal data standards and integrating disease characteristics such as genomics and imaging data, to achieve cross-disease data integration. Through algorithm-optimized patient screening and stratification, the Company is committed to further promoting the digital and intelligent upgrade of its clinical development service platform, thus better assisting its customers in improving drug R&D efficiency.

d. Continue improving the biologics and CGT services platform

For the biologics R&D services, in 2024, the Company has made progress in the laboratory protein and antibody generation and characterization services. In addition, its biologics development and manufacturing facilities in Ningbo (Campus II in Ningbo) began operation. Building on this momentum, the Company plans to further strengthen its biologics discovery and CDMO service capabilities in 2025. This will be accomplished by establishing a quality system fully compliant with the highest international regulatory standards, expanding technical teams, attracting top-tier professional talents, and developing an integrated biologics R&D and manufacturing platform. These efforts aim to position the Company to undertake more biologics service projects.

In the field of cell and gene therapy services, the Company will continue to realize the synergies between its CGT services in the U.S. and its gene therapy CDMO services in the U.K., and gradually increase its business scale and productivity. Leveraging the strengths of its service platforms, the Company aims to actively expand its customer base to meet the needs of both domestic and overseas customers.

(2) Enhance collaborations across multi-modality platforms

With over two decades of development, the Company has established a broad spectrum of drug R&D and manufacturing service capabilities across multiple therapeutic modalities, including small molecules, biologics and CGT products. The Company will continue to achieve integration and synergies both vertically and horizontally. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is strengthening the integration of different disciplines at the same pharmaceutical R&D stages, improving the science and technology of each discipline, expanding the service offerings, and promoting the interdisciplinary collaborations. By adopting a more open and proactive attitude to promote and practice cross-platform collaborations, the Company aims to further consolidate and develop its new drug modalities R&D services and improve its innovation capabilities in this evolving environment. In addition, the Company is committed to promoting cross-site management and operations to break down geographical barriers and realize more synergies.

(3) Improve the Company's global business development and marketing capabilities

In 2025, the Company's business development (BD) team, marketing team and its scientists and technicians will work together to better serve its customers. From domestic to overseas, from preclinical to clinical, BD and marketing teams will build an integrated, multi-dimensional, and powerful network. Through this vertically and horizontally interconnected collaboration network, the Company will deliver more efficient and cost-effective services to customers. For overseas market, the Company will continue to maintain its solid relationships with its existing customers, and explore new business opportunities. Leveraging its scientific and technical expertise, the Company is committed to providing high quality services to its customers and maintaining its loyal customer base. For domestic market, the Company will adopt a China market strategy to better expand its domestic customer base and meet the domestic customers' needs.

(4) Reinforce "Customer-Centric" corporate philosophy

The Company operates with a customer-centric approach across all business operations and R&D activities, maintaining a steadfast commitment to delivering efficient, high-quality R&D services that create value for customers as the cornerstone of sustainable development. Building upon robust service capabilities and communication mechanisms, the Company will make efforts to strengthen client relationship management, develop a sound reputation to achieve a sustainable long-term partnership. The Company strives to deepen and broaden the collaborations and elevate the partnerships to a strategic level.

At the same time, the Company will continue to tighten its compliance management, following compliance systems, including the highest international quality regulatory standards, regulations and standards in different regions, and the implementation of high-standard laboratory animal welfare and protection norms, etc. The Company will strictly abide by the highest international quality regulatory standards, further enhance its compliance awareness, and provide customers with high-quality products and services.

(5) Continue to strengthen our talent pool to support our long-term and sustainable growth

Talents are the foundation of innovation and the key to strengthening our core competitiveness. It is our long-standing human resources strategy to build an inclusive and open development platform to attract and train our talent pool. As of December 31, 2024, the total number of employees of the Company was 21,370, including nearly 1,500 new graduates recruited on campus. In 2025, we will continue to attract high-calibre R&D talents globally, improve the Company's benefits system to maximize the retention of talents in key positions, and further expand and enhance our multi-dimensional and comprehensive training system. Implement differentiated content training according to business needs to different level managers, so that employees and the Company can grow together, so as to provide strong support to the future growth of the Company.

4. Potential risks

(1) Risk of declining demand in pharmaceutical R&D service market

The Company is an industry leading, fully-integrated pharmaceutical R&D service platform with global operations to accelerate drug innovation for our customers. In the medium and long term, the global pharmaceutical industry is expected to keep growing driven by such factors as an aging population, higher disposable income and increased medical expenditure. However, due to the volatility of the global biotech funding environment, changes of the R&D budgets of multinational pharmaceutical companies and other factors, the growth rate of the pharmaceutical R&D outsourcing industry may fall behind our projections, which will have an adverse impact on the Company's business performance and prospects.

The Company will continue to implement its strategies, improve its scientific research capabilities and service quality and enhance its market competitiveness.

(2) Risk of losing scientific and technological talents and senior management members

The Company has established a talent team with extensive experience and strong execution capability, which possesses the ability to provide customers with high-quality services in a timely manner and keep up with the cutting-edge technology and latest development of pharmaceutical R&D. However, there is a limited supply of qualified R&D personnel with requisite experience and expertise and such qualified personnel are also highly-sought after by large pharmaceutical companies, biotech start-ups and scientific research institutes. If the Company fails to maintain competitiveness in attracting and retaining excellent scientific and technological personnel in the future, it may not be able to provide customers with high-quality services, which could have a material adverse impact on its business.

The Company will optimize and improve the human resource management system, further strengthen efforts in various aspects such as attraction, assessment, training and incentives, and constantly improve the long-term incentive mechanism (including equity incentives) for all kinds of talent, striving to establish a talent team with first-class caliber that can adapt to international competition.

(3) Risks regarding intellectual property protection

Protection of intellectual property rights associated with customers' R&D services is critical to all of our customers. The service agreements and confidentiality agreements signed between the Company and our customers typically require the Company to exercise all reasonable precautions to protect the integrity and confidentiality of our customers' information. Any unauthorized disclosure of our customers' intellectual property or confidential information could subject the Company to liability for breach of contract and result in significant damage to our reputation, which could have a material adverse impact on the Company's business and operating results.

The Company will continuously improve the existing confidentiality policy, software and hardware, and continue to carry out internal training for employees to enhance their awareness of confidentiality and intellectual property protection.

(4) Risks regarding policies and regulation

There are strict laws, regulations and industry standards in many countries or regions to which drugs are intended to be ultimately sold (such as China, U.S., U.K. and several EU countries) to regulate drug development and manufacturing. The pharmaceutical regulatory authorities of these countries (e.g., FDA or NMPA) also conduct planned or unplanned facility inspections over drug development and manufacturing agencies (e.g., our customers and us) to ensure that relevant facilities meet regulatory requirements. During the past periods, the Company has passed the inspection of relevant regulatory authorities on drug discovery, development and manufacturing processes and facilities in all major aspects. If the Company fails to continuously meet the requirements of regulatory policies or fails to pass the on-site inspection by regulatory authorities in the future, it may be disqualified or subject to other administrative penalties, resulting in the termination of cooperation by our customers.

In addition, the operation of the Company is subject to national and regional laws on environmental protection, health and safety, including but not limited to the use of hazardous chemicals that are flammable, explosive and toxic and the treatment of pollutants (waste gas, waste water, waste residue or other pollutants). If the relevant environmental protection policies become more stringent in the future, the Company's costs for environmental compliance will rise.

The Company will monitor the trend of applicable policies and regulations to ensure its continuous fulfilment of regulatory policy requirements.

(5) Risk of failure to obtain the licenses required for carrying out businesses

The Company is subject to a number of laws and regulations on pharmaceutical R&D and manufacturing. These laws and regulations require that the Company obtain a number of approvals, licenses and permits from different competent authorities to operate our business, some of which are subject to regular renewal. If the Company fails to obtain the approval, license and permit required for its operations, it will have to suspend its operation as ordered by the relevant regulatory authorities.

The Company has obtained all required operational certifications and will maintain close monitor of evolving regulatory frameworks to ensure timely renewal of relevant credentials.

(6) Risk of international policy changes

Geopolitical factors have created significant uncertainty in recent years. We are a pharmaceutical R&D service platform with well-established global operations and a substantial portion of our customers are pharmaceutical and biotechnology companies outside of China. The demand for our services by these customers may be impacted by the trade policies promulgated by respective local governments against Chinese pharmaceutical R&D service providers as a result of the rise in trade protectionism and unilateralism in recent years. In the event the trade tension between China and other major countries continue to escalate, or any such countries impose restrictions or limitations or enact new legislation on pharmaceutical R&D outsourcing, our business and results of operations may be adversely affected.

We have continued to expand our service capabilities in overseas markets from 2015 with an aim to mitigate any potential impact such policy changes may have on our business.

(7) Risks regarding exchange rates

The Company's exchange currency risk mainly relates to USD, GBP and EUR. During the Reporting Period, the Company's income from overseas customers took up a much higher portion than that from domestic customers, and a considerable portion of our income came from sales denominated in USD. However, most of the Company's personnel and operating facilities are located in China, and the relevant operating costs and expenses are denominated in RMB. In recent years, as affected by China's political and economic conditions, trade tensions between U.S. and China, international economic and political developments, as well as the decision of the Chinese government to further promote the reform of the RMB exchange rate system and enhance the flexibility of RMB exchange rates, the exchange rates between RMB and USD and other currencies fluctuate.

The Company has reduced and will continue to reduce such risk through hedging transactions.

(8) Risks regarding market competition

The global pharmaceutical R&D service market for innovative drugs is highly competitive. The Company is committed to becoming a multi-therapy drug R&D service company that boasts the capabilities of laboratory services, CMC (small molecule CDMO) services, clinical development services and Biologics and CGT services. Therefore, the Company expects to compete with domestic and international competitors at specific stages of pharmaceutical R&D. At the same time, the Company also competes with the discovery, trial, development and commercial manufacturing departments within pharmaceutical companies. As more competitors enter the market, level of competition is expected to escalate. The Company is confronted with market competition in terms of service quality, breadth of integrated service, timeliness of delivery, R&D service strength, intellectual property protection, depth of customer relationship, price, etc.

Moving forward, the Company will further enhance its fully-integrated CRO+CDMO drug R&D and manufacturing service platform through strengthening its talent team and quality of services. Leveraging its industry leadership and hard-earned reputation, the Company will further expand its customer base and enhance its competitive resilience in the dynamic market conditions.

(9) Risks regarding technological innovation

With the continuous market development and innovation of R&D technologies, advanced technologies are vital for the Company to maintain its leading position in the industry. The Company shall keep up with the development direction of new technologies and processes to maintain our leading position in the industry.

The Company will continue to invest a large amount of human and capital resources to cultivate and development new technologies and upgrade our service platform. If target companies with new technologies appeal to us, the Company will consider acquisitions to inject new service capabilities into our platform.

(10) Risks regarding service quality

Service quality and customer satisfaction are one of the important factors for the Company to maintain performance growth. The Company's pharmaceutical research, development and production services mainly provide customers with experimental data and samples, which serve as an important basis for customers to carry out subsequent R&D and manufacturing. Meanwhile, our customers have the right to review the standard operating procedures and records of the Company's services, and check the facilities used to provide services to them. If the Company fails to maintain high service quality, or the experimental data or samples we provide are defective, or service facilities of the Company fail to pass customers' review, the Company may face liquidated damages and suffer loss of customers due to reputation damage, which will have an adverse impact on the Company's business.

The Company will consistently advance quality management initiatives through systematic refinement of quality control protocols, and continuously deliver high quality services and products to its customers.

(11) Artificial Intelligence (AI) technology implementation risks

The Company actively explores AI applications in pharmaceutical R&D services, including using AI to improve productivity in drug discovery and development services and empower multiple business segments in clinical CRO services. However, it also faces potential risks. Data risk is a core challenge, as biases in the quality of training data may lead to inaccurate model predictions. Privacy breaches and ethical controversies also require heightened vigilance and stronger safeguards. Additionally, regulatory lag and unclear intellectual property rights could potentially hinder the translation of innovation into practice.

To mitigate these challenges, the Company will continuously upgrade high quality, diversified biomedical databases to optimize high quality AI model, strengthen experimental validation to enhance output reliability, improve data sharing and privacy protection mechanism and deeply integrate AI with traditional bioscience technologies to ensure the sustainability of AI enabled drug research and development services.

F. OTHER INFORMATION

1. Employee Remuneration and Relations

As at December 31, 2024, the Group had a total of 21,370 employees, as compared to 20,295 employees as of December 31, 2023. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides employees with opportunities to work on cutting-edge drug development projects with world-class scientists, as well as offer opportunities to continue academic learning in the Group's Pharmaron College.

2. Significant Investments and Future Plans for Material Investments or Capital Assets

The Group has no significant investment, or plan authorized by the Board for other material investments or additions of capital assets during the Reporting Period.

3. Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period and as at December 31, 2024, there was no significant investment held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

4. Material Events after the Reporting Period

The Company's holding subsidiary, Beijing Kangsida Health Management Co., Ltd., signed a series of agreements, including an investment of approximately RMB185.0 million in the form of equity purchases to acquire approximately 51.39% of the equity of Aistarfish Technology. The controlling stake transaction was completed in February 2025. Aistarfish Technology is a leading enterprise in the field of digital cancer patient management in China, possessing a proprietary digital and AI technology platform with independently developed intellectual property rights. By integrating the high-quality and compliant patient data of Aistarfish Technology and its AI platform, the Company fully leverages Aistarfish's technological and data expertise in oncology. Combined with the capabilities and scale advantages of its clinical CRO services, the Company expands its business offerings to provide high-quality personalized patient management services. In addition, it will further promote the digital and AI transformation of Pharmaron's innovative drug R&D service platform, thus better assisting its customers in improving drug R&D efficiency.

Save as disclosed above, there are no material events affecting the Company after the Reporting Period and up to the date of this annual report.

Profile of Directors, Supervisors and Senior Management

Below are the brief profiles of the current Directors, Supervisors and senior management of the Group.

DIRECTORS

The Board currently comprises eight (8) Directors, including three (3) executive Directors, two (2) non-executive Directors and three (3) independent non-executive Directors. The following table sets forth information in respect of our Directors:

Name	Age	Position	Date of Appointment as Directors
Dr. LOU Boliang	61	Chairman, chief executive officer and executive Director	October 27, 2016
Mr. LOU Xiaoqiang	56	Chief operating officer, president and executive Director	October 27, 2016
Ms. ZHENG Bei	57	Executive vice president and executive Director	October 27, 2016
Mr. HU Baifeng	43	Non-executive Director	October 13, 2017
Mr. LI Jiaqing	51	Non-executive Director	October 27, 2016
Mr. TSANG Kwan Hung Benson	60	Independent non-executive Director	November 28, 2019
Mr. YU Jian	50	Independent non-executive Director	July 23, 2020
Ms. LI Lihua	60	Independent non-executive Director	September 23, 2022

SUPERVISORS

Our Supervisory Committee consists of three (3) Supervisors. The following table sets forth information in respect of our Supervisors:

Name	Age	Position	Date of Appointment as Supervisors
Dr. YANG Kexin	62	Chairman of the Supervisory Committee	October 27, 2016
Ms. FENG Shu	39	Supervisor	December 11, 2020
Ms. ZHANG Lan	43	Employee representative Supervisor	October 27, 2016

EXECUTIVE DIRECTORS

Dr. LOU Boliang (樓柏良), aged 61, is the chairman, chief executive officer and an executive Director of our Company. Dr. LOU co-founded our Group together with Mr. LOU and Ms. ZHENG in July 2004. He is primarily responsible for the overall management, strategic planning and corporate development of our Group. Dr. LOU is also actively involved in formulating our business development strategy and developing strategic relationship with our customers. He also serves as a director of most of subsidiaries of our Group. Dr. LOU is the brother of Mr. LOU and the brother-in-law of Ms. ZHENG.

Since November 2006, Dr. LOU has been a director of Pharmaron Holdings Limited, which was our business and asset holding vehicle prior to the restructuring in connection with our A Share Offering.

Dr. LOU has over 30 years of experience in the life sciences and biotech industry. Prior to founding our Group, Dr. LOU worked at several life sciences and biotech companies such as Cytel Corporation, Ontogen Corporation and Advanced SynTech (formerly known as Helios Pharmaceuticals, Inc.).

Dr. LOU obtained a master's degree and a doctorate degree in science at the Shanghai Institute of Organic Chemistry (中國科學院上海有機化學所) in May 1986 and May 1989, respectively. From 1990 to 1994, he conducted post-doctoral research at the University of Montreal in Canada.

Dr. LOU's awards and recognitions include:

- President's Special Award of the Chinese Academy of Sciences (1989);
- Beijing Overseas Returnee Entrepreneur Award (2008); and
- Bo-Da Contribution Award from the Office of Beijing Economic and Technological Development Area (BDA) (2010).

Mr. LOU Xiaoqiang (樓小強), aged 56, is the chief operating officer (COO), president and an executive Director of our Company. Mr. LOU co-founded our Group together with Dr. LOU and Ms. ZHENG in July 2004. Mr. LOU is primarily responsible for the overall operations of the business of our Group. In particular, Mr. LOU is responsible for the execution of our Group's growth strategy both in China and globally. He also serves as a director at several subsidiaries of our Group. Mr. LOU is the brother of Dr. LOU and the husband of Ms. ZHENG.

From March 2007 to January 2016, Mr. LOU was a director of Pharmaron Holdings Limited.

Prior to joining our Group, he worked in sales and management roles at various electronics companies. For more details, please refer to the paragraphs headed "Directors, Supervisors and Senior Management – Executive Directors" of the Prospectus.

Mr. LOU obtained a bachelor's and a master's degree in material science and engineering from Beijing University of Aeronautics and Astronautics (北京航空航天大學) in July 1990 and March 1993, respectively. Mr. LOU obtained a master's degree in business administration from the China-Europe International Business School (中歐國際工商學院) in September 2009.

Ms. ZHENG Bei (鄭北), aged 57, is the executive vice president and an executive Director of our Company. Ms. ZHENG co-founded our Group together with Dr. LOU and Mr. LOU in July 2004. Ms. ZHENG is primarily responsible for the administration and asset management of our Group. In particular, she is responsible for the facilities expansion of our Group. Ms. ZHENG is the wife of Mr. LOU and the sister-in-law of Dr. LOU.

From March 2007 to January 2016, Ms. ZHENG was a director of Pharmaron Holdings Limited. For more details of Ms. ZHENG's previous experience, please refer to the paragraphs headed "Directors, Supervisors and Senior Management – Executive Directors" of the Prospectus.

Ms. ZHENG received her master's degree in law from Peking University (北京大學) in July 1992.

NON-EXECUTIVE DIRECTORS

Mr. HU Baifeng (胡柏風), aged 43, is our non-executive Director. Mr. HU is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. HU joined our Group on October 27, 2016 and was our Supervisor from October 2016 to October 2017.

Since October 2023, he has served as management committee member in CITIC Securities International Co. Ltd.(中信証券國際有限公司), overseeing CITIC Securities' international private equity business platform CLSA Capital Partners (HK) Limited, and severed as the head of CITIC CLSA Japan branch. Since November 2020, Mr. HU has served as deputy general manager as well as the investment committee member of CITIC Goldstone Investment Co., Ltd.(中信金石投資有限公司) Since October 2020, Mr. HU also served as the chairman and general manager of CITIC M&A Fund Management Co., Ltd. From 2006 to 2013, he worked at the investment department of several companies.

Mr. HU obtained his bachelor's degree in economics from Hunan University (湖南大學) in June 2003. He obtained his master's degree in economics from the University of Ottawa in Canada in October 2005.

Mr. LI Jiaqing (李家慶), aged 51, is our non-executive Director. Mr. Li has been deeply engaged in the professional investment area for many years, amassing a wealth of experience in green investment, risk management, and financial management. Mr. LI is primarily responsible for providing guidance on corporate strategy and governance to our Group. Mr. LI joined our Group on March 12, 2007.

From March 2007 to January 2016, Mr. LI was a director of Pharmaron Holdings Limited. Since 2021, he has served as the president of Legend Capital. From December 2011 to February 2018, he served as a director of Wuxi Lead Intelligent Equipment Co., Ltd. (無錫先導智能裝備股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300450). From March 2011 to February 2014, he served as a supervisor of Shanghai Amarsoft Information Technology Co., Ltd. (上海安碩信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300380). From September 2010 to April 2018, Mr. LI served as a director of Yunnan Hongxiang Yixintang Pharma Co., Ltd. (雲南鴻翔一心堂藥業(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002727). From 2001 to 2021, he successively served as vice president of investment, senior vice president of investment, and executive director, managing director and chief investment officer of Legend Capital. From June 1999 to January 2000, he worked in Lenovo Group in Beijing.

Mr. LI obtained his dual bachelor's degree in engineering (majoring in mechanical engineering) and in economic (majoring in corporate management) and a master's degree in management (majoring in management science and engineering) from Tsinghua University (清華大學) in July 1996 and July 1999, respectively. He obtained his master's degree in business administration from the Collège des Ingénieurs in France in June 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSANG Kwan Hung Benson (曾坤鴻), age 60, was appointed as an independent non-executive Director on August 15, 2019 (effective from the Listing Date). Mr. TSANG is primarily responsible for supervising and providing independent advice to the Board.

From December 2019 to December 2023, he has served as a director of the board of Maxinovel Pharmaceuticals Co. Limited. From July 2021 to December 2023, he served as a chief financial officer of Maxinovel Pharmaceuticals Co. Limited. Since March 2019, he has served as the director of Hongsen Investment Management Limited, the general partner of Hongsen Investment Fund L.P. which started operation since January 2020. From July 2018 to September 2023, he has served as an independent director and chairman of the audit committee of Athenex Inc., a company listed in the United States (NASDAQ: ATNX). From July 2017 to August 2020, he has served as a director of the board of Puritek Canada Inc., the Canadian investment arm of Puritek China Company. From July 2014 to August 2020, he has served as a director of the board of Hydraservices Inc., a waste management and odour control solutions company based in Canada. From October 2017 to December 2018, he served as an executive in-residence adviser at ShangPharma Innovation Inc., an early stage pharmaceutical company based in the United States. From March 2010 to June 2015, he served as the chief financial officer and counselor of ATA Inc., a large scale computer-based testing service provider listed in the United States (NASDAQ: ATAI). From November 2010 to March 2013, he served as an independent director at ShangPharma Corp., a pharmaceutical R&D contract service organization company previously listed in the United States (NYSE: SHP), which was privatized in September 2013.

From July 2006 to February 2009, he served as the chief financial officer of Wuxi Pharma Tech Cayman Inc., a pharmaceutical R&D contract service organization company previously listed in the United States (NYSE: WX), which was privatized in December 2015. From 1988 to 2006, Mr. TSANG served in finance and audit roles at various companies.

Mr. TSANG obtained his Chartered Accountant certificate in Canada and Hong Kong in 1991 and 1993, respectively. He is a member (non-practising) of the Hong Kong Institute of Certified Public Accountants. He obtained his bachelor's degree in commerce and his master's degree in business administration at McMaster University in Canada in June 1987 and May 1988, respectively.

Mr. YU Jian (余堅), aged 50, was appointed as an independent non-executive Director on July 23, 2020. Mr. YU is primarily responsible for supervising and providing independent advice to the board.

Mr. YU has extensive experience in finance and accounting. Since October 2008, he has worked in the Teaching and Research Department of Shanghai National Accounting Institute (上海國家會計學院), postgraduate tutor, and engaged in teaching and research in financial management. Since December 2020, he has served as an independent director of Shanghai Yuanfang Computers Technology Co., Ltd.. From May 2020 to October 2023, he served as an independent director of Shengshi Dalian Online Insurance Agency Co., Ltd.. He served as the financial director of Infoservice Information Technology Co., Ltd. (上海英孚思為信息科技有限公司) from January to September 2008. He served as the financial director of Shanghai Chengtou Land Group Co., Ltd. (上海城投置地集團有限公司) from January 2006 to January 2008. He served as the financial director of Shanghai Transportation Investment Group Co., Ltd. (上海交通投資集團有限公司) from December 2004 to January 2006. He served as the financial director of Shanghai Pulan Investment Management Co., Ltd. (上海普蘭投資管理有限公司) from August 2002 to December 2004. From March 1999 to February 2002, he served successively as the financial supervisor of the Planning and Finance Department, deputy head of the audit and supervision department, and deputy head of the project investment department in the headquarters of Shanghai Chengtou Group Corporation (上海城投集團).

Mr. YU is a CPA, and obtained his bachelor's degree in economics from Zhejiang Institute of Finance (浙江財經學院) in July 1996. Mr. YU obtained his master's degree in management from Shanghai University of Finance and Economics (上海財經大學) in January 1999. He obtained his PhD in management from Shanghai University of Finance and Economics (上海財經大學) in July 2005.

Ms. LI Lihua (李麗華), aged 60, was appointed as an independent non-executive Director on September 23, 2022. Ms. LI is primarily responsible for supervising and providing independent advice to the board.

Ms. LI has been a lawyer at Beijing Huamao & Guigu Law Firm (北京市華貿硅谷律師事務所) since October 2017. From March 1996 to October 2017, Ms. LI served as a lawyer at Beijing Yongshen Law Firm (北京市永申律師事務所), Beijing Guangsheng Law Firm (北京市廣盛律師事務所), and Beijing Zhong Yi Law Firm (北京市眾一律師事務所), respectively. From October 2016 to July 2020, Ms. LI served as an independent non-executive director of the Company.

Ms. LI obtained her master's degree in law from Peking University (北京大學) in July 1995.

SUPERVISORS

Dr. YANG Kexin (楊珂新), aged 62, was appointed as the chairman of the Supervisory Committee on October 27, 2016. Dr. YANG is primarily responsible for the overall operation of the Supervisory Committee and supervision of the performance of the Directors and senior management members. Dr. YANG joined our Group on July 1, 2004 and is currently our vice president of chemical technology.

Dr. YANG obtained his master's degree in organic chemistry at Lanzhou University (蘭州大學) in June 1986. He obtained his doctorate degree in organic chemistry at the University of Calgary in Canada in November 1992.

Ms. Feng Shu (馮書), aged 39, was appointed as a Supervisor on December 11, 2020. Ms. FENG is primarily responsible for the supervision of the performance of the Directors and senior management members.

From February 2016 to May 2017, she served as Vice President and Senior Vice President of CITIC M&A Fund Management Co., Ltd.* (中信併購基金管理有限公司) ("CITIC M&A Fund"), which is a substantial shareholder of the Company. Since May 2017, she has worked at CITIC Goldstone Investment Co., Ltd.* (中信金石投資有限公司) ("Goldstone Investment"), the sole shareholder of CITIC M&A Fund, and currently serves as the Executive Director at Goldstone Investment; since August 2019, she has served as the Director, Deputy Head of CLSA Capital Partners (HK) Limited and a Member of the Investment Committee of CLSA Capital Partners (HK) Limited.

Ms. FENG obtained her bachelor's degree from Zhejiang University (浙江大學) and a master' degree from Baylor University in the U.S..

Ms. ZHANG Lan (張嵐), aged 43, was appointed as the employee representative Supervisor on October 27, 2016 and is primarily responsible for the supervision of the performance of the Directors and senior management members. Ms. ZHANG joined our Group on April 5, 2006 and currently serves as the senior director of the asset management team of the Company.

Ms. ZHANG obtained her bachelor's degree in English at Tangshan Teacher's College (唐山師範學院) in Hebei, China in June 2005.

SENIOR MANAGEMENT

CHAIRMAN & CEO

LOU Boliang, Ph.D.

Dr. LOU Boliang (樓柏良), aged 61, is the chairman, chief executive officer and an executive Director of our Company. Dr. LOU co-founded our Group together with Mr. LOU and Ms. ZHENG in July 2004. He is primarily responsible for the overall management, strategic planning and corporate development of our Group. Dr. LOU is also actively involved in formulating our business development strategy and developing strategic relationship with our customers. He also serves as a director of most of the subsidiaries of our Group. Please see section headed "Profile of Directors, Supervisors and Senior Management – Executive Directors" above for more details.

PRESIDENT & COO

LOU Xiaoqiang, EMBA, M.Eng

Mr. LOU Xiaoqiang (樓小強), aged 56, is the chief operating officer (COO), president and an executive Director of our Company. Mr. LOU co-founded our Group together with Dr. LOU and Ms. ZHENG in July 2004. Mr.LOU is primarily responsible for the overall operations of the business of our Group. In particular, Mr. LOU is responsible for the execution of our Group' growth strategy both in China and globally. He also serves as a director at several subsidiaries of our Group. Please see section headed "Profile of Directors, Supervisors and Senior Management – Executive Directors" above for more details.

EXECUTIVE VICE PRESIDENT

ZHENG Bei, M.A.

Ms. ZHENG Bei (鄭北), aged 57, is the executive vice president and an executive Director of our Company. Ms. ZHENG co-founded our Group together with Dr. LOU and Mr. LOU in July 2004. Ms. ZHENG is primarily responsible for the administration and asset management of our Group. In particular, she is responsible for the facilities expansion of our Group. Please see section headed "Profile of Directors, Supervisors and Senior Management – Executive Directors" above for more details.

CHIEF SCIENTIFIC OFFICER

YANG Hua, Ph.D.

Dr. YANG Hua (陽華), aged 62, is our chief scientific officer. He joined our Group in July 2007 as our chief scientific officer and is primarily responsible for the construction and improvement of our Group's integrated services platform as well as the formulation of scientific development strategies. Dr. YANG has also serves as a director at several subsidiaries of our Group.

Prior to joining our Group, he successively served in various roles, including assistant director at AstraZeneca R&D Montreal. Since joining our Group in 2007, Dr. YANG has led the construction of multiple R&D service platforms of the company, covering all preclinical stages and clinical stages of new drug R&D, and Dr. YANG is responsible for integrating them into a full-process and integrated new drug R&D services platform.

Dr. YANG obtained his doctorate degree at the University of Manchester in England in November 1990. He also conducted his post-doctoral research at the University of Montreal in Canada. Dr. YANG has published a total of 52 papers/works and filed patent applications.

CHIEF FINANCIAL OFFICER

LI Shing Chung Gilbert, CFA, CPA

Mr. LI Shing Chung Gilbert (李承宗), aged 46, is our chief financial officer and secretary of our Board. He joined our Group in January 2008 as our financial controller and was appointed as our chief financial officer in January 2015. He was appointed as the secretary of the Board in October 2016 and is primarily responsible for the overall financial function of our Group. In particular, he is responsible for the financing and M&A activities of our Group. Mr. LI also serves as a supervisor or director at several subsidiaries of our Group.

Prior to joining our Group, Mr. LI had served at various roles in accounting and financial areas. From 2000 to 2003, he served as assistant manager of KPMG, a multinational financial audit, tax and advisory firm.

Mr. LI obtained his bachelor's degree in business administration from the Hong Kong University of Science and Technology in November 2000. Mr. LI obtained his master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in July 2012. Mr. LI is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants and a Chartered Financial Analyst.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2024 (the "year").

CORPORATE PURPOSE, VALUES, STRATEGY AND CULTURE

The Company aims to improve the efficiency of pharmaceutical research and development of global partners by providing fully integrated preclinical services for new drug research and development. By helping partners to successfully develop new drugs and contributing Pharmaron's wisdom to human health, the Company will implement its development strategies as pharmaceutical research, development and manufacturing services which provides fully integrated services to support customers' R&D for innovative pharmaceutical products throughout the research and development cycle, and it regards "Employee First and Customer Centric" as the core of its corporate culture.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") of the Company strives to maintain a high standard of corporate governance and believes that effective and reasonable corporate governance practices are essential to the development of the Group and at the same time protect and enhance the rights of the shareholders of the Company ("Shareholders").

The Company's corporate governance practices are based on the principles and code provisions set out in the Appendix C1 Corporate Governance Code (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code during the year.

THE BOARD

Duties and Delegation of Authority to the Management

The Board must be accountable to Shareholders and lead the Company in a responsible and effective manner. The Board implements the resolutions made at general meetings, determines the Company's business plans, investment plans and the establishment of the Company's internal management departments, formulates the Company's annual financial budget plans, final account plans, and profit distribution plans, and employs senior management personnel.

To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and has granted these Board committees with their respective responsibilities. The Board has granted various responsibilities to each Board committee, and the responsibilities are set out in their respective working rules.

The Board has delegated power and responsibility to the senior management to carry out daily management, administration and operation of the Company. Authorized functions and tasks are reviewed regularly. The management of the Company will also provide sufficient advice to the Board and Board committees in a timely manner for directors to make informed decisions.

All directors perform their duties in good faith, act in the best interests of the Company, comply with applicable laws and regulations, and always act in the interests of the Company and the Shareholders.

In 2025, the Board will sustain efforts in strengthening the corporate governance standardization, and promote the improvement of internal control and internal audit systems to establish strict and effective internal control and risk control systems in strict accordance with laws and regulations, such as the Company Law, New Securities Law, Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, and the Listing Rules. At the same time, the Board will also strengthen communication with the Shareholders, and listen their reasonable suggestions to improve corporate governance. The Board will, in light of the Company's particular conditions, standardize the Company's operations through business integrity, transparent management, and constant improvements to the corporate governance structure, so as to maximize the interests of all shareholders and the Company.

Corporate Governance Function of the Board

The Board is responsible for performing the corporate governance functions set out in Code Provision A.2.1 of Part 2 of the CG Code. These functions include, as a minimum, the following contents:

(1) to develop and review the Company's policies and practices on corporate governance and make relevant recommendations in this regard (if appropriate);

(2) to review and monitor the training and continuous professional development of directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(5) to review the Company's compliance with the CG Code and disclosure in the annual report.

Board Structure

During the year, the Company adjusted the structure of the Board. From January 1, 2024 to November 27, 2024, prior to the adjustment of the structure of the Board, the third session of the Board consisted of nine directors with one chairman, comprising three executive Directors, two non-executive Directors and four independent non-executive Directors. the Company adjusted the structure of the Board and completed the election of the third session of the Board on November 27, 2024. As at the date of this annual report, the third session of the Board consists of eight directors with one chairman, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. After the adjustment of the Board structure, the operation efficiency of the Board has been further improved, and it can perform its duties more efficiently in corporate governance, internal control, information disclosure, financial supervision and other aspects.

The Board members during the year are as follows:

Executive Directors:

Dr. LOU Boliang *(Chairman, Chief Executive Officer and Executive Director)*
Mr. LOU Xiaoqiang *(Chief Operating Officer, President and Executive Director)*
Ms. ZHENG Bei *(Executive Vice President and Executive Director)*

Non-Executive Directors:

Mr. HU Baifeng
Mr. LI Jiaqing

Independent Non-Executive Directors:

Ms. LI Lihua
Mr. TSANG Kwan Hung Benson
Mr. YU Jian
Mr. ZHOU Qilin *(ceased on November 27, 2024)*

In view of Mr. ZHOU Qilin ceased as an Independent non-executive Director of the Company on November 27, 2024, due to the relevant regulations on the management of part-time roles for members of the Chinese Academy of Sciences, the Company's adjustment of the Board structure in 2024, the number of the Board members was adjusted from 9 to 8. During his tenure of office, Mr. ZHOU Qilin was diligent and responsible, and played a positive role in the standardized operation and healthy development of the Company. Mr. ZHOU Qilin has confirmed that he has no claim against the Company in respect of his cessation and has no disagreement with the Board. There is no other matters relating to his cessation that needs to be brought to the attention of the Shareholders.

Pursuant to the Articles of Association, Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. Each term of office of a Director shall be three years. Director may be re-elected and re-appointed upon expiry of his/her term of office.

The biographies of all current Directors are set out under the section headed "Profile of Directors, Supervisors and Senior Management" of this annual report. Dr. LOU Boliang is the brother of Mr. LOU Xiaoqiang and the brother-in-law of Ms. ZHENG Bei. Mr. LOU Xiaoqiang is the brother of Dr. LOU Boliang and the spouse of Ms. ZHENG Bei. Ms. ZHENG Bei is the spouse of Mr. LOU Xiaoqiang and the sister-in-law of Dr. LOU Boliang. Save as disclosed above, there are no material relationships among members of the Board or the senior management of the Group (including financial, business, family or other material or relevant relationships).

Board Diversity and Workforce Diversity Policy

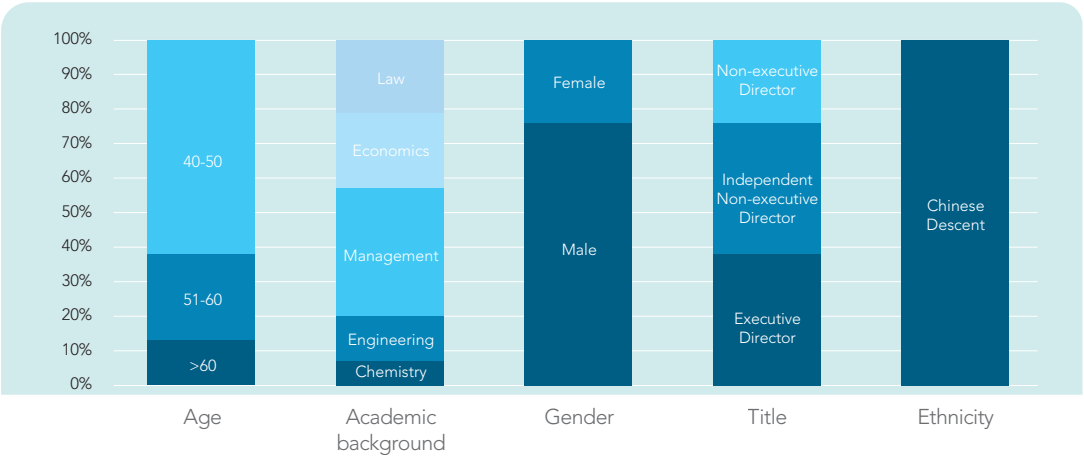
Our Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Pursuant to the CG Code, the Board has adopted the Board Diversity Policy. The Company understands and believes that the Board diversity is of great benefit to the improvement of the Company's performance. In order to achieve sustainable and balanced development, the Company considers the increasing diversity of the Board as a key element to support its achievement of strategic objectives and sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered having due regard for the benefits of diversity on the Board. The Company is committed to selecting the best candidate to serve as a Board member. The selection of candidates will be based on a range of diversified factors, including but not limited to gender, age, cultural background and ethnicity in addition to educational background, professional experience, skills, knowledge and length of service. The final decision will be based on the strengths of the candidate and the contributions the candidate makes to the Board. The composition of the Board (including gender, age, and length of service) disclosed annually in the corporate governance report.

The Company's Board consists of 8 members, of whom 6 are male and 2 are female. The Board members have a wide range of academic backgrounds, skills, knowledge and experience. The academic backgrounds cover chemistry, business management, law, economics, materials science and engineering, business administration, management and various other disciplines; skills, knowledge and experience include scientific research, corporate management, investment, legal services, risk management, finance and auditing. The Board of the Company has reviewed the members, structure and composition of the Board on March 26, 2025, and considers that the Board structure is reasonable, and the Directors have experience and skills in various aspects and fields to help the Company maintain a high level of operations.

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee will monitor the implementation of the diversity policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness and make recommendations to the Board. The Board has reviewed the Board Diversity Policy on March 26, 2025 and considers that the Board Diversity Policy has been implemented effectively.

The following figure shows the diversification of third session of the Board as of December 31, 2024:



Note: 1. Y-axis represents percentage

2. Management include: business administration, management, economic management, business, commercial management; Engineering course include: materials science and engineering, urban construction, electric engineering, engineering, mechanical engineering.

As at December 31, 2024, 44.86% of the Group's employees (including senior management) were male and 55.14% were female, representing a relatively even gender balance. We hope to create more equal job positions and work environment to maintain the Group's gender balance. The gender balance plan means equal employment opportunities for male and female employees based on their required academic qualifications, experience and skills, as well as equal opportunities for male and female candidates for senior management positions. In addition, we may face problems in the human resources market as to whether the supply of individuals in different genders can match the required academic qualifications, experience and skills for positions within the Group. Despite these challenges, we will continue to pursue the goal of gender balance.

Chairman and Chief Executive Officer

Pursuant to Code Provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer shall be separate and performed by different individuals.

Up to the date of this annual report, there is no distinction between the positions of chairman and chief executive officer of the Company, and Dr. LOU Boliang ("Dr. LOU") currently holds both positions. Dr. LOU is responsible for the overall management, strategic planning and corporate development of the Group.

In view of Dr. LOU's experience, personal profile and his roles in our Company as mentioned above and that Dr. LOU has assumed the role of chief executive officer of our Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Company that upon Listing, Dr. LOU acts as the chairman of the Board and continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision C.2.1 of the CG Code as set out in Appendix C1 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Dr. LOU and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

In accordance with section F.2.2 of Part 2 of the Corporate Governance Code, the Chairman of the Board shall attend the annual general meeting.

Due to business engagements, Dr. LOU was unable to attend the Annual General Meeting of the Company held on June 6, 2024, In his absence, an executive director Mr. LOU Xiaoqiang chaired the said meeting to listen and obtain the Shareholders' opinions.

Independent Non-Executive Directors

The Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. In addition, under Rule 3.10A of the Listing Rules, independent non-executive Directors shall represent at least one-third of the Board. During the year, from January 1,2024 to November 27, 2024, the third session of the Board comprised four independent non-executive Directors, representing four-ninths of the Board. On November 27, 2024, the Company adjusted the Board structure, adjusted the number of independent non-executive Directors from four to three. As at the date of this annual report, the third session of the Board has three independent non-executive Directors, accounting for three-eighths of Board members, and the three independent non-executive Directors have professional qualifications in law, finance and accounting, respectively. Therefore, the Company has complied with the relevant regulations.

Pursuant to the Articles of Association, the term of office of independent non-executive Directors is the same as that of other directors of the Company. Director may be re-elected and re-appointed upon expiry of his/her term of office, but the term of re-appointment shall not exceed six years. The Company's independent non-executive Directors shall have more than five years of legal, economic or other work experience necessary to perform the duties of independent non-executive Directors, master the basic knowledge of company operations, be familiar with the rules of the place where the Company's shares are listed, and ensure sufficient time and energy to perform duties.

The Nomination Committee of the third session of the Board has assessed the independence and qualifications of each independent non-executive Director in accordance with the Listing Rules, the Self-regulatory Guidelines for Listed Companies No. 2 of Shenzhen Stock Exchange – Standardized Operation of Listed Companies on the ChiNext Market, and the Company's Work Rules for the Nomination Committee, and received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. After assessing their independence, the Company considers that all independent non-executive Directors meet the independence required by the Listing Rules.

In 2024, according to the relevant requirements of the Measures for the Administration of Independent Directors of Listed Companies, all independent non-executive directors shall, in a responsible attitude towards the company and shareholders, be diligent and responsible, faithfully perform their duties, actively work at the company's site, put forward guidance and supervision suggestions, and attend relevant meetings such as the general meeting of shareholders, the Board and the special meeting of independent directors of the Board in accordance with the law. Carefully deliberating various proposals, objectively expressing their own views and opinions based on an independent position, and putting forward professional opinions or suggestions on major matters such as the company's operation and management, financial management, affiliated transactions, and profit distribution. The independent non-executive directors shall communicate with the auditors of the accounting firm hired by the company on a regular basis, pay full attention to the company's internal control construction, risk prevention and control, financial audit and other important matters, and play an active role in standardizing the company's operation and safeguarding the legitimate rights and interests of the company and the shareholders. The independent non-executive directors shall actively communicate with the management of the company and keep abreast of the company's business information, financial and operating conditions.

Review of the mechanism for the Board to obtain independent views

The Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors, and has a high level of independence. The Board strictly comply with the requirements of the Listing Rules on the composition of Board committees to ensure that each Board committee can obtain independent views. The Board has reasonable structure, appropriate size and balanced skills, knowledge, experience and gender of the Board members. The term of office of each independent non-executive Director is balanced, which is conducive to maintaining a balance between the number of Directors who have a deep understanding of the Company and the number of Directors who have new views and new insights. Each independent non-executive Director will inform the Company as soon as practicable if there is any change of his/her personal particulars that may affect his/her independence. No remuneration was paid to independent non-executive Directors in respect of share options, share grants or other equity interests with performance related elements, in order to maintain their objectivity and independence in the Board. On March 26, 2025, the mechanism for the Board to obtain independent views was reviewed. The Board considers that its mechanism to obtain independent views is effective.

Appointment, Re-election and Removal of Directors

The system and procedures for the appointment, re-election and removal of Directors are set out in the Articles of Association of the Company. Pursuant to the Articles of Association, Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. Each term of office of a Director shall be three years. Director may be re-elected and re-appointed upon expiry of his/her term of office. Before the expiration of a Director's term, his/her duties shall not be released by the Shareholders' general meeting without reason. The Shareholders' general meeting may, in compliance with relevant laws, administrative regulations, and relevant regulations of the securities regulatory authority of the place where the Company's shares are listed, remove any director whose term has not expired by ordinary resolution, but this does not affect the director's claims for damages pursuant to any contract.

Each of the current Directors has entered into a service contract with the Company for a term of three years, counting from the date of obtaining the relevant Shareholders' approval for appointment, and terminating in accordance with their respective terms.

None of the Directors or Supervisors has entered or is proposed to enter into a service contract with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

Board Meetings

Pursuant to the Articles of Association, the Board shall hold at least four meetings each year, which shall be convened by the Chairman and notified to all the directors and supervisors fourteen days prior to the meeting. Meetings of the Board shall be held only if more than half of the Directors are present. If a Director is unable to attend the meeting in person, he/she may appoint another Director to attend the meeting on his/her behalf by a written power of attorney specifying the name of the agent, the delegation matters, the scope of authorization and the period of validity. However, Directors may not vote on any Board resolution that approves a contract, transaction or arrangement or any other relevant resolution in which he/she or any of his/her close associates (as defined in the applicable Listing Rules in force from time to time) have a significant interest. Board meetings are held on site as a principle. A Director who fails to attend a Board meeting or to entrust a representative to attend is deemed to have waived his/her voting right at the relevant meeting. The Board shall make minutes of the decisions on the matters considered at the meeting, and the directors present at the meeting shall sign the minutes of the meeting.

All Directors have full and timely access to all relevant information about the meeting matters, and can seek independent professional advice and services from the company secretary and senior management. After making a reasonable request to the Board, any Director may, where appropriate, request independent professional advice at the expense of the Company.

During the year, the Board held seven meetings on March 27, 2024, April 25, 2024, May 16, 2024, August 27, 2024, October 29, 2024, November 27, 2024 and December 8, 2024, respectively.

Directors' Training and Professional Development

During the year, all Directors have received Directors' training in writing or by attending lectures. The Directors' training is mainly about (i) anti-corruption training; (ii) special training on investor protection and investor relations, special training on listed companies' governance practices, and online special training on new shareholding reduction regulations organised by the Beijing Association of Listed Companies and (iii) Shenzhen Stock Exchange independent director training

Directors keep receiving the latest news on the development of statutory and regulatory systems and business conditions, prompting them to perform their duties. The Company also arranges training for directors when necessary to ensure that the directors have a proper understanding of the Group's business and operations, and fully understand the duties and obligations of directors under the Listing Rules and relevant statutory requirements.

The personal training records received by the directors during the year are summarized as follows:

Name of directors	Attending or participating in relevant seminars/reading relevant materials
Executive Directors	
Dr. LOU Boliang	✓
Mr. LOU Xiaoqiang	✓
Ms. ZHENG Bei	✓
Non-Executive Directors	
Mr. HU Baifeng	✓
Mr. LI Jiaqing	✓
Independent Non-Executive Directors	
Mr. TSANG Kwan Hung Benson	✓
Mr. YU Jian	✓
Ms. LI Lihua	✓
Mr. ZHOU Qilin (ceased on November 27, 2024)	✓

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules of the Stock Exchange as the Company's code of conduct for Directors and Supervisors in securities transactions. After making specific inquiries to all Directors and Supervisors, each of the Company's Directors and Supervisors each confirmed that he/she has complied with the required rules set out in the Model Code during the year.

Pursuant to Code B.13 of the Model Code, Directors have also requested that any employee of the Company or Director or employee of a subsidiary of the Company who may obtain inside information about the securities of the Company as a result of serving or being employed by the Company or a subsidiary shall not trade in securities of the Company as prohibited by the Model Code (just as a director).

Special Board Committees

Pursuant to the CG Code, the Board has established four special board committees including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and has granted these special board committees with their respective responsibilities. The composition, main duties and work of these special committees during the year are set out below:

Strategy Committee

From January 1, 2024 to November 27, 2024, the third session of the Strategy Committee consist of Dr. LOU Boliang (chairman and executive Director), Mr. LOU Xiaoqiang (executive Director), Mr. HU Baifeng (non-executive Director), Mr. LI Jiaqing (non-executive Director) and Mr. ZHOU Qilin (independent non-executive Director). From November 27, 2024 to the date of this annual report, the third session of the Strategy Committee consist of Dr. LOU Boliang (chairman and executive Director), Mr. LOU Xiaoqiang (executive Director), Mr. LI Jiaqing (non-executive Director) and Mr. HU Baifeng (non-executive Director) with Dr. LOU being the chairman of the Strategy Committee. The main duties of the Strategy Committee include but are not limited to:

The main duties of the Strategy Committee are to review the Company's long-term development strategy and major investment decisions and to make recommendations on such matters. Details are as follows: (i) researching and recommending on long-term development strategy of the Company; (ii) researching and recommending on significant capital expenditure, investment and financing projects of the Company; (iii) researching and recommending on major capital operation (including but not limited to the increase or reduction of registered share capital, issuance of bonds, subsidiary merger, separation, dissolution or change of company form, profit distribution plan and make up for losses program), asset management project, and annual financial budget plan of the Company; (iv) researching and recommending on significant matters relating to the development of the Company; (v) monitoring the above matters and assessing, examining and recommending on significant changes; and (vi) performing such other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of the Company are listed.

During the year, the Strategy Committee held two meetings where the following matters were considered:

(1) The first meeting of the Strategic Committee of the third session of the Board was held on March 26, 2024 to consider and approve the Resolutions on the 2023 Environmental, Social and Corporate Governance Report of the Company, the Resolution on Revising the Science Based Targets and Improving the Corresponding Work Plan and Resolution on Revising the Company's Sustainable Development Goals.

(2) The second meeting of the Strategic Committee of the third session of the Board was held on August 27, 2024 to consider and approve the Resolution on Reviewing the Diversity, Equity and Inclusion (DEI) Framework and Understanding the Major Progress of Environmental, Social and Governance Work in the First Half of 2024.

Audit Committee

As at the date of this annual report, the third session of the Board consists of Mr. YU Jian (chairman), Ms. LI Lihua and Mr. TSANG Kwan Hung Benson. Mr. YU Jian is the chairman of the Audit Committee. All members of the Audit Committee are independent non-executive Directors.

The Audit Committee is mainly responsible for reviewing and supervising the Company's financial reports and audit work, including: (i) proposing to engage or replace its external auditor and supervising and evaluating the work of the external auditor; (ii) directing internal audit work and supervising the establishment, improvement and implementation of the Company's internal audit system; (iii) coordinating the communication between the management, internal auditor and external auditor; (iv) reviewing the Company's financial information and its disclosure and expressing opinions; (v) assessing the effectiveness of internal controls and supervising financial reporting systems, risk management, and monitoring systems, reviewing the Company's internal control system, and auditing and supervising major connected transactions; and (vi) other duties as conferred by the Board and other matters stipulated in related laws and regulations.

The Audit Committee held six meetings during the year. The Audit Committee considered the following matters:

(1) The sixth meeting of the Audit Committee of the third session of the Board was held on March 26, 2024 to consider and approve the Resolutions on the 2023 Audit Report on Internal Control of the Company, the Resolutions on the 2023 Work Report of the Internal Control and Internal Audit Department and the Report on the Inspection of Material Matters of the Company for the Second Half of 2023, the Resolutions on the 2023 Final Financial Report, the Resolutions on the Full Text and Summary of the 2023 Annual Report and the 2023 Annual Results Announcement of the Company, the Resolutions on the 2022 Profit Distribution Plan, the Resolutions on the Special Audit Statement on Funds Occupied by Controlling Shareholders and Other Associated Parties in 2023, the Resolutions on the Confirmation of Ordinary Related Party Transactions for 2023, the Resolutions on the Confirmation of the Hedging Product Transaction for 2023 and Estimating Hedging Product Transaction Quota in 2024, Resolution on Confirmation of the Company Related/Connected Parties and Related/Connected Persons, the Resolutions on relation to the Review of the Company's Compliance with the Corporate Governance Code, the Resolutions on the Evaluation of the Performance of the Accounting Firm in 2023 and the Report on the Discharge of Supervisory Duties by the Audit Committee and the Resolutions on relation to the Summary of Audit Work for 2023.

(2) The seventh meeting of the Audit Committee of the third session of the Board was held on April 25, 2024 to consider and approve the Resolutions on 2024 First Quarterly Report of the Company and Proposal on Report on Internal Control and Internal Audit.

(3) The eighth meeting of the Audit Committee of the third session of the Board was held on August 27, 2024 to consider and approve the Resolutions on the Work Report on the First Half of 2024 of the Internal Control and Internal Audit Department and on the Inspection Report on Material Matters, the Resolutions on the Funds Occupied by Controlling Shareholders and Other Associated Parties in the First Half of 2024, the Resolutions on the Full Text and Summary of the Interim Report and 2024 Interim Results Announcement, the Resolutions on Confirmation of Connected Legal Persons, Connected Natural Persons and Connected Persons of the Company, the Resolutions on the Appointment of Domestic Financial and Internal Control Auditor of the Company for 2024 and the Resolutions on the Appointment of Overseas Accounting Firm for 2024.

(4) The ninth meeting of the Audit Committee of the third session of the Board was held on October 29, 2024 to consider and approve the Resolutions on the Work Report of Internal Control Department and the Resolutions on the 2024 Third Quarterly Report.

(5) The tenth meeting of the Audit Committee of the third session of the Board was held on November 27, 2024 to consider and approve the Resolution on Additional Investment in a Foreign Associated Company and Related Transactions.

(6) The eleventh meeting of the Audit Committee of the third session of the Board was held on December 18, 2024 to consider and approve the Resolutions on the 2024 Audit Plan.

The Audit Committee has reviewed and confirmed the audited consolidated financial statements set out in this annual report, and discussed with the management on the Company's financial statements and internal controls. The Audit Committee is of the opinion that the preparation of these financial statements complies with applicable accounting standards and regulations and has made appropriate disclosures.

The Audit Committee is also aware of the Group's existing risk management and internal control systems, and is aware that these systems will be reviewed annually.

Nomination Committee

As at the date of this annual report, the Nomination Committee of the third session of the Board consists of Ms. LI Lihua (chairperson), Dr. LOU Boliang, Ms. ZHENG Bei, Mr. YU Jian and Mr. TSANG Kwan Hung Benson. Ms LI Lihua is the chairperson of the Nomination Committee. The Nomination Committee comprises the executive Directors and independent non-executive Directors. Among them, independent non-executive Directors serve as the chairperson and make up the majority.

The main duties of the Nomination Committee are as follows: (i) reviewing at least once a year the structure, number and composition of the Board (including skills, knowledge and experience), and making recommendations on any changes to the Board in line with the Company's strategy; (ii) making recommendations to the Board on the size and composition of the Board based on the Company's operating activities, assets scale and shareholding structure; (iii) studying the selection criteria and procedures of directors and senior management and making recommendations to the Board; (iv) extensively searching for qualified candidates as directors and senior management, identifying qualified candidates as directors and providing advice to the Board on the nomination of candidates; (v) reviewing and making recommendations on candidates as directors and senior management; (vi) evaluating the independence of independent non-executive Directors; (vii) making recommendations to the Board on the appointment or re-appointment of directors and the succession plan of directors (especially the chairman and chief executive officer); and (viii) other duties as conferred by the Board.

The procedures for the appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee will identify individuals suitably qualified to become directors and make recommendations to the Board on the selection of individuals. The Nomination Committee will determine the composition of board members based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also make recommendations to the Board of Directors on the appointment or reappointment of directors and succession planning for directors (in particular the Chairman of the Board of Directors), taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future.

During the year, the Nomination Committee held one meeting. The Nomination Committee considered the following matters:

(1) The first meeting of the Nomination Committee of the third session of the Board was held on March 26, 2024, and considered and approved the Resolution on Reviewing the Rationality of the Board Structure and the Resolution on evaluating the independence of independent non-executive Directors.

Remuneration and Appraisal Committee

As at the date of this annual report, the Remuneration and Appraisal Committee of the third session of Board consists of Ms. LI Lihua (chairperson), Dr. LOU Boliang, Mr. LOU Xiaoqiang, Mr. TSANG Kwan Hung Benson and Mr. YU Jian. The Remuneration and Appraisal Committee comprises executive Directors and independent non-executive Directors. Among them, independent non-executive Directors serve as the chairman and make up the majority.

The main duties of the Remuneration and Appraisal Committee are as follows: (i) making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) formulating remuneration plans or schemes (remuneration plans or schemes mainly include but are not limited to performance evaluation standards, procedures and the major evaluation system, and main schemes and systems for rewards and penalties, etc.), based on the main scope, responsibilities, importance of management positions of directors and senior management personnel, and the corporate policies and goals set by the Board, and reviewing and approving management's remuneration proposal; (iii) evaluating the remuneration level of the Company's senior management based on the industry's remuneration level provided by the market; (iv) recommending to the Board the remuneration of individual executive directors and senior management personnel, including non-pecuniary benefits, pension rights and compensation amounts (including compensation for loss or termination of office or appointment); (v) making recommendations to the Board on the remuneration of non-executive Directors; (vi) considering the remuneration paid by similar companies, the time and responsibilities required, and the conditions of employment for other positions within the Company; (vii) reviewing and approving compensation to executive Directors and senior management for their loss or termination of their positions or appointments to ensure that such compensation is consistent with the terms of the contract and is otherwise fair and reasonable; (viii) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (ix) ensuring that no director or any of his/her associates can participate in determining his/her own remuneration; (x) reviewing the performance of the Company's Directors and senior management personnel, conducting annual performance reviews, and issuing a special report to the Board; (xi) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules and (xii) other duties as conferred by the Board.

During the year, the Remuneration and Appraisal Committee held two meetings. In the two meetings, the following matters were considered:

(1) The second meeting of the Remuneration and Appraisal Committee of the third session of the Board was held on March 26, 2024, and considered and approved the Resolution on the Remuneration Program of the Company's Directors, Resolution on the Remuneration Program of the Company's Senior Management, and Resolution on the Performance Evaluation of the Company's Senior Management.

(2) The third meeting of the Remuneration and Appraisal Committee of the third session of the Board was held on August 27, 2024, and considered and approved the Resolution on Fulfilment of Conditions for Vesting within the Third Vesting Period and Temporary Non-listing under the 2021 Restricted A Shares Incentive Scheme and the Resolution on Fulfilment of Conditions for Vesting within the Second Vesting Period and Temporary Non-listing under the 2022 Restricted A Shares Incentive Scheme.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The following table sets forth the records of each director's attendance at the Board and board committees meetings as well as the Shareholders' General Meeting for the year ended December 31, 2024 during their term of office:

	Attendance/Number of Meetings						
Name of Directors	Board	Audit Committee	Remuneration and Appraisal Committee	Strategy Committee	Nomination Committee	Annual general meeting for 2023	Other General Meetings
Executive Directors							
Dr. LOU Boliang	7/7	N/A	2/2	1/1	1/1	0/1	1/2
Mr. LOU Xiaoqiang	7/7	N/A	2/2	1/1	N/A	1/1	1/2
Ms. ZHENG Bei	7/7	N/A	N/A	N/A	1/1	1/1	2/2
Non-executive Directors							
Mr. HU Baifeng	7/7	N/A	N/A	1/1	N/A	1/1	1/1
Mr. LI Jiaqing	7/7	N/A	N/A	1/1	N/A	0/1	2/2
Independent Non-executive Directors							
Mr. TSANG Kwan Hung Benson	7/7	6/6	2/2	N/A	1/1	1/1	2/2
Mr. YU Jian	7/7	6/6	2/2	N/A	1/1	1/1	2/2
Ms. LI Lihua	7/7	6/6	2/2	N/A	1/1	1/1	2/2
Mr. ZHOU Qilin (ceased as an independent non-executive Director and ceased as a member of the Strategy Committee on November 27, 2024)	6/6	N/A	N/A	1/1	N/A	1/1	1/1

REMUNERATION OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

Pursuant to Code Provision E.1.5 of Part 2 of the CG Code, the annual remuneration of the senior management (including Directors and Supervisors) of the Company by band for the year ended December 31, 2024 is set out below:

Remuneration Band (HKD)	Number of Individuals
0－1,000,000	8
1,000,001－1,500,000	0
1,500,001－2,000,000	2
2,000,001－2,500,000	4

DIRECTOR NOMINATION POLICY

According to the Articles of Association, the methods and procedures to nominate directors are as follows: (i) the candidates for Directors (excluding independent non-executive directors) of the Board shall be nominated by the Board or shareholder(s) severally or jointly holding more than 3% of the total number of the voting shares of the Company, and shall be elected at a general meeting of the Company; (ii) the candidates for Independent Non-executive Directors shall be nominated in such a way and procedure as specified by laws, administrative regulations, departmental rules, listing rules of the stock exchange where the Company's shares are listed or the Articles of Association. The candidates for Directors who accept the nominations shall promise that the information publicly disclosed about them is true and complete, and that they will diligently fulfil the duties as Directors if elected.

According to the Terms of Reference of the Nomination Committee of the Board, the procedures for electing and appointing Directors and senior management are as follows: (i) the Nomination Committee shall proactively communicate with relevant departments of the Company to understand the demand for new Directors and senior management and work out written reports; (ii) the Nomination Committee may extensively seek for candidates for Directors and senior management within the Company, the Company's subsidiaries/associated corporations/joint ventures as well as in the recruitment market; (iii) to collect the information on occupation, education background, job title, detailed work experience and all concurrent positions of the proposed candidates, and work out written reports; (iv) to seek the consent of the proposed candidates for nomination; otherwise, they shall not be put on the list of candidates for Directors and senior management; (v) to convene the meeting of the Nomination Committee, and check the eligibility according to the qualifications required for Directors and senior management; (vi) to submit the recommendation and relevant materials about the candidates for Directors and senior management to the Board one or two months prior to the election of new Directors and the appointment of new senior management members; and (vii) to follow up other matters according to decisions and feedback of the Board.

REMUNERATION POLICY

The Company endeavours to improve the measures for managing the remuneration of Directors, Supervisors, and senior management. The remuneration system for the Company's Directors, Supervisors, and senior management adheres to the principle of unifying incentives and constraints in combination with market regulation.

Directors receive remunerations in different forms, including salaries and subsidies.

During the year, no remuneration was paid to, or receivable by, our Directors, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office. Further, at the sixth meeting of the third session of the Board on March 27, 2024, the Board approved the resolution that the senior management of the Company will not receive the year-end bonus for 2023. The senior management were only receive the basic salary, and the year-end bonus for 2023 was nil.

The Company establishes a remuneration management system that matches its strategies, and attracts and retains talents who satisfy the requirements, to enhance its competitiveness and the motivation of employees. The remuneration of employees mainly consists of the basic salary, post salary, welfare benefit, and monthly (topic)/quarterly/year-end bonus. Based on the formulation and decomposition of annual operating targets, the Company establishes an objective assessment system and specifies efficiency indicators for each department. Under the system, the monthly (topic)/quarterly/year-end bonus is determined based on the Company's monthly, quarterly, and annual operating benefits and the completion of indicators by each department.

DIVIDEND POLICY

Pursuant to the Articles of Association, the Board may declare dividends in the future after taking into account the Company's results of operations, financial condition, cash requirements and availability, and other factors as it may deem relevant at such time. Although the calculation of the Company's net profit and undistributed profit is in accordance with PRC GAAP, which may differ from the numbers calculated under IAS, the Company does not expect such difference to be material and to have any substantive impact on its dividend policy. Any declaration and payment as well as the amount of dividends will be subject to the Company's Articles of Association, applicable PRC laws, and approval by the Company's Shareholders. Under the Articles of Association, when the Company makes a profit in the current year and the accumulated undistributed profit is positive, the Company shall give priority to the distribution of cash dividends provided that there is no material capital expenditure or investment in the next 12 months. The total amount of the cash dividends distributed shall be at least 20% of the total dividends in the same distribution.

SUPERVISORY COMMITTEE

As at the date of this annual report, the supervisory committee of the Company ("Supervisory Committee") consists of three members, two of whom are elected by the Shareholders and one by employees. The term of office of Supervisors is three years, and Supervisors can be re-elected upon the expiration of the term of office.

According to the Articles of Association, the Supervisory Committee convenes one meeting at least every six months. The Chairman of the Supervisory Committee is responsible for convening the meeting.

As at the date of this annual report, the Supervisory Committee consists of the following members:

Dr. YANG Kexin
Ms. FENG Shu
Ms. ZHANG Lan

The list and biographies of the Supervisors of the Company are set out in section headed "Profile of Directors, Supervisors, and Senior Management" of this annual report. Save as disclosed herein, there are no other significant relationships among the members of the Supervisory Committee.

The Supervisory Committee shall be accountable to the general meeting and the Supervisory Committee shall perform the following duties: (i) to review the Company's reports prepared by the Board and to provide comments in writing; (ii) to review the Company's financial condition; (iii) to examine the financial information such as the financial reports, business reports, and plans for distribution of profit to be submitted by the Board to the general meetings, to engage certified public accountants or practicing auditors in the name of the Company to assist in the review whenever queries arise; (iv) to supervise the conducts of the Directors and senior management in discharge of their duties and to advise on the dismissal of any Director and senior management who are in breach of laws, administrative regulations, the Articles of Association, or resolutions of the general meetings; (v) to demand rectification from the Directors and senior management of the Company where their conducts are detrimental to the interests of the Company; (vi) to propose to convene an extraordinary general meeting, and to convene and preside over the general meeting where the Board fails to perform its duties to convene or preside over a general meeting as required under the Company Law; (vii) to propose motions at a general meeting; (viii) to take legal actions against Directors and senior management in accordance with Article 151 of the Company Law; (ix) to conduct investigations whenever queries or unusual conditions in the operation of the Company arise and, if necessary, to engage professional institutions such as accounting firms and law firms to assist in their work with expenses to be borne by the Company; and (x) other duties as stipulated by the Articles of Association.

As at the date of this annual report, the Supervisory Committee convened a total of five meetings.

COMPANY SECRETARY

Mr. Yim Lok Kwan ("Mr. YIM") has been acted as the secretary of the Company since April 25, 2024.

Mr. YIM is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 10 years of experience in the corporate secretarial field. He is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. He received a bachelor's degree in accounting from Hong Kong Shue Yan University and a master's degree in corporate governance from The Hong Kong Polytechnic University and is responsible for advising the Board on corporate governance and ensure compliance with the Board's policies and procedures, applicable laws, and rules and regulations. Mr. YIM confirms that he received not less than 15 hours of professional trainings in accordance with Rule 3.29 of the Hong Kong Listing Rules during the year.

The main contact person of Mr. YIM in the Company is Mr. LI Shing Chung Gilbert, the chief financial officer and secretary of the Board.

FINANCIAL REPORTING

The Board is accountable to the Shareholders and is committed to presenting comprehensive and timely information to the Shareholders on assessment of the Company's performance, financial position, and prospects.

The responsibility of Ernst & Young, as the Company's external auditor to the financial statements, is set out in section headed "Independent Auditor's Report" of this annual report.

RESPONSIBILITIES OF DIRECTORS CONCERNING FINANCIAL STATEMENTS

All Directors of the Company had committed their responsibilities for the preparation of the financial statements of the Company for the year ended December 31, 2024.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board prepared the financial statements on a going concern basis.

AUDITORS' REMUNERATION

The Company engaged Ernst & Young and Ernst & Young Hua Ming LLP as its international auditor and domestic auditor, respectively. For the year ended December 31, 2024, the details of the remuneration payable by the Company to the auditors for the audit services and non-audit services were as follows:

Services	Remuneration (RMB'000)
Audit services	4,570
Non-audit services (Note)	1,576
Total	6,146

Note: Non-audit services comprise ESG services, taxation services rendered by the auditors.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is fully responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving its strategic objectives. The Board is also responsible for strengthening and standardizing the Company's internal management, enhancing the Company's self-discipline, realizing corporate governance goals, and improving the quality of information disclosure, managerial and administrative expertise, and capabilities of forestalling and defusing various risks, to push forward the Company's standardized operations and sustainable development. According to the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Accounting Law of the People's Republic of China, Audit Law of the People's Republic of China, Audit Regulations of the People's Republic of China, No. 2 Self-Regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies – the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the ChiNext Board, the Listing Rules, Basic Standard for Enterprise Internal Control, CG Code in Appendix C1 of the Listing Rules, and other laws and regulations and the Articles and Association, and in light of the actual management needs of the Company, the Company has formulated and adopted the Risk Management System, Early Warning System for Major Risks and Emergency Response System, Internal Control Management System, and Internal Audit Management System.

The Company's risk management system is designed to improve the risk prevention capabilities, enhance competitiveness, and advance the sustainable and healthy development of the Company. The internal audit system is intended to improve the quality and efficiency of internal audit, perfect the Company's mechanisms for supervision and risk control, and step up the Company's self-improvement and development. To strengthen the Company's management of major risks and emergencies, the mechanism for early warning and emergency response has been established to minimize losses, maintain the Company's normal operating order, and protect the legitimate interests of investors. The systems aim at managing rather eliminating the risk of failure to achieve business objectives and providing reasonable assurance of no material misstatement or loss.

FUNCTIONAL STRUCTURE OF RISK MANAGEMENT AND INTERNAL CONTROL

The Company implements hierarchical risk management. The Company's organizational system for comprehensive risk management includes: the Board, the Audit Committee and the Internal Control and Internal Audit Department, the general manager office, the Risk Management Working Group, and branches and subsidiaries of other functional departments. Branches and subsidiaries may establish an organizational system for risk management in light of the actual situation.

Being the Company's highest leading body in charge of comprehensive risk management, the Board is responsible for the effectiveness of comprehensive risk management. The Directors are also responsible for establishing, improving, and earnestly implementing the internal control system and evaluating the effectiveness of the system. The Board acknowledges its responsibility for the Company's risk management and internal control systems, and is responsible for reviewing the effectiveness of such systems.

The Audit Committee and the Internal Control and Internal Audit Department are mainly responsible for studying and proposing a supervision and evaluation system for comprehensive risk management, establishing systems relating to supervision and evaluation, conducting supervision and evaluation, and issuing supervision and evaluation reports. The general manager office is the executive bodies of the Company in charge of risk management. The internal auditors of the Internal Control and Internal Audit Department implements the internal audit function of the Company and reports directly to the Audit Committee. The Audit Committee and the internal auditors are also responsible for supervising the establishment and implementation of the Company's internal control.

The Risk Management Working Group, whose members are mainly from the Company's main business and functional areas, is the leading organization of the Company in charge of risk management. It is responsible for planning, advancing, organizing, coordinating, and supervising the risk management of various departments/enterprises. The various departments/enterprises of the Company are the executive bodies of the Company in charge of specific risk management.

The internal control staff of the Internal Control and Internal Audit Department is responsible for leading and organizing each department/branch and subsidiary to identify internal control problems, urge efforts to do resolve the problems, and continuously optimize the Company's internal control system.

The internal auditors of the Company shall supervise and evaluate the risk management carried out by the Company and the effects of the risk management at least once a year, and the supervision and evaluation reports shall be directly submitted to the Board or the Audit Committee. In addition, the Company checks its internal control voluntarily on a regular basis every year, and the internal auditors evaluate the implementation effects of the internal control. Major matters, including the Company's acquisition and sale of assets, connected transactions, engaging in derivative transactions, providing financial assistance, providing guarantee for others, using proceeds, and entrusting wealth management, are necessary items for the plan of inspection and supervision of internal control. They also provide convenience for the Board to make judgments on the effectiveness of the Company's monitoring and risk management.

The general manager office and the various departments/enterprises of the Company are the executive bodies of risk management and risk control. They are responsible for collecting, analysing, and feeding back problems detected in risk management and informing the Risk Management Working Group of the problems in time.

The Board has reviewed the effectiveness of the risk management and internal control during the year through the Audit Committee. The results of the internal control, internal audit, and risk management during the year showed the following highlights:

(1) According to the identification of significant defects in internal control over financial reporting of the Company, the Company did not have any significant defect in internal control over financial reporting as at the base date of internal control evaluation report. The Company has maintained, in all material respects, effective internal control over financial reporting in accordance with the requirements of the internal control standard and system and related regulations.

(2) According to the identification of significant defects in internal control over non-financial reporting of the Company, no significant defects in internal control over non-financial reporting were found as at the base date of internal control evaluation report.

(3) From the base date of internal control evaluation report to the issuing date of the internal control evaluation report, factors affecting the conclusion of internal control effectiveness evaluation did not occur.

For the year ended 31 December 2024, the Board believes that the Company is free from significant risk monitoring errors and major risk. The Company has strictly complied with the provisions on risk management and internal control in the CG Code and the Board evaluates that the Company's risk management and internal control systems are effective and adequate.

SPECIFIC PROCEDURES FOR IDENTIFYING, EVALUATING, AND MANAGING MAJOR RISKS

1. Risk identification

Risk identification refers to the process of identifying possible risks in the Company's enterprises, various important business activities, and important business processes and the types of the risks.

2. Risk analysis

Risk analysis refers to the clear definition and description of the risks identified and their characteristics as well as the analysis and description of the likelihood and conditions of risks. By using a combination of qualitative and quantitative methods, the Company analyzes and ranks the risks identified based on the likelihood and impact of the risks, and determines key risks to be controlled in priority.

3. Risk evaluation

Risk evaluation refers to the evaluation of the impact of risks on the Company's attainment of goals, the value of risks, and so on.

4. Risk response

The Company shall implement dynamic management of the information about risks and conducts risk identification, analysis, and evaluation on a regular or irregular basis, to reevaluate new risks and changes in existing risks.

5. Risk management strategy

The Company's Risk Management Working Group calls on relevant departments to weigh risks and returns and determine risk response strategies based on the results of risk evaluation and in combination with risk tolerance. Through a reasonable analysis of risks, the Company will know exactly the risk preferences of Directors, managers and other senior management personnel, and employees in key positions. Accordingly, the Company will take appropriate control measures to avoid significant losses to its operations due to personal risk preferences. The Company shall use a combination of countermeasures of risks such as risk aversion, risk reduction, risk sharing, and risk tolerance to achieve effective control of risks.

6. Risk monitoring and improvement

The Company shall establish a channel for communicating risk management information, which runs through the entire risk management process and links superiors and subordinates, departments, and business units, to ensure timely, accurate, and complete information communication, thus laying a foundation for the supervision and improvement of risk management. Relevant departments and enterprises of the Company shall conduct self-inspection and inspection of risk management on a regular basis to detect and fix defects in a timely manner. The self-inspection and inspection can be carried out together with internal control inspection.

PROCESSING AND PUBLISHING INSIDE INFORMATION

The Company has formulated and adopted the Information Disclosure Regulations concerning the procedures for handling and publishing inside information and internal control, to promote the Company's standardized operations, regulate information disclosure behaviour, strengthen information disclosure management, ensure the truthfulness, accuracy, completeness, timeliness, and fairness of information disclosure, and protect the legitimate rights and interests of the Company and its investors. The Company is aware of its responsibilities under the Securities and Futures Ordinance and the Hong Kong Listing Rules, the most important principle of which is that if the Company determines relevant information as inside information, it shall publish the information as soon as reasonably practicable while paying close attention to applicable laws and regulations when handling the information.

REGULATIONS FOR EVALUATION AND MANAGEMENT OF INTERNAL CONTROL

The Company has formulated the Regulations for Evaluation and Management of Internal Control according to the Company Law of the People's Republic of China, Rules Governing the Listing of Stocks on the Shenzhen Stock Exchanges, the the Listing Rules, Basic Standard for Enterprise Internal Control, Practice Note on the Evaluation of Internal Control of Enterprises, and other laws and regulations and normative documents and in line with the Company's actual circumstances. This aims to standardize the evaluation of Company's internal control, detect defects in internal control in a timely manner, and propose and implement improvement plans, thus ensuring the effective operation of internal control. The evaluation of internal control described in the regulations refers to the process implemented by the Board and management of the Company to comprehensively evaluate the effectiveness of the Company's internal control, draw an evaluation conclusion, and issue an evaluation report. The effectiveness of internal control refers to the reasonable guarantee provided through the establishment and implementation of internal control for the realization of control objectives.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the year, the Company convened the annual general meeting on June 6, 2024 to amend certain articles of the Articles of Association in accordance with the latest regulatory regulations and considered and approved the changes of the registered capital of the Company. The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the relevant guidelines, which were issued by the China Securities Regulatory Commission came into effect on March 31, 2023. As well as the corresponding amendments to the Listing Rules, which came into effect on August 1, 2023, in accordance with the implementation of the above-mentioned new domestic regulations and the repeal and invalidation of the old domestic regulations. At the same time, the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas promulgated by the China Securities Regulatory Commission on August 27, 1994 and the Special Provisions on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies promulgated by the State Council on August 4, 1994 were abolished and invalidated. In addition, according to the Measures on the Administration of Independent Directors of Listed Companies implemented by the China Securities Regulatory Commission on September 4, 2023, the Company convened the annual general meeting on June 6, 2024 to consider the amendments to the Articles of Association. Due to the adjustment of the structure of the Board and the change in the registered capital of the Company, the Company held the extraordinary general meeting of shareholders on December 18, 2024 to consider the amendment of the Articles of Association of the Company. The latest version of the Articles of Association of the Company was approved by the second extraordinary general meeting of 2024 on December 18, 2024, and an up-to-date version of the Company's Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

Except as disclosed above, there were no other amendments to the Company's Articles of Association during the year.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholder interests and rights, separate resolutions shall be proposed for each substantially separate issue at general meetings, including the election of individual Directors. 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.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

According to the Articles of Association, Shareholder(s) individually or jointly holding a total of 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The aforesaid number of shares shall be calculated in accordance with the shares held on the day on which the written request is made by the shareholders. The Board shall, in accordance with the provisions of laws, administrative regulations, listing rules of the stock exchange where the Company's shares are listed, and the Articles of Association, submit a written feedback on approval or disapproval of the convening of an extraordinary general meeting or class meeting within ten days after receiving the above-mentioned written request.

Shareholders shall send written requests to the Board office of the Company at the following address:

Address: 6 Tai-He Road, Economic Technological Development Area, Beijing, the PRC
Postal code: 100176
Tel: 86 010-57330087
Fax: 86 010-57330087

SHAREHOLDER PROCEDURES FOR MAKING ENQUIRIES TO THE BOARD

The Shareholders' communication policy of the Company aims to maintain transparency and provide timely information of the major development of the Group to Shareholders and investors. General meetings of the Company are formal channels for communication between Shareholders and the Board. The members of the Board will make themselves available at the general meetings to have direct communication with the Shareholders.

Shareholders may also send their enquiries and concerns to the Board by addressing them to the Board office of the Company at the following address:

Address: 6 Tai-He Road, Economic Technological Development Area, Beijing, the PRC
Postal code: 100176
Tel: 86 010-57330087
Fax: 86 010-57330087

PROCEDURE FOR SUBMITTING PROPOSALS AT GENERAL MEETINGS

According to the Articles of Association, if the Company plans to convene a general meeting, the Shareholders holding more than 3% of the shares of the Company separately or jointly may raise a temporary proposal and submit it to the convener in writing ten days before the general meeting is convened. The convener shall, within two days after the receipt of the proposal, issue a supplementary notice to inform the general meeting of the contents of the temporary proposal. The proposal contents shall fall into the terms of reference of the general meeting. There shall be definite topics and specific matters for resolution. The proposal shall comply with the relevant provisions of laws, administrative regulations, listing rules of the stock exchange where the Company's shares are listed, and the Articles of Association.

Shareholders may send their proposals to the Board office of the Company at the following address:

Address: 6 Tai-He Road, Economic Technological Development Area, Beijing, the PRC
Postal code: 100176
Tel: 86 010-57330087
Fax: 86 010-57330087

COMMUNICATION WITH INVESTORS AND INVESTOR RELATIONSHIP

The Board values the investor relation management, complies with the relevant requirements of Securities Law, Articles of Association, the Rules Governing the Meeting of the Board and regulates the operation. The Board has established Information Disclosure Management, Investor Relation Management System, and other regulatory systems to standardize and optimize the investor relation management.

During the year, the Board made timely, truthful, accurate and complete information disclosure and received an "A" rating in the information disclosure assessment by Shenzhen Stock Exchange, which helps the Company establish a good corporate image. While earnestly performing statutory information disclosure obligations, the Company launched investor relation activities in various forms to provide investors with information which they were interested in, to promote the transparency of the Company's corporate operation, and to build mutual understanding and trust. Meanwhile, the Company absorbed advice provided by investors in the course of information delivery and collected feedback from investors to boost benign interactions between the Company and investors.

In investor relation activities, the secretary to the Board and the securities department of the Company were responsible for investor relation management. Work assumed by them included: answering telephone calls through investor hotlines in time; answering online questions raised by investors on the EasyIR platform of the Shenzhen Stock Exchange; holding online illustration meetings on the Company's performance and answering questions raised by investors; receiving delegations of investors and securities analysis agencies; participating in investor promotion activities; and providing particulars about the Company, information disclosure, and corporate governance through the website of the Company (http://www.pharmaron.com), the website of CNINFO (http://www.cninfo.com.cn), and the website of the Hong Kong Stock Exchange (https://www.hkex.com.hk/). In 2024, the Company held 6 research events and received more than 1,000 institutional investors and individual investors, facilitating communication between domestic and foreign investors and the Company. The Company also maintained continuous and good communication with individual investors who are highly concerned about the Company's situation, introduced the Company's production and operation situation, industry information and others to them, and provided timely channelling to investors' negative emotions caused by market fluctuations. In addition, the IR team actively cooperated with the regulatory authorities to carry out investor education and publicity work, Including the 2024 National Security Education Day, the 2024 National Investor Protection Awareness Day and other education and publicity activities etc..

In 2025, the Company will continue strengthening investor relation management in Shenzhen and Hong Kong. The Board will urge relevant departments and personnel to manage investor relations based on the needs of investors, and strengthen contact and communication with investors through various channels, such as non-deal road shows, results presentation, hotline and emails for investors, investor interaction platforms, field research and online briefings. This will help investors deepen their understanding and recognition of the Company and promote long-term, stable and good interaction between the Company and investors. The Board will make appropriate arrangements for reception of target audience, such as institutional investors and news media, to visit the Company for on-site discussion and survey, and for maintaining properly the confidentiality of undisclosed information. The Company will renew efforts to strengthen the protection of legitimate rights and interests of investors in strict accordance with the relevant provisions of the Securities Law on investor protection. The Company will communicate with investors through online and offline channels such as the publicity and education on investor rights protection, hotlines and online platforms. While popularizing risk knowledge to investors to raise their awareness of risk prevention, the Company will answer questions from investors and treat all domestic and foreign investors fairly, openly and impartially, thereby ensuring the legal rights of investors and safeguarding their rights to suggestions and inquiries. In addition, the Company will continue improving its corporate governance and strive to improve its corporate governance mechanism, to secure the legitimate rights and interests of investors.

SHAREHOLDERS' COMMUNICATION POLICY

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company has adopted a Shareholders' Communication Policy. The Board has reviewed the Shareholders' Communication Policy on March 26, 2025 and the Board considers that the implementation of the Shareholders' Communication Policy is effective.

The Shareholders' Communication Policy includes the following:

The Company is committed to providing the Shareholders and other stakeholders (including potential investors) with balanced and understandable information about the Company. The Board of the Company maintains an on-going dialog with the Shareholders and encourages them to communicate actively with the Company through telephone, mail and general meetings. Corporate Communications will be provided to the Shareholders and non-registered holders of securities of the Company in both English and Chinese versions (or where permitted, in a single language) in a timely manner in accordance with the requirements of the Hong Kong Listing Rules. Shareholders and non-registered holders of securities of the Company shall have the right to select the language (either Chinese or English) of the Corporate Communications or the means of receipt (in printed form or by electronic means) of the Corporate Communications. The Company regularly reviews the implementation and effectiveness of this policy annually to ensure its effectiveness.

Directors' Report

The Board is pleased to present this annual report for the year 2024 and the audited consolidated financial statements of the Group for the year ended December 31, 2024.

PRINCIPAL ACTIVITIES

The Company is a leading fully-integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for our customers. The principal activity of the Group is to provide contract research, development and manufacturing services for innovative pharmaceutical products throughout the research and development cycle and the services are organised in four major categories: laboratory services, CMC (small molecule CDMO) services, clinical development services, and biologics and CGT services.

The activities and particulars of the Company's principal subsidiaries are shown under note 1 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 4 and note 5 to the consolidated financial statements.

BUSINESS REVIEW

The description of principal risks and uncertainties that the Group may be facing, a fair review of the Group's business during the year, and the probable future business development of the Group are provided in the section headed "Corporate Governance Report" and "Management Discussion and Analysis" in this annual report.

Also, the financial risk management objectives and policies of the Group can be found in note 49 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Financial Highlights" in this annual report. In addition, discussions on the relationships with its staff, customers and suppliers is also contained in the Environmental, Social and Governance Report of the Company dated April 29, 2025.

ENVIRONMENTAL PROTECTION

The Group has established an environmental, safety and health department to ensure compliance with applicable legal requirements and internal standards regarding environmental protection. To the best of the Group's knowledge, during the year ended December 31, 2024, the Group had complied with the applicable environment laws and regulations in the PRC in all material respects. Discussions on the Group's environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report of the Company dated April 29, 2025.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group's for the last five financial years is set out in the section headed "Financial Summary" in this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the reporting period are set out in note 14 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2024, the percentage of the major customers and suppliers in the Group's total sales and purchase are as follow:

	Percentage in the Group's total	
	Sales	Purchases
Largest customer	5.75%	–
Total of the five largest customers	14.04%	–
Largest supplier	–	2.75%
Total of the five largest suppliers	–	10.03%

None of the Directors or any of their close associates (as defined under the Listing Rules) or any shareholders of the Company (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

RESULTS AND DIVIDEND

The consolidated results of the Group for the Reporting Period are set out on pages 114 to 224 of this annual report.

The Board proposed to declare a final dividend as a cash dividend of RMB0.20 (inclusive of tax) per Share or an aggregate of approximately RMB354.2 million (inclusive of tax) for the year ended December 31, 2024 to all Shareholders. The aforesaid proposal is subject to the consideration and approval at the AGM. If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended December 31, 2024 will be distributed to the shareholders by the end of August 2025.

The final dividend distribution shall be calculated based on the total number of Shares in issue as of the Record Date and the final cash dividend distribution shall be based on RMB0.20 per Share (inclusive of tax).

The final dividend will be denominated and declared in RMB. The holders of A Shares will be paid in RMB and the holders of H Shares will be paid in Hong Kong dollars. The actual amount declared in HK dollars is converted based on the average benchmark exchange rate of Renminbi against HK dollars as promulgated by the People's Bank of China for the five business days preceding the date of the AGM.

To the best of the Company's knowledge, no shareholder has waived or agreed to waive any dividends.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 39 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 41 and note 50 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at December 31, 2024, the Company's distributable reserves, calculated in accordance with PRC rules and regulations, were RMB6,442.7 million.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and as of the date of this annual report are as follows:

Executive Directors

Dr. LOU Boliang (樓柏良) *(Chairperson)*
Mr. LOU Xiaoqiang (樓小強)
Ms. ZHENG Bei (鄭北)

Non-executive Directors

Mr. HU Baifeng (胡柏風)
Mr. LI Jiaqing (李家慶)

Independent Non-executive Directors

Ms. LI Lihua (李麗華)
Mr. ZHOU Qilin (周其林) *(ceased on November 27, 2024)*
Mr. TSANG Kwan Hung Benson (曾坤鴻)
Mr. Yu Jian (余堅)

Supervisors

Dr. YANG Kexin (楊珂新) *(Chairperson)*
Ms. Feng Shu (馮書)
Ms. ZHANG Lan (張嵐)

Biographical details of the Directors, the Supervisors and the senior management of the Group as of the date of this annual report are set out in the section headed "Profile of Directors, Supervisors and Senior Management" of this annual report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" and note 46 to the consolidated financial statements, the Group has not entered into any transaction, arrangement or contract of significance in which the Group's Directors and Supervisors, or any entity connected with such Directors or Supervisors, have direct or indirect material interests during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective associates (as defined under the Listing Rules) had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration and Appraisal Committee makes recommendation to the Board on the remuneration and other benefits payable to the Directors and Supervisors by the Group. The Remuneration and Appraisal Committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at an appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group, and determines remuneration of the Directors based on their qualifications, experience and contributions, to attract and retain its Directors as well as to control costs.

Details of the emoluments of Directors, Supervisors and the top 5 highest paid individuals are set out in note 9 and note 10 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

The Company has purchased appropriate liability insurance for its Directors and Supervisors which provides proper protection for the Directors and Supervisors.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES OF THE COMPANY

As of December 31, 2024, the interests and short positions of the Directors, the Supervisors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Position in Shares

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage of its class of Shares	Percentage in total number of Shares
Dr. LOU Boliang	A Shares	Interests held jointly with another person; interests of controlled corporation	344,259,653	23.32%	19.36%
Mr. LOU Xiaoqiang	A Shares	Beneficial owner; interests held jointly with another person; interests of controlled corporation; interests of spouse	344,259,653	23.32%	19.36%
Ms. ZHENG Bei	A Shares	Interests held jointly with another person; interests of controlled corporation; interests of spouse	344,259,653	23.32%	19.36%
Ms. LI Lihua	A Shares	Beneficial owner; interests	75,000	0.005%	0.004%

Notes:

1. Pharmaron Holdings Limited directly held 180,496,500 A Shares, and is held as to 76.76% by Dr. LOU Boliang.

   Mr. LOU Xiaoqiang directly held 60,540,050 A Shares and Ningbo Longtaikang Investment Management Co., Ltd. directly held 40,135,026 A Shares. Ningbo Longtaikang Investment Management Co., Ltd. is wholly-owned by Mr. LOU Xiaoqiang.

   Ms. ZHENG Bei directly held 15,750,000 A Shares and Beihai Duotai Venture Capital Co., Ltd. directly held 21,956,986 A Shares and is wholly-owned by Ms. ZHENG Bei.

   Xiamen Longtai Huixin enterprise Management Partnership (Limited Partnership), Xiamen Longtai Dingsheng Enterprise Management Partnership (Limited Partnership), Xiamen Longtai Huisheng Enterprise Management Partnership (Limited Partnership), Xiamen Longtai Zhongsheng Enterprise Management Partnership (Limited Partnership) and Xiamen Longtai Zhongxin Enterprise Management Partnership (Limited Partnership) directly held 5,261,787 A Shares, 5,261,729 A Shares, 5,261,858 A Shares, 5,261,729 A Shares, and 4,333,988 A Shares, respectively. The general partner of each of these five limited partnership is Ms. ZHENG Bei.

   Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei have entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement), pursuant to which they have agreed to reach consensus on any proposal presented to the Board and the general meeting of the shareholders of the Company for voting (the "Voting Agreement"). Pursuant to the Voting Agreement, Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei are concert parties and they are deemed to be interested in each other's interests in our Company under the SFO.

2. Mr. LOU Xiaoqiang and Ms. ZHENG Bei are spouses.

3. As of December 31, 2024, the total number of issued A Shares and H Shares were 1,476,248,884 and 301,537,125, respectively.

Save as disclosed above, as of December 31, 2024, to the knowledge of the Board, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors, the Supervisors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As of December 31, 2024, according to the register kept by the Company pursuant to Section 336 of the SFO and so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Interests in the Shares of the Company

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage in the respective class of share capital	Percentage in total number of Shares
CITIC Securities Co. Ltd. (中信証券股份有限公司) ("CITIC Securities")[2]	A Shares	Interest of controlled corporation	289,326,458(L)	19.60%	16.27%
Pharmaron Holdings Limited[3]	A Shares	Beneficial owner	180,496,500(L)	12.23%	10.15%
The Bank of New York Mellon Corporation	H Shares	Interest of controlled corporation	14,521,725(L)	4.82%	0.82%
			13,808,303(P)	4.58%	0.78%
Citigroup Inc.	H Shares	Interest of controlled corporation	10,874,661(L)	3.61%	0.61%
			1,274,425(S)	0.42%	0.07%
			9,559,296(P)	3.17%	0.54%

Notes:

1. The letter "L", "S" and "P" stand for long position, short position and lending pool, respectively.

2. Shenzhen Xinzhong Kangcheng Investment Partnership (Limited Partnership) (深圳市信中康成投資合夥企業(有限合夥)) ("Shenzhen Xinzhong Kangcheng") and Shenzhen Xinzhong Longcheng Investment Partnership (Limited Partnership) (深圳市信中龍成投資合夥企業(有限合夥)) ("Shenzhen Xinzhong Longcheng") directly held 260,827,958 A Shares and 28,498,500 A Shares, respectively. To the best knowledge of our Company, the general partner of Shenzhen Xinzhong Kangcheng and Shenzhen Xinzhong Longcheng is CITIC Buyout Fund Management Company Limited (中信併購基金管理有限公司) ("CITIC Fund"). Shenzhen Xinzhong Kangcheng is held as to 50.16% by CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership) (中信併購投資基金(深圳)合夥企業(有限合夥)) ("CITIC Fund Shenzhen") as a limited partner, the general partner of which is CITIC Fund. CITIC Fund is wholly-owned by CITIC Goldstone Investment Co., Ltd. (中信中信金石投資有限公司), which is in turn wholly-owned by CITIC Securities, a company listed on the Hong Kong Stock Exchange (stock code: 6030). Shenzhen Xinzhong Longcheng is held as to 72.74% by Anhui Industrial Buyout Fund Partnership (Limited Partnership) (安徽產業併購基金合夥企業(有限合夥)) as a limited partner, the general partner of which is Anhui Xin'an Investment Partnership Enterprise (Limited Partnership) (安徽信安投資合夥企業(有限合夥)) ("Anhui Xin'an"). The general partner of Anhui Xin'an, being Anhui Xin'an Mergers and Acquisitions Private Fund Management Company (安徽信安併購私募基金管理有限公司), is in turn held as to 80% by CITIC Goldstone Investment Co., Ltd. (中信金石投資有限公司).

3. Pharmaron Holdings Limited is held as to 76.76% by Dr. LOU Boliang.

4. As of December 31, 2024, the total number of issued A Shares and H Shares were 1,476,248,884 and 301,537,125, respectively.

CONNECTED TRANSACTIONS

During the year ended December 31, 2024, details of the Group's connected transactions subject to the reporting, annual review, announcement requirements are set out as follows:

Connected transactions

Connected transaction	Date	Connected person	Description and purpose of the transaction	Actual transaction value for the year ended December 31, 2024
Limited Partnership Agreement in relation to the subscription for the investment in Ningbo Yongxin Kangjun Entrepreneurship Investment Partnership Enterprise (Limited Partnership) ("Yongxin Kangjun Fund")	April 8, 2024	Kangjun Investment Management (Beijing) Co., Ltd. ("Kangjun Investment"), being the general partner of the Yongxin Kangjun Fund, is owned by Ningbo Kangwan Enterprise Management Consulting Partnership (L.P.) ("Ningbo Kangwan"), Xiamen Kangwan Enterprise Management Consulting Partnership (Limited Partnership) ("Xiamen Kangwan"), Legend Capital Co., Ltd. and the Company as to 40%, 20%, 10% and 30%, respectively. Ningbo Kangwan is owned by Zhangjiajie Kanghongwan Venture Capital Partnership Enterprise (Limited Partnership) as to 75%, which is in turn jointly owned by Mr. Lou Xiaoqiang and Ms. Zheng Bei, the substantial shareholders and the Directors of the Company. Xiamen Kangwan is owned as to 35%, 50% and 15% by Mr. Lou Xiaoqiang (as a limited partner), Ms. Zheng Bei (as a limited partner), both being our executive Directors, and Mr. Su Yuexing (as a general partner) (an Independent Third Party), respectively. Kangjun Investment is ultimately owned by Mr. Lou Xiaoqiang, one of the substantial Shareholders of the Company, an executive Director and the chief operating officer of the Company, and is therefore a connected person of the Company. Beijing Xinyuan Zhikang Enterprise Management Consulting Partnership (Limited Partnership) ("Beijing Xinyuan Zhikang"), being one of the limited partners of the Yongxin Kangjun Fund and whose general partner is Kangjun Investment, is therefore a connected person of the Company.	The Company entered into the Limited Partnership Agreement with Kangjun Investment (being the general partner) and seven other limited partners in relation to the investment in the Yongxin Kangjun Fund. Under the Limited Partnership Agreement, the initial capital contribution payable by Kangjun Investment, the Company and Beijing Xinyuan Zhikang are RMB5 million, RMB280 million and RMB80 million, respectively. The total capital contribution payable by the general partner and all limited partners is RMB900 million.	RMB900 million

The detailed terms of the connected transaction mentioned above are as follows:

Limited Partnership Agreement in relation to the subscription for the investment in the Yongxin Kangjun Fund

On April 8, 2024, Kangjun Investment (as the general partner) and eight limited partners, namely, the Company, Beijing Xinyuan Zhikang, Ningbo Yongxin Industrial Investment Partnership (Limited Partnership), Ningbo Yongqian Equity Investment Partnership Enterprise (Limited Partnership), Ningbo Yongcai Equity Investment Partnership Enterprise (Limited Partnership), Zhuhai Gaoke Financial Investment Industrial Equity Investment Co., Ltd., Shanghai Model Organisms Center, Inc. and Mr. Yu Yuejiang (郁岳江) entered into the Limited Partnership Agreement in relation to the investment in the Yongxin Kangjun Fund. The Yongxin Kangjun Fund will be registered in the PRC as a limited partnership with the primary objective of making equity investments as well as convertible bond investments for the purpose of equity investment that are in compliance with PRC laws and regulations, in the shares, equity or equity shares of relevant companies or other economic entities with innovative technologies or innovative service platforms in the biopharmaceutical industry.

The investment objective of the Yongxin Kangjun Fund is to make equity investments as well as convertible bond investments for the purpose of equity investment that are in compliance with PRC laws and regulations, in the shares, equity or equity shares of relevant companies or other economic entities with innovative technologies or innovative service platforms in the biopharmaceutical industry, enhancing the corporate governance and improving performance of target entities and thereby enabling its partners to obtain economic return. As at the date of this announcement, there are no particular investment targets. The term of the Yongxin Kangjun Fund shall be seven (7) years commencing from the First Closing Date (unless terminated earlier in accordance with the Limited Partnership Agreement).

The total capital contribution payable by the general partner and all limited partners is RMB900 million.

For details, please refer to the announcement of the Company dated April 8, 2024.

Continuing connected transactions

Continuing connected transaction	Date	Connected person	Description and purpose of the transaction	Annual cap for the year ended December 31, 2024	Actual transaction value for the year ended December 31, 2024
Commissioned Experiments and Research Framework Agreements	October 27, 2023	Ningbo Newbay Technology Development Co., Ltd. (寧波新灣科技發展有限公司) ("Newbay Technology"), a company which is held as to, amongst others, 22.3484% and 8.9585% by Xiamen Yuanbo Investment Partnership (Limited Partnership)* (廈門元博投資合夥企業(有限合夥)) ("Yuanbo") and Ningbo Kangjun Zhongyuan Equity Investment Partnership (Limited Partnership)* (寧波康君仲元股權投資合夥企業(有限合夥)) ("Kangjun Zhongyuan Fund"), respectively. Yuanbo is owned as to 50% and 50% by our executive Directors and the substantial shareholders of the Company, being Mr. Lou Xiaoqiang (as a limited partner) and Ms. Zheng Bei, the spouse of Mr. Lou Xiaoqiang (as a general partner). In addition, the general partner of Kangjun Zhongyuan Fund is Kangjun Investment Management (Beijing) Co.Ltd.* (康君投資管理(北京)有限公司) ("Kangjun Investment"), which is in turn ultimately owned by Mr. Lou Xiaoqiang. Therefore, Newbay Technology is a connected person of the Company.	The Group shall continue to provide special technical services such as relevant laboratory services, process development and manufacturing, and clinical development services to Newbay Technology and its subsidiaries for a term of three years ending on December 31, 2026.	RMB70.0 million	RMB54.2 million

The detailed terms of the non-exempt continuing connected transaction mentioned above are as follows:

Commissioned Experiments and Research Framework Agreement 2023

On October 27, 2023, the Company and Newbay Technology entered into the commissioned experiments and research framework agreement ("Framework Agreement 2023") for a term from January 1, 2024 to December 31, 2026, pursuant to which the Group would continue to provide special technical services such as relevant laboratory services, process development and manufacturing, and clinical development services to Newbay Technology and its subsidiaries (the "Newbay Group"). For details of the commissioned experiments and research framework agreement, please refer to the announcement of the Company dated October 29, 2023 and November 6, 2023.

Pricing

Services fees will be charged at rates no less favorable than rates at which our Group charges independent third parties for comparable transactions and will be determined by the relevant parties through arm's length negotiations based on a number of factors applicable to all customers, including but not limited to the nature, complexity, and value of tasks completed by the Group at each stage under each work order, the materials required to complete the tasks, the fees charged for historical transactions of similar nature and the then prevailing market rates.

Annual caps

The total service fees receivable by the Group from the Newbay Group for the services under the Framework Agreement 2023 for the financial years ended December 31, 2024, 2025 and 2026 are expected not to exceed RMB70 million, RMB80 million and RMB90 million, respectively.

The annual cap has been arrived at based on (i) the historical transaction amounts received by the Group from the Newbay Group; (ii) the service fees received or receivable by the Group with respect to existing agreements between the Group and the Newbay Group; and (iii) the potential business opportunity after taking into account the development stages and expected development of the projects of the Newbay Group.

For the year ended December 31, 2024, the total service fees receivable by the Group from the Newbay Group for the services under the Framework Agreement 2023 was approximately RMB54.2 million.

Review by and confirmation of independent non-executive Directors of the Company

The independent non-executive Directors have reviewed the above continuing connected transactions, and after due and careful enquiry with the management of the Group, confirmed that such transactions were:

(i) carried out in the ordinary and usual course of business of the Group;

(ii) made on normal commercial terms or better; and

(iii) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of the Shareholders as a whole.

The independent non-executive Directors are satisfied that they have received and reviewed sufficient information to give the confirmations above.

Confirmation of the auditor

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 "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 an unqualified letter containing the findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

The auditors of the Group had informed the Board and confirmed nothing has come to their attention that cause them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the Group;

(iii) are not carried out in accordance with the related transaction agreement in any material respects; and

(iv) exceed the annual cap.

In respect of the above mentioned non-exempt connected transactions, the Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, there was no connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with the Listing Rules during the Report Period. For details, please refer to the abovementioned announcements of the Company.

RELATED PARTY TRANSACTIONS

Details on related party transactions for the Reporting Period are set out in note 46 to the consolidated financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions as set out in note 46 to the consolidated financial statements are not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights in the Articles of Association of the Company or under the laws of the PRC being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE, REDEMPTION OR CANCELLATION OF LISTED SECURITIES

1. Repurchase of A Shares

During the Reporting Period, the Company repurchased 9,608,288 A Shares on the Shenzhen Stock Exchange for an aggregate consideration of approximately RMB200.1 million (exclusive of expenses). The repurchase is conducted to safeguard the value of the Company, Shareholders and enhance investor's confidence. All repurchased 9,608,288 A Shares were cancelled on December 25, 2024. Please refer to the overseas regulatory announcement of the Company dated December 26, 2024 for further details.

Details of the A Shares repurchased are as follows:

Month of repurchase	Number of A Shares repurchased	Highest price paid per A Share (RMB)	Lowest price paid per A Share (RMB)	Aggregate consideration (RMB)
May 2024	6,838,663	22.27	19.92	149,688,203
June 2024	77,500	18.76	18.44	1,434,017
July 2024	2,692,125	18.60	17.89	48,969,989
Total	9,608,288			200,092,209

2. Repurchase of H Shares

From December 2024 to January 2025, the Company repurchased a total of 7,263,300 H Shares on the Stock Exchange for an aggregate consideration of approximately HKD99.8 million (exclusive of expenses). The repurchase is conducted to safeguard the value of the Company, Shareholders and enhance investor's confidence. All repurchased 7,263,300 H Shares were held as treasury shares by the Company.

Details of the H Shares repurchased are as follows:

Month of repurchase	Number of H Shares repurchased	Highest price paid per H Share (HKD)	Lowest price paid per H Share (HKD)	Aggregate consideration (HKD)
December 2024	6,721,300	14.20	13.38	92,541,400
January 2025	542,000	13.44	13.32	7,250,100
Total	7,263,300			99,791,500

As of the date of this announcement, the Company currently holds the 7,263,300 repurchased H Shares as treasury shares. In accordance with the articles of association of the Company, such treasury Shares would not receive the proposed final dividend for the year ended December 31, 2024.

Note: The Company currently holds 7,263,300 treasury H Shares which falls within the meaning of "treasury shares" under the Listing Rules. Treasury shares presented notes to the consolidated statement of financial position includes both (i) treasury shares repurchased by the Company and (ii) shares acquired by trustee of trust set up in connection with the First H share Award and Trust scheme of the Company.

3. Repurchase and Redemption of Convertible Bonds

During the Reporting Period, the Company also had a series of repurchase and redemption of its Series 1 Bonds and Series 2 Bonds for an aggregate consideration of approximately US$573.1 million (exclusive of expenses).

In January 2024, the Company repurchased an aggregate principal amount of US$79.6 million of the Series 1 Bonds and an aggregate principal amount of RMB865.0 million of the Series 2 Bonds, with the rights to convert into 5,598,263 H Shares and 10,402,787 H Shares of the Company, representing approximately 26.5% and 45.1% of the aggregate principal amount of the Series 1 Bonds and the Series 2 Bonds originally issued, respectively. The Company paid an aggregate price of US$77.6 million and US$123.9 million for the repurchase of the relevant Series 1 Bonds and Series 2 Bonds, respectively. Please refer to the announcements of the Company dated January 12, 2024, January 15, 2024 and March 27, 2024 for further details.

Pursuant to the terms and conditions of the Series 1 Bonds, the Bondholders holding an aggregate principal amount of US$218.9 million of the Series 1 Bonds, representing approximately 73.0% of the aggregate principal amount of the Series 1 Bonds originally issued and approximately 99.3% of the then outstanding principal amount of the Series 1 Bonds, have exercised their option to require the Company to redeem all their Series 1 Bonds, and the Company redeemed all such Series 1 Bonds on June 18, 2024. The Company paid an aggregate price of US$218.9 million for the redemption of the relevant Series 1 Bonds. Please refer to the announcement of the Company dated June 19, 2024 for further details.

On July 4, 2024, the Company voluntarily repurchased all the outstanding principal amount of the Series 1 Bonds in the amount of US$1.5 million in accordance with the terms and conditions of the Series 1 Bonds. The Company paid an aggregate price of US$1.5 million for the repurchase of the relevant Series 1 Bonds. The Company further applied to the Stock Exchange for the withdrawal of the listing of the Series 1 Bonds. Such withdrawal of listing became effective upon the close of business on July 11, 2024. Please refer to the announcement of the Company dated July 4, 2024 for further details.

Pursuant to the terms and conditions of the Series 2 Bonds, the Bondholders holding an aggregate principal amount of RMB1,051.0 million of the Series 2 Bonds, representing approximately 54.9% of the aggregate principal amount of the Series 2 Bonds originally issued and 100% of the then outstanding principal amount of the Series 2 Bonds, have exercised their option to require the Company to redeem all their Series 2 Bonds, and the Company redeemed all such Series 2 Bonds on June 18, 2024. The Company paid an aggregate price of US$151.2 million for the redemption of the relevant Series 2 Bonds. The Company further applied to the Stock Exchange for the withdrawal of the listing of the Series 2 Bonds. Such withdrawal of listing became effective upon the close of business on June 26, 2024. Please refer to the announcement of the Company dated June 19, 2024 for further details.

As of December 31, 2024, all repurchased or redeemed Convertible Bonds had been cancelled.

Details of the Series 1 Bonds repurchased and/or redeemed are as follows:

Months of repurchase	Amount of Series 1 Bonds repurchased (US$)	Highest price paid per convertible bond (US$)	Lowest price paid per convertible bond (US$)	Aggregate consideration (US$)
January 2024	79,600,000	194,900.00	194,180.00	77,565,650.00
July 2024	1,500,000	200,000.00	200,000.00	1,500,000.00

Month of redemption	Amount of Series 1 Bonds redeemed (US$)	Price paid per convertible bond (US$)	Aggregate Consideration (US$)
June 2024	218,900,000	200,000.00	218,900,000.00
Total	300,000,000		297,965,650.00

Details of the Series 2 Bonds repurchased and/or redeemed are as follows:

Month of repurchase	Amount of Series 2 Bonds repurchased (RMB)	Highest price paid per convertible bond (US$)	Lowest price paid per convertible bond (US$)	Aggregate consideration (US$)
January 2024	865,000,000	2,060,000.00	2,046,600.00	123,946,060.90

Month of redemption	Amount of Series 2 Bonds redeemed (RMB)	Price paid per convertible bond (US$)	Aggregate Consideration (US$)
June 2024	1,051,000,000	287,730.40	151,202,324.63
Total	1,916,000,000		275,148,384.63

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury shares (as defined under the Listing Rules)).

EQUITY-LINKED AGREEMENT

During the Reporting Period, other than the share incentive arrangements as set out in the section under "Share Incentive Scheme" of this annual report and note 40 to the consolidated financial statements of this annual report, the Company has not entered into any other equity-linked agreements.

DONATIONS

During the Reporting Period, the Company made donations of RMB3.2 million.

SUBSIDIARIES

Details of the Company's subsidiaries as of December 31, 2024 are set out in note 1 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2024.

CORPORATE GOVERNANCE

The Company has established and improved the Company's rules and regulations, optimized the Company's governance structure, strengthened internal control construction, improved the standard operation level, strictly promoted the implementation of various systems, and established a more standardized and transparent listed company operation system to ensure the Company's stability and sustainable development. The Board is of the view that, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period, save for deviations from code provisions C.2.1 and F.2.2 of the CG Code. Details of these deviations and information on the corporate governance practices adopted by the Company are discussed in the section headed "Corporate Governance Report" of this annual report.

Last but not least, the Board will continue to review and monitor the Company's code of corporate governance practices with an aim to maintaining a high standard of corporate governance.

SUFFICIENCY OF PUBLIC FLOAT

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

SHARE INCENTIVE SCHEMES

(1) 2021 A Share Incentive Scheme

On July 12, 2021, the Shareholders resolved to adopt the 2021 A Share Incentive Scheme, the assessment management measures for the implementation of the 2021 A Share Incentive Scheme and the authorization to the Board to handle matters pertaining to the 2021 A Share Incentive Scheme.

(i) Purpose of the 2021 A Share Incentive Scheme

In order to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management, mid – level management, core technical personnel, basic-level management and technical personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized, the 2021 A Share Incentive Scheme was approved by the general meeting.

(ii) Category of grantees and participants of the 2021 A Share Incentive Scheme

The total number of grantees who have been granted and who have taken up the relevant Restricted A Shares under the 2021 A Share Incentive Scheme is 204, including core management of the Company, mid-level managements and core technical personnel and basic-level management and technical personnel. All eligible participants must have an employment or labour relationship with the Company or its subsidiaries when a grant under the 2021 A Share Incentive Scheme is made and during the assessment period of the 2021 A Share Incentive Scheme.

None of the Directors, supervisors, members of senior management, non-PRC employee, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or their respective spouses, parents or children, or the Directors, supervisors, substantial shareholders has been the grantee of any awards granted pursuant to the 2021 A Share Incentive Scheme.

(iii) Maximum entitlement of each participant and maximum number of Restricted A Shares to be issued by the Company under the 2021 A Share Incentive Scheme

None of the grants under the 2021 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants under the 2021 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the relevant class of shares in issue (excluding treasury shares (as defined under the Listing Rules)).

Pursuant to the Management Measures and the 2021 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company was 1,161,300 A Shares (as adjusted after the implementation of the 2021 Capitalization of Reserve), and was further adjusted to 1,741,950 A Shares (as adjusted after the implementation of the 2022 Capitalization of Reserve), representing approximately 0.10% of the Company's total number of issued Shares as of December 31, 2024. The total number of Shares to be granted to any participants under all the fully effective share incentive schemes of the Company shall not exceed 1% of the total share capital of the Company.

(iv) Grant price and the basis of determining the grant price

The grant price of the Restricted A Shares under the 2021 A Share Incentive Scheme shall be RMB70.47 per A Share (subject to adjustment). Pursuant to the Shenzhen Listing Rules and the Management Measures, the pricing method for the Restricted A Shares under the 2021 A Share Incentive Scheme is independent pricing, and the share price is the 50% of average trading price of the Company's shares for 120 trading days prior to the date of the announcement on the adoption of the 2021 A Share Incentive Scheme, which is RMB70.47 per share:

1. 50% of the average trading price of the Company's shares on the trading day immediately preceding the date of the announcement on the adoption of the 2021 A Share Incentive Scheme amongst other things, being RMB92.57 per A Share;

2. 50% of the average trading price of the Company's shares for the 20 trading days immediately preceding the date of the announcement on the adoption of the 2021 A Share Incentive Scheme amongst other things, being RMB89.86 per A Share;

3. 50% of the average trading price of the Company's shares for the 60 trading days immediately preceding the date of the announcement on the adoption of the 2021 A Share Incentive Scheme amongst other things, being RMB77.47 per A Share; and

4. 50% of any one of the average trading price of the Company's shares for the 120 trading days immediately preceding the date of the announcement on the adoption of the 2021 A Share Incentive Scheme amongst other things, being RMB70.47 per A Share.

The grant price was determined in accordance with the price references abovementioned. This was also determined with a view to stabilize talents and effectively incentivize employees under different cycles and business environments which may allow the Company to gain advantage in the competitive industry that it operates in. The Board has also taken into consideration the level of difficulty of the performance targets which eligible participants must achieve for the restricted A Share(s) to be attributed, and considers that this is in balance with a discount in the grant price.

As a result of the implementation of the 2021 Profit Distribution Plan and pursuant to the Management Measures and the 2021 A Share Incentive Scheme, on July 28, 2022, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB70.17 per A Share to RMB46.48 per A Share.

As a result of the implementation of the 2022 Profit Distribution Plan and pursuant to the Management Measures and the 2021 A Share Incentive Scheme, on October 27, 2023, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB46.48 per A Share to RMB30.79 per A Share.

As a result of the implementation of the 2023 Profit Distribution and pursuant to the Management Measures and the 2021 A Share Incentive Scheme, on August 27, 2024, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB30.79 per A Share to RMB30.59 per A Share.

(v) Granting of Restricted A Shares during the Reporting Period

No awards were granted under the 2021 A Share Incentive Scheme during the Reporting Period, and no further share incentives shall be available for grant under the 2021 A Share Incentive Scheme.

(vi) Vesting and Forfeiture of Restricted A Shares during the Reporting Period

In January 2024, the Company conducted the registration of vesting of Restricted A Shares. Restricted A Shares were vested to a total of 43 eligible employees, and the total number of Restricted A Shares vested was 79,694. The Restricted A Shares vested were circulated January 29, 2024.

In the process of payment of funds and share registration, a total of 302,678 Restricted A Shares that could be vested to 140 eligible employees were forfeited in whole or in part due to personal reasons. Please refer to the overseas regulatory announcement of the Company dated January 25, 2024 for further details.

During the Reporting Period, five grantees who were granted Restricted A Shares under the 2021 A Share Incentive Scheme resigned for personal reasons. As a result, they no longer qualify as eligible employees under the 2021 A Share Incentive Scheme, and a total of 21,826 unvested Restricted A Shares previously granted to them have been forfeited. Please refer to the overseas regulatory announcement of the Company dated August 27, 2024 for further details.

(vii) Particulars of movement of unvested awards during the Reporting Period

The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on the first trading date after each anniversary date after the vesting commencement date upon meeting certain performance conditions, and shall last until the last trading dates by the next anniversary date.

Set out below are details of the unvested awards and the movements of the number of granted awards under the 2021 A Share Incentive Scheme during the Reporting Period:

Category of grantee	Date of grant	Grant Price[1]	Number of unvested and not registered awards as at January 1, 2024	Number of awards vested during the year of 2024[2]	Number of awards lapsed during the year of 2024	Number of awards canceled during the year of 2024	Number of unvested and not registered awards as at December 31, 2024
Employees	July 27, 2021	RMB30.59	1,147,178	79,694	0	324,504	742,980

Note:

(1) The grant price was adjusted from RMB30.79 to RMB30.59 as a result of the implementation of the 2023 Profit Distribution. Please refer to section under "(1) 2021 A Share Incentive Scheme – (iv) Grant price and the basis of determining the grant price" above for further details. Employees shall pay for the grant price of the vested Restricted A Shares based on the amount vested at the time of each vesting.

(2) The weighted average closing price of the A Shares immediately before the dates on which the awards were vested was RMB22.01.

(viii) Remaining validity period of the 2021 A Share Incentive Scheme

The 2021 A Share Incentive Scheme shall be valid until the date on which all Restricted A Shares available for issue under the 2021 A Share Incentive Scheme have been attributed or forfeited, and such period shall not exceed 60 months from the grant date. As such, as of December 31, 2024, the remaining life of the 2021 A Share Incentive Scheme is 18 months.

(ix) Others

In January 2025, the Company conducted the registration of vesting of Restricted A Shares. Restricted A Shares were vested to a total of 20 eligible employees, and the total number of Restricted A Shares vested was 24,459. The Restricted A Shares vested were circulated on February 5, 2025.

In the process of payment of funds and share registration, a total of 347,001 Restricted A Shares that could be vested to 157 eligible employees were forfeited in whole or in part due to personal reasons. Please refer to the overseas regulatory announcement of the Company dated January 23, 2025 for further details.

(2) 2022 A Share Incentive Scheme

On May 31, 2022, the Shareholders resolved to adopt the 2022 A Share Incentive Scheme, the assessment management measures for the implementation of the 2022 A Share Incentive Scheme and the authorization to the Board to handle matters pertaining to the 2022 A Share Incentive Scheme.

(i) Purpose of the 2022 A Share Incentive Scheme

In order to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management, mid-level management and core technical personnel, basic-level management and technical personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized, the 2022 A Share Incentive Scheme was approved by Shareholders' meeting of the Company.

(ii) Category of grantees and participants of the 2022 A Share Incentive Scheme

The total number of the eligible participants for the grant proposed under the 2022 A Share Incentive Scheme shall be 379. All eligible participants must have an employment or labour relationship with the Company or its subsidiaries when a grant under the 2022 A Share Incentive Scheme is made and during the assessment period of the 2022 A Share Incentive Scheme.

None of the Directors, supervisors, members of senior management, non-PRC employee, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or their respective spouses, parents or children, or the respective associates of the Directors, supervisors, substantial shareholders has been the grantee of any awards granted pursuant to the 2022 A Share Incentive Scheme.

(iii) Maximum entitlements of each participant and maximum number of Restricted A Shares to be issued by the Company under the 2022 A Share Incentive Scheme

None of the grants under the 2022 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants under the 2022 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the relevant class of shares in issue (excluding treasury shares (as defined under the Listing Rules)).

Pursuant to the Management Measures and the 2022 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company was 2,203,200 A Shares (as adjusted after the implementation of the 2021 Capitalization of Reserve), and was further adjusted to 3,304,800 A Shares (as adjusted after the implementation of the 2022 Capitalization of Reserve), representing approximately 0.19% of the Company's total number of issued Shares as of December 31, 2024. The total number of Shares to be granted to any participants under all the fully effective share incentive schemes of the Company shall not exceed 1% of the total share capital of the Company.

(iv) Grant price and the basis of determining the grant price

The grant price of the Restricted A Shares under the 2022 A Share Incentive Scheme was RMB58.38 per A Share (subject to adjustment). Pursuant to the Shenzhen Listing Rules and the Management Measures, the grant price of the Restricted A Shares under the 2022 A Share Incentive Scheme shall be not less than the par value of the Shares, and in principle not less than the higher of:

1. 50% of the average trading price of the Company's A Shares for one trading day immediately preceding the date of the announcement on the adoption of the 2022 A Share Incentive Scheme, being RMB58.38 per A Share; and

2. 50% of the average trading price of the Company's A Shares for the 20 trading days immediately preceding the date of the announcement on the adoption of the 2022 A Share Incentive Scheme, being RMB55.06 per A Share.

The grant price was determined in accordance with the price references abovementioned. This was also determined with a view to stabilize talents and effectively incentivize employees under different cycles and business environments which may allow the Company to gain advantage in the competitive industry that it operates in. The Board has also taken into consideration the level of difficulty of the performance targets which participants must achieve for the restricted share(s) to be attributed, and considers that this is in balance with a discount in the grant price.

As a result of the implementation of the 2021 Profit Distribution Plan, and pursuant to the Management Measures and the 2022 A Share Incentive Scheme, on July 28, 2022, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2022 A Share Incentive Scheme from RMB58.38 per A Share to RMB38.62 per A Share.

As a result of the implementation of the 2022 Profit Distribution Plan, and pursuant to the Management Measures and the 2022 A Share Incentive Scheme, on October 27, 2023, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2022 A Share Incentive Scheme from RMB38.62 per A Share to RMB25.55 per A Share.

As a result of the implementation of the 2023 Profit Distribution, and pursuant to the Management Measures and the 2022 A Share Incentive Scheme, on August 27, 2024, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2022 A Share Incentive Scheme from RMB25.55 per A Share to RMB25.35 per A Share.

(v) Granting of Restricted A Shares during the Reporting Period

No awards were granted under the 2022 A Share Incentive Scheme during the Reporting Period, and no further share incentives shall be available for grant under the 2022 A Share Incentive Scheme.

(vi) Vesting and Forfeiture of Restricted A Shares during the Reporting Period

In January 2024, the Company conducted the registration of vesting of Restricted A Shares. Restricted A Shares were vested to a total of 286 eligible employees, and the total number of Restricted A Shares vested was 582,397. The Restricted A Shares vested were circulated January 29, 2024.

In the process of payment of funds and share registration, a total of 204,102 Restricted A Shares that could be vested to 81 eligible employees were forfeited in whole or in part due to personal reasons. Please refer to the overseas regulatory announcement of the Company dated January 25, 2024 for further details.

During the Reporting Period, (i) 14 grantees who were granted Restricted A Shares under the 2022 A Share Incentive Scheme resigned for personal reasons; and (ii) one grantee failed to satisfy the individual performance indicator prescribed by the 2022 A Share Incentive Scheme. As a result, they no longer qualify as eligible employees under the 2022 A Share Incentive Scheme, and a total of 249,190 unvested Restricted A Shares previously granted to them have been forfeited. Please refer to the overseas regulatory announcement of the Company dated August 27, 2024 for further details.

(vii) Particulars of movement of unvested awards during the Reporting Period

The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on the first trading date after each anniversary date after the vesting commencement date upon meeting certain performance conditions, and shall last until the last trading dates by the next anniversary date.

Set out below are details of the unvested awards and the movements of the number of granted awards under the 2022 A Share Incentive Scheme during the Reporting Period:

Category of grantee	Date of grant	Grant Price[1]	Number of unvested and not registered awards as at January 1, 2024	Number of awards vested during the year of 2024[2]	Number of awards lapsed during the year of 2024	Number of awards canceled during the year of 2024	Number of unvested and not registered awards as at December 31, 2024
Employees	July 28, 2022	RMB25.35	3,146,400	582,397	0	453,292	2,110,711

Note:

(1) The grant price was adjusted from RMB25.55 to RMB25.35 as a result of the implementation of the 2023 Profit Distribution. Please refer to section under "(2) 2022 A Share Incentive Scheme – (iv) Grant price and the basis of determining the grant price" above for further details. Employees shall pay for the grant price of the vested Restricted A Shares based on the amount vested at the time of each vesting.

(2) The weighted average closing price of the A Shares immediately before the dates on which the awards were vested was RMB22.01.

(viii) Remaining validity period of the 2022 A Share Incentive Scheme

The 2022 A Share Incentive Scheme shall be valid until the date on which all Restricted A Shares have been attributed or forfeited under the 2022 A Share Incentive Scheme, and such period shall not exceed 60 months. As such, as of December 31, 2024, the remaining life of the 2022 A Share Incentive Scheme is 30 months.

(ix) Others

In January 2025, the Company conducted the registration of vesting of Restricted A Shares. Restricted A Shares were vested to a total of 209 eligible employees, and the total number of Restricted A Shares vested was 385,057. The Restricted A Shares vested were circulated on February 5, 2025.

In the process of payment of funds and share registration, a total of 317,632 Restricted A Shares that could be vested to 140 eligible employees were forfeited in whole or in part due to personal reasons. Please refer to the overseas regulatory announcement of the Company dated January 23, 2025 for further details.

(3) 2023 A Share Incentive Scheme

On June 21, 2023, the Shareholders resolved to adopt the 2023 A Share Incentive Scheme, the assessment management measures for the implementation of the 2023 A Share Incentive Scheme and the authorization to the Board to handle matters pertaining to the 2023 A Share Incentive Scheme during the annual general meeting of the Company.

(i) Purpose of the 2023 A Share Incentive Scheme

In order to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management, mid-level management, core technical personnel, basic-level management and technical personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized, the 2023 A Share Incentive Scheme was approved by Shareholders' meeting of the Company.

(ii) Category of grantees and participants of the 2023 A Share Incentive Scheme

The total number of the eligible participants for the first grant proposed under the 2023 A Share Incentive Scheme shall be 295. All eligible participants must have an employment or labour relationship with the Company or its subsidiaries when a grant under the 2023 A Share Incentive Scheme is made and during the assessment period in relation to the First Grant and the Reserved Grant under the 2023 A Share Incentive Scheme.

None of the Directors, supervisors, chief executive, members of senior management, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or their respective spouses, parents or children, or the respective associates of the Directors, supervisors, substantial shareholders has been the grantee of any awards granted pursuant to the 2023 A Share Incentive Scheme.

(iii) Maximum entitlements of each participant and maximum number of Restricted A Shares to be issued by the Company under the 2023 A Share Incentive Scheme

None of the grants made under the 2023 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants made under the 2023 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the relevant class of shares in issue (excluding treasury shares (as defined under the Listing Rules)).

The maximum number of Restricted A Shares to be granted under the First Grant pursuant to the 2023 A Share Incentive Scheme would be 1,479,300 A Shares, representing approximately 90% of the A Shares available under the 2023 A Share Incentive Scheme, with the remaining 10%, being 164,400 A Shares reserved for further award grants. However, as a result of change of eligibility of four proposed participants, and the voluntary waivers of Restricted A Shares by nine proposed participants, the number of Restricted A Shares to be issued by the Company under the First Grant was adjusted from 1,479,300 A Shares to 1,444,500 A Shares, and was further adjusted to 2,166,750 A Shares (as adjusted after the implementation of the 2022 Capitalization of Reserve), representing approximately 0.12% of the Company's total number of issued Shares as of December 31, 2024. The number of Restricted A Shares to be issued by the Company under the Reserved Grant was adjusted from 164,400 A Shares to 246,600 A Shares (as adjusted after the implementation of the 2022 Capitalization of Reserve), representing approximately 0.01% of the Company's total number of issued Shares as of December 31, 2024. The total number of Shares to be granted to any participants under all the fully effective share incentive schemes of the Company shall not exceed 1% of the total share capital of the Company.

(iv) Grant price and the basis of determining the grant price

The Grant Price of the Restricted A Shares under the First Grant and the Reserved Grant shall be RMB28.58 per A Share (subject to adjustment).

Pursuant to the Shenzhen Listing Rules and the Management Measures, the grant price of the Restricted A Shares under the First Grant and the Reserved Grant shall be not less than the par value of the Shares, and in principle not less than the higher of:

1. 50% of the average trading price of the Company's A Shares for one trading day immediately preceding the date of the announcement on the adoption of the 2023 A Share Incentive Scheme, being RMB28.51 per A Share; and

2. 50% of the average trading price of the Company's A Shares for the 20 trading days immediately preceding the date of the announcement on the adoption of the 2023 A Share Incentive Scheme, being RMB28.58 per A Share.

The Grant Price was determined in accordance with the price references above mentioned. This was also determined with a view to stabilize talents and effectively incentivize employees under different cycles and business environments which may allow the Company to gain advantage in the competitive industry that it operates in. The Board has also taken into consideration the level of difficulty of the performance targets which participants must achieve for the Restricted A Share(s) to be attributed, and considers that this is in balance with the discount in the Grant Price.

As a result of the implementation of the 2022 Profit Distribution Plan and 2023 Profit Distribution, and pursuant to the Management Measures and the 2023 A Share Incentive Scheme, on August 27, 2024, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2023 A Share Incentive Scheme from RMB28.58 per A Share to RMB18.65 per A Share.

(v) Granting of Restricted A Shares during the Reporting Period

No Restricted A Shares were granted under the 2023 A Share Incentive Scheme during the Reporting Period.

Pursuant to the 2023 A Share Incentive Scheme, a total of 138,600 A Shares under the Reserved Grant which had not been attributed within 12 months from the date on which the 2023 A Share Incentive Scheme was considered and approved at the annual general meeting for the year 2022 were forfeited. As a result, all Restricted Shares which not been granted under the Reserved Grant have lapsed and been forfeited, and no Restricted A Shares are available for future grant as of December 31, 2024.

(vi) Vesting and Forfeiture of Restricted A Shares during the Reporting Period

The Company did not vest any Restricted Shares during the Reporting Period.

During the Reporting Period, (i) 14 grantees who were granted Restricted A Shares under the 2023 A Share Incentive Scheme resigned for personal reasons; and (ii) two grantees voluntarily forfeited all awards previously granted to them due to personal reasons. In addition, 515,174 Restricted A Shares were forfeited due to failure to satisfy the Company's performance indicator prescribed by the 2023 A Share Incentive Scheme. As a result, a total of 659,624 unvested Restricted A Shares previously granted have been forfeited. Please refer to the overseas regulatory announcement of the Company dated August 27, 2024 for further details.

(vii) Particulars of movement of unvested awards during the Reporting Period

The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on the first trading date following each anniversary date after the vesting commencement date upon meeting certain performance conditions, and shall last until the last trading dates by the next anniversary date.

Set out below are details of the unvested awards and the movements of the number of granted awards under the 2023 A Share Incentive Scheme during the Reporting Period:

Category of grantee	Date of grant	Grant Price[1]	Number of unvested and not registered awards as at January 1, 2024	Adjustment due to the 2022 Profit Distribution Plan	Number of awards vested during the year of 2024	Number of awards lapsed during the year of 2024	Number of awards canceled during the year of 2024	Number of unvested and not registered awards as at December 31, 2024
Employees	July 7, 2023	RMB18.65	1,470,300	735,150	0	0	659,624	1,545,826

Note:

(1) The grant price was adjusted from RMB28.58 to RMB18.65 as a result of the implementation of the 2022 Profit Distribution Plan and 2023 Profit Distribution. Please refer to section under "(3) 2023 A Share Incentive Scheme – (iv) Grant price and the basis of determining the grant price" above for further details. Employees shall pay for the grant price of the vested Restricted A Shares based on the amount vested at the time of each vesting.

(viii) Remaining validity period of the 2023 A Share Incentive Scheme

The 2023 A Share Incentive Scheme shall be valid until the date on which all Restricted A Shares have been attributed or forfeited, and such period shall not exceed 72 months. As such, as of December 31, 2024, the remaining life of the 2023 A Share Incentive Scheme is 54 months.

(4) Concluding statement

The total number of Shares that may be issued in respect of awards granted under all A Share incentive schemes of the Company during the year ended December 31, 2024 divided by the weighted average number of A Shares in issue for the year ended December 31, 2024 was 0.25%.

(5) First H Share Award and Trust Scheme

The Shareholders have resolved to adopt the First H Share Award and Trust Scheme during the extraordinary general meeting of the Shareholders on December 11, 2020. The source of the award shares under the First H Share Award and Trust Scheme shall be H Shares to be acquired by the trustee through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the relevant scheme rules. The H Share Scheme is comprised of two parts, namely (i) the Employee Share Award Plan and (ii) the Share Bonus Plan.

(i) Purpose of First H Share Award and Trust Scheme

The purposes of the Employee Share Award Plan are:

1. to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company;

2. to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and

3. to (a) recognize the contributions of the leadership of the Company including the Directors and long standing employees of the Company; (b) encourage, motivate and retain the leadership of the Company and long standing employees whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for the leadership of the Company and long standing employee by aligning the interests of the leadership of the Company to that of the Shareholders and the Group as a whole.

The purposes of the Share Bonus Plan are:

1. to reward and motivate key employees responsible for increments in the Company's performance;

2. to strengthen employees' initiative in striving for the enhancement of the Company's performance; and

3. to align the interests of employees with that of the Shareholders.

(ii) Category of grantees and participants of the First H Share Award and Trust Scheme

Eligible employees who may participate in the First H Share Award and Trust Scheme include eligible employees for the Employee Share Award Plan, and eligible employees for the Share Bonus Plan. Eligible employees of the Employee Share Award Plan include any individual, being a Director, senior management, key operating team member, employee, or consultant, who is a full-time PRC or non-PRC employee of any members of the Group. Eligible employees of the Share Bonus Plan include any individual, being a Director, senior management, or key operating team member, who is a full-time PRC or non-PRC employee of any members of the Group.

None of the Directors, supervisors, members of senior management, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or the spouses, parents or children of such de facto controllers of the Company, or their respective associates has been the grantee of any awards granted pursuant to the First H Share Award and Trust Scheme.

(iii) Maximum entitlements of each participant and maximum number of H Shares to be granted by the Company under the First H Share Award and Trust Scheme

None of the grants made under the First H Share Award and Trust Scheme was subject to approval by the shareholders of the Company. The grants made under the First H Share Award and Trust Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue.

Pursuant to the First H Share Award and Trust Scheme, the maximum number of H Shares that can be purchased on the market by the trustee appointed by the Company for the purpose of servicing the First H Share Award and Trust Scheme was 11,910,000 H Shares, and was further adjusted to 17,865,000 H Shares on July 28, 2023 as a result of the implementation of the 2022 Profit Distribution Plan, which represents approximately 1% of the Company's total number of issued H Shares as of December 31, 2024.

As of December 31, 2024, 17,859,000 H Shares had been purchased by the trustee appointed by the Company through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the relevant scheme rules.

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 First H Share Award and Trust Scheme to exceed the scheme limit without Shareholders' approval. Award shares that have been forfeited in accordance with the First H Share Award and Trust Scheme shall not be added to the scheme limit, nor shall such forfeited shares be added to the total number of H Shares granted under the First H Share Award and Trust Scheme. As of December 31, 2024, there are 1,539,339 H Shares to be granted under the First H Share Award, which represents approximately 0.51% of the Company's total number of issued H Shares as of the same date.

(iv) Particulars of movement of unvested awards during the Reporting Period

All of the relevant granted H Shares shall be vested either 1) over a four-year period, with 25%, 25%, 25% and 25%; or 2) over a two-year period with 50% and 50% of total shares vesting on the first trading date after each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions, and shall last until the last trading dates by the next anniversary date.

Set out below are details of the movements of the number of unvested awards under the First H Share Award and Trust Scheme during the Reporting Period:

Category of grantee	Date of grant	Grant Price	Number of unvested awards as at January 1, 2024	Awards vested during the Reporting Period	Awards forfeited during the Reporting Period	Awards canceled during the Reporting Period	Number of unvested awards as at December 31, 2024
Employees	August 29,2023	N/A	112,500	0	112,500	0	0
	August 29,2023	N/A	1,942,071	0	610,957	0	1,331,114
	May 31,2022	N/A	8,382,729	2,681,046	395,775	0	5,305,908
	April 1,2022	N/A	806,207	268,708	0	0	537,499
	December 14, 2020	N/A	776,076	319,140	135,681	0	321,255
Total			12,019,583	3,268,894	1,254,913	0	7,495,776

Note:

(1) The weighted average closing price of the H Shares immediately before the date on which the awards were vested was HKD9.79.

None of the grantees is a director or connected person of the Company or one of its five highest paid individuals during the Reporting Period, and none of the abovementioned grants was subject to approval by the shareholders of the Company.

(v) Remaining validity period of the First H Share Award and Trust Scheme

The First H Share Award and Trust Scheme shall be valid and effective for a term commencing on the date on which the Shareholders and the Board approved the First H Share Award and Trust Scheme (the "Adoption Date"), and ending on the business day immediately prior to the 10th anniversary of the Adoption Date, and after which no further awards will be granted, and thereafter for so long as there are any non-vested award shares granted hereunder prior to the expiration of the First H Share Award and Trust Scheme, in order to give effect to the vesting of such award shares or otherwise as may be required in accordance with the provisions of the rules of the First H Share Award and Trust Scheme. As such, as of December 31, 2024, the remaining life of the First H Share Award and Trust Scheme is 70 months.

(vi) Others

For the 12 months ended December 31, 2024, the Group had recorded share-based compensation expenses of RMB64,745,000 (the 12 months ended December 31, 2023: RMB147,963,000) in relation to the First H Share Award and Trust Scheme. The total number of Shares granted to any participants under all the fully effective share incentive schemes of the Company was 16,325,661, which represents approximately 0.92% of the total share capital of the Company as of December 31, 2024.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

There was no incident of non-compliance with relevant laws and regulations that had a significant impact on the Group during the Reporting Period.

AUDITOR

There has been no change in auditors during the Reporting Period. The consolidated financial statements for the Reporting Period have been audited by Ernst & Young, who are proposed for reappointment at the forthcoming AGM.

By order of the Board
Pharmaron Beijing Co., Ltd.
Dr. Lou Boliang
Chairman

Beijing, the PRC
March 26, 2025

Independent Auditor's Report

To the shareholders of Pharmaron Beijing Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Pharmaron Beijing Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 224, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards 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") as issued by the Hong Kong Institute of Certified Public Accountants ("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"), and we have fulfilled our other ethical responsibilities in accordance with 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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables and contract assets	
At December 31, 2024, the net carrying amounts of trade receivables and contract assets were RMB2,409,026,000 and RMB457,811,000, respectively, which accounted for 10.07% and 1.91% of the total assets, respectively. The loss allowance for impairment of trade receivables was RMB83,515,000, which accounted for 3.35% of trade receivables, and the loss allowance for impairment of contract assets was RMB10,252,000, which accounted for 2.19% of contract assets. Management of the Group calculated the expected credit losses for trade receivables and contract assets by applying the simplified approach under IFRS 9. The provision matrix considered migration rate, historical loss ratio and forward-looking adjustments. The assumptions applied in determining the expected credit losses required significant management judgement and estimates. Therefore, we identified the impairment of trade receivables and contract assets as a key audit matter. The related disclosures are included in note 2.4, note 3, note 25 and note 26 to the consolidated financial statements.	Our procedures in relation to the impairment of trade receivables and contract assets included: (1) Evaluating and testing the internal controls over impairment test of trade receivables and contract assets; (2) Assessing the appropriateness of the credit loss provision methodology; (3) Evaluating the appropriateness of the inputs that management used in the provision matrix, such as migration rate, historical loss ratio and forward-looking adjustments, and then recalculating the expected losses; (4) Testing the accuracy of ageing on a sampling basis over the billing and collection cycle; (5) Performing confirmation procedures and inspecting cash receipts from customers subsequent to the financial year end on a sampling basis; and (6) Evaluating the adequacy of the disclosures.
Impairment of goodwill acquired in business combinations	
At December 31, 2024 the carrying amount of goodwill was RMB2,760,736,000, which accounted for 11.54% of the total assets. Management of the Group performed impairment test at least on an annual basis and adjusted the carrying amount based on the test result. The assumptions applied in the impairment test required significant management estimates, including revenue growth rates, gross profit margins and discount rates. There are significant uncertainties in these estimates, which are affected by management's judgement on the future market and economic environment, and the recoverable amount of goodwill can be affected by the adoption of different estimates and assumptions. Therefore, we identified the impairment of goodwill as a key audit matter. The related disclosures are included in note 2.4, note 3 and note 16 to the consolidated financial statements.	Our procedures in relation to the impairment of goodwill acquired in business combinations included: (1) Evaluating the key internal controls over impairment test of goodwill; (2) Evaluating the basis of goodwill allocation to cash-generating units ("CGUS") and evaluating the rationality; (3) Evaluating the reasonableness of the valuation model with the assistance of our internal valuation specialists; (4) Evaluating the appropriateness of key assumptions and estimates including revenue growth rates and gross margin rates with historical data and supporting evidence; (5) Evaluating the appropriateness of discount rate by comparing to the similar companies in the same industry; and (6) Evaluating the adequacy of the disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company 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. Our 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. Misstatements 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 skepticism throughout the audit. We also:

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

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

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

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

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

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

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 to 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 this independent auditor's report is Cheong Ming Yik.

Ernst & Young
Certified Public Accountants
Hong Kong

March 26, 2025

Consolidated Statement of Profit or Loss

Year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**12,275,775**	11,537,996
Cost of sales		**(8,126,520)**	(7,443,176)
Gross profit		**4,149,255**	4,094,820
Other income and gains	6	**884,520**	374,011
Other expenses	6	**(67,763)**	(37,904)
Selling and distribution expenses		**(258,431)**	(252,778)
Administrative expenses		**(1,663,598)**	(1,671,883)
Research and development costs		**(469,260)**	(448,278)
Impairment losses on financial and contract assets, net of reversal	8	**(42,947)**	(35,825)
Impairment losses of goodwill	16	**(73,539)**	–
Finance costs	7	**(243,718)**	(182,192)
Share of losses of associates	18	**(123,256)**	(2,084)
Profit before tax		**2,091,263**	1,837,887
Income tax expense	11	**(377,104)**	(256,106)
Profit for the year		**1,714,159**	1,581,781
Attributable to:			
Owners of the parent		**1,793,351**	1,601,096
Non-controlling interests		**(79,192)**	(19,315)
		1,714,159	1,581,781
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**RMB**	RMB
Basic			
For profit for the year	13	**1.0133**	0.9033
Diluted			
For profit for the year	13	**1.0113**	0.9019

Consolidated Statement of Comprehensive Income

Year ended December 31, 2024

	2024 RMB'000	2023 RMB'000
Profit for the year	**1,714,159**	1,581,781
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**37,123**	11,168
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(170,311)**	(214,046)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**125,573**	199,585
Income tax effect	**6,711**	2,169
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(904)**	(1,124)
Other comprehensive loss for the year, net of tax	**(904)**	(1,124)
Total comprehensive income for the year	**1,713,255**	1,580,657
Attributable to:		
Owners of the parent	**1,790,423**	1,597,560
Non-controlling interests	**(77,168)**	(16,903)
	1,713,255	1,580,657

Consolidated Statement of Financial Position

December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**10,944,152**	9,851,705
Right-of-use assets	15	**922,592**	1,146,142
Goodwill	16	**2,760,736**	2,780,918
Other intangible assets	17	**225,319**	216,492
Investments in associates	18	**648,983**	722,946
Equity investments at fair value through profit or loss	19	**234,059**	282,032
Biological assets	20	**175,001**	157,633
Deferred tax assets	21	**192,684**	153,218
Other non-current assets	22	**215,693**	291,214
Total non-current assets		**16,319,219**	15,602,300
CURRENT ASSETS			
Inventories	23	**486,811**	365,479
Contract costs	24	**211,572**	155,877
Trade and bills receivables	25	**2,413,629**	2,242,153
Contract assets	26	**457,811**	394,265
Biological assets	20	**418,282**	491,724
Prepayments, other receivables, and other assets	27	**809,831**	684,017
Financial assets at fair value through profit or loss	28	**1,115,265**	594,333
Derivative financial instruments	29	**5,063**	27,650
Pledged deposits	30	**66,844**	127,750
Cash and cash equivalents	30	**1,623,072**	5,791,165
Total current assets		**7,608,180**	10,874,413
CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	**1,047,309**	727,412
Trade payables	33	**477,089**	412,221
Other payables and accruals	34	**1,507,999**	1,377,183
Contract liabilities	35	**834,858**	740,866
Lease liabilities	36	**149,508**	185,316
Derivative financial instruments	29	**47,165**	26,931
Tax payable		**160,078**	184,547
Total current liabilities		**4,224,006**	3,654,476
NET CURRENT ASSETS		**3,384,174**	7,219,937
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,703,393**	22,822,237

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	**4,377,368**	4,308,165
Deferred tax liabilities	21	**291,867**	290,039
Financial liabilities at fair value through profit or loss	37	**–**	117,582
Deferred income	38	**409,978**	391,707
Convertible bonds-debt component	32	**–**	3,891,501
Lease liabilities	36	**401,307**	585,197
Total non-current liabilities		**5,480,520**	9,584,191
NET ASSETS		**14,222,873**	13,238,046
EQUITY			
Share capital	39	**1,778,196**	1,787,394
Treasury shares	39	**(416,271)**	(463,453)
Equity component of convertible bonds	32	**–**	198,554
Reserves	41	**12,257,410**	11,034,302
Equity attributable to owners of the parent		**13,619,335**	12,556,797
Non-controlling interests		**603,538**	681,249
Total equity		**14,222,873**	13,238,046

Boliang Lou
Director

Xiaoqiang Lou
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2024

	Attributable to owners of the parent												
	Share capital (note 39) RMB'000	Treasury shares RMB'000	Equity component of convertible bonds (note 32) RMB'000	Share premium* (note 41) RMB'000	Share-based payment reserve* (note 40) RMB'000	Capital reserve* (note 41) RMB'000	Statutory reserve* (note 41) RMB'000	Cash flow hedge reserve* (note 29) RMB'000	Exchange fluctuation reserve* (note 41) RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2024	1,787,394	(463,453)	198,554	4,911,831	250,143	59,602	613,042	20,238	(25,067)	5,204,513	12,556,797	681,249	13,238,046
Profit for the year	-	-	-	-	-	-	-	-	-	1,793,351	1,793,351	(79,192)	1,714,159
Other comprehensive loss for the year:													
Cash flow hedges, net of tax	-	-	-	-	-	-	-	(38,027)	-	-	(38,027)	-	(38,027)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	35,099	-	35,099	2,024	37,123
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	(38,027)	35,099	1,793,351	1,790,423	(77,168)	1,713,255
Transferred from retained profits	-	-	-	-	-	-	201,173	-	-	(201,173)	-	-	-
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,765	2,765
Repurchase of A shares	-	(200,092)	-	-	-	-	-	-	-	-	(200,092)	-	(200,092)
Repurchase of restricted H shares	-	(85,814)	-	-	-	-	-	-	-	-	(85,814)	-	(85,814)
Repurchase of convertible bonds	-	-	(198,554)	11,650	-	-	-	-	-	-	(186,904)	-	(186,904)
H shares RSU granted	-	132,996	-	(37,920)	(97,923)	2,608	-	-	-	-	(239)	-	(239)
Restricted A shares granted and vested	410	-	-	47,399	(37,299)	-	-	-	-	-	10,510	-	10,510
Payment of dividends	-	-	-	-	-	-	-	-	-	(353,963)	(353,963)	(5,799)	(359,762)
Cancellation of treasury A shares	(9,608)	200,092	-	(190,484)	-	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	88,617	-	-	-	-	-	88,617	2,491	91,108
As at December 31, 2024	1,778,196	(416,271)	-	4,742,476	203,538	62,210	814,215	(17,789)	10,032	6,442,728	13,619,335	603,538	14,222,873

* These reserve accounts comprise the consolidated reserves of RMB12,257,410,000 (2023: RMB11,034,302,000) in the consolidated statement of financial position.

	Attributable to owners of the parent												
	Share capital (note 39) RMB'000	Treasury shares RMB'000	Equity component of convertible bonds (note 32) RMB'000	Share premium* (note 41) RMB'000	Share-based payment reserve* (note 40) RMB'000	Capital reserve* (note 41) RMB'000	Statutory reserve* (note 41) RMB'000	Cash flow hedge reserve* (note 29) RMB'000	Exchange fluctuation reserve* (note 41) RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2023	1,191,225	(668,037)	198,554	4,949,952	244,808	59,602	421,424	32,530	(33,823)	4,152,381	10,548,616	291,252	10,839,868
Profit for the year	–	–	–	–	–	–	–	–	–	1,601,096	1,601,096	(19,315)	1,581,781
Other comprehensive loss for the year:	–	–	–	–	–	–	–	–	–	–	–	–	–
Cash flow hedges, net of tax	–	–	–	–	–	–	–	(12,292)	–	–	(12,292)	–	(12,292)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	8,756	–	8,756	2,412	11,168
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	(12,292)	8,756	1,601,096	1,597,560	(16,903)	1,580,657
Transferred from retained profits	–	–	–	–	–	–	191,618	–	–	(191,618)	–	–	–
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	541,030	–	–	–	–	–	–	541,030	412,223	953,253
Repurchase and cancellation of restricted A shares	(70)	830	–	(760)	–	–	–	–	–	–	–	–	–
Restricted A shares granted and vested	662	17,834	–	99,928	(85,534)	–	–	–	–	–	32,890	–	32,890
H shares granted	–	185,920	–	(82,742)	(103,178)	–	–	–	–	–	–	–	–
Transferred from share premium	595,577	–	–	(595,577)	–	–	–	–	–	–	–	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	(357,346)	(357,346)	(13,498)	(370,844)
Recognition of share-based payments	–	–	–	–	194,047	–	–	–	–	–	194,047	8,175	202,222
As at December 31, 2023	1,787,394	(463,453)	198,554	4,911,831	250,143	59,602	613,042	20,238	(25,067)	5,204,513	12,556,797	681,249	13,238,046

Consolidated Statement of Cash Flows

Year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Profit before tax		**2,091,263**	1,837,887
Adjustments for:			
– Depreciation of property, plant and equipment	8	**926,184**	778,070
– Depreciation of right-of-use assets	8	**179,432**	194,903
– Amortisation of other intangible assets	8	**39,796**	35,615
– Impairment losses of goodwill	8	**73,539**	–
– Impairment losses on inventories, net of reversal	8	**18,783**	8,566
– Impairment losses on financial and contract assets, net of reversal	8	**42,947**	35,825
– Interest income from time deposits with original maturity of more than three months		**(2,414)**	(2,302)
– Losses on derivative financial instruments	6	**14,211**	70
– Gains on financial assets at fair value through profit or loss	6	**(23,108)**	(18,444)
– Gains on equity investment at fair value through profit or loss	6	**(572,388)**	(17,487)
– Losses on fair value change of equity investments at fair value through profit or loss	6	**1,576**	16,398
– Losses/(gains) on fair value change of biological assets	6	**3,020**	(48,035)
– Losses on disposal of property, plant and equipment	6	**34,099**	1,092
– Losses on fair value change of financial liabilities at fair value through profit or loss	6	**–**	5,489
– Gains on repurchase of convertible bonds	6	**(88,593)**	–
– Gains on financial assets at amortised cost	6	**(1,583)**	(4,231)
– Gains on termination of lease contracts	6	**(8,723)**	(1,151)
– Finance costs	7	**243,718**	182,192
– Foreign exchange gains		**(81,840)**	(199,152)
– Share of losses of associates	18	**123,256**	2,084
– Share-based compensation expenses	8	**91,108**	202,222
		3,938,034	3,009,611
Increase in inventories		**(148,069)**	(12,473)
Decrease in biological assets		**62,436**	85,149
Decrease/(increase) in contract costs		**(55,695)**	26,733
Increase in trade receivables		**(180,530)**	(377,602)
Increase in prepayments, other receivables and other assets		**(47,771)**	(17,004)
Increase in contract assets		**(65,713)**	(65,141)
Decrease in other non-current assets		**8,691**	9,876
Increase in trade payables		**64,868**	5,873
Increase/(decrease) in other payables and accruals		**(171,750)**	232,710
Increase/(decrease) in deferred income		**93,992**	(91,274)
Increase in contract liabilities		**18,024**	237,496
Cash flows generated from operations		**3,036,302**	3,043,954
Income tax paid		**(459,646)**	(290,415)
Net cash flows generated from operating activities		**2,576,656**	2,753,539

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,993,063)**	(2,848,072)
Proceeds from disposal of property, plant and equipment		**3,324**	8,113
Proceeds from disposal of financial assets at fair value through profit or loss		**2,467,568**	2,536,885
Proceeds from disposal of equity investments at fair value through profit or loss		**754,434**	30,428
Additions of other intangible assets		**(47,578)**	(17,249)
Purchase of equity investments at fair value through profit or loss		**(5,108)**	(68,698)
Settlement of derivative financial instruments		**1,864**	597
Purchase of financial assets at fair value through profit or loss and financial assets at amortised cost		**(2,996,779)**	(1,880,399)
Net cash flow on acquisition of subsidiaries		**(22,628)**	–
Capital injection in associates		**(189,027)**	(94,740)
Placement of time deposits with original maturity of more than three months		**–**	(70,000)
Withdrawal of time deposits with original maturity of more than three months		**2,713**	152,302
Net cash flows used in investing activities		**(2,024,280)**	(2,250,833)
Cash flows from financing activities			
Interest on bank loans and other borrowings paid		**(188,271)**	(87,444)
Proceeds from bank loans and other borrowings		**1,321,965**	4,170,877
Repayments of bank loans and other borrowings		**(946,066)**	(559,137)
Payments of lease liabilities		**(197,424)**	(207,159)
Payments of other non-current assets		**(4,431)**	(788)
Repurchase of A shares/H shares under ESOP		**(285,906)**	(830)
Proceeds from issue of shares		**10,509**	17,334
Transaction with non-controlling interests		**–**	953,253
Dividend paid to non-controlling shareholder of a subsidiary		**(5,799)**	(13,498)
Payments for repurchase of convertible bonds		**(4,147,289)**	–
Payment of dividends		**(353,962)**	(357,346)
Net cash (used in)/generated from financing activities		**(4,796,674)**	3,915,262
Net (decrease)/increase in cash and cash equivalents		**(4,244,299)**	4,417,968
Cash and cash equivalents at beginning of year		**5,789,115**	1,359,713
Effect of foreign currency rate changes, net		**78,145**	11,434
Cash and cash equivalents at end of year		**1,622,961**	5,789,115
Analysis of balance of cash and cash equivalents			
Cash and cash equivalents	30	**1,623,072**	5,791,165
Less: Time deposits with original maturity of more than three months		**(111)**	(2,050)
Cash and cash equivalents as stated in the statement of cash flows		**1,622,961**	5,789,115

1. CORPORATE INFORMATION

Pharmaron Beijing Co., Ltd. was incorporated and registered in the People's Republic of China ("PRC") on July 1, 2004. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 300759.SZ) on January 28, 2019. On November 28, 2019, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKSE") (stock code: 3759.HK). The address of the registered office is 8th Floor, Block 1, 6 Taihe Road, Beijing Economic Technological Development Area, Beijing, China.

The Company is a leading fully integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for customers. The principal activities of the Company and its subsidiaries (together, the "Group") are to provide contract research, development, and manufacturing services for innovative pharmaceutical products throughout the research and development cycle and the services are organised in four major categories: laboratory services, chemistry, manufacturing and controls CMC (small molecule CDMO) services, clinical development services and biologics and CGT services.

Information about subsidiaries

As at December 31, 2024, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Pharmaron (Beijing) TSP Services Co., Ltd. ("康龍化成(北京)生物技術有限公司")	PRC/Chinese Mainland January 11, 2006	RMB 200,000,000	100%	N/A	Laboratory services
Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. ("康龍化成(天津)藥物製備技術有限公司")	PRC/Chinese Mainland July 16, 2008	RMB 620,000,000	100%	N/A	CMC (small molecule CDMO) services
Pharmaron Xi'an Co., Ltd. ("康龍化成(西安)新藥技術有限公司")	PRC/Chinese Mainland May 11, 2010	USD 10,000,000	100%	N/A	Laboratory services
Pharmaron Ningbo Co., Ltd. ("康龍化成(寧波)新藥技術有限公司")	PRC/Chinese Mainland January 9, 2015	RMB 100,000,000	100%	N/A	Investment holding
Pharmaron CRI (Ningbo) Co., Ltd. ("康龍化成手性醫藥技術(寧波)有限公司")	PRC/Chinese Mainland August 18, 2016	RMB 1,000,000	N/A	100%	Laboratory services
Pharmaron Shaoxing Co., Ltd. ("康龍化成(紹興)藥業有限公司")	PRC/Chinese Mainland January 3, 2017	RMB 1,500,000,000	100%	N/A	CMC (small molecule CDMO) services
Pharmaron (Ningbo) Technology Development Co., Ltd. (formerly known as Ningbo KTB Technology Development Co., Ltd.) ("康龍化成(寧波)科技發展有限公司")	PRC/Chinese Mainland January 12, 2015	RMB 1,100,000,000	88.64%	11.36%	Laboratory and CMC (small molecule CDMO) services
Pharmaron Shanghai Co., Ltd. ("康龍化成(上海)新藥技術有限公司")	PRC/Chinese Mainland February 11, 2018	RMB 20,000,000	100%	N/A	Laboratory services
Pharmaron (Ningbo) TSP Services Co., Ltd. (formerly known as Ningbo Pharmaron Biologics Co., Ltd. "康龍化成(寧波)藥物開發有限公司")	PRC/Chinese Mainland August 31, 2018	RMB 800,000,000	100%	N/A	Laboratory services
Pharmaron (Ningbo) Biologics Co., Ltd. ("康龍化成(寧波)生物醫藥有限公司")	PRC/Chinese Mainland October 9, 2020	RMB 3,487,405,209	88.89%	N/A	Under construction

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

As at December 31, 2024, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below: (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Pharmaron (Chengdu) Clinical Services Co., Ltd. ("康龍化成(成都)臨床研究服務有限公司")	PRC/Chinese Mainland May 27, 2021	RMB 701,960,000	81.58%	N/A	Clinical development services
Pharmaron Qingdao Co., Ltd. ("康龍化成(青島)新藥技術有限公司")	PRC/Chinese Mainland November 25, 2021	RMB 50,000,000	100%	N/A	Laboratory services
Pharmaron (Beijing) Technology Development Co., Ltd. ("康龍化成(北京)科技發展有限公司")	PRC/Chinese Mainland September 29,2021	RMB 100,000,000	100%	N/A	Laboratory services
Pharmaron (Beijing) Pharmaceutical Technology Co., Ltd. ("康龍化成(北京)醫藥科技有限公司")	PRC/Chinese Mainland October 21,2021	RMB 500,000,000	100%	N/A	Laboratory services
Pharmaron Chongqing Co., Ltd. ("康龍化成(重慶)新藥技術有限公司")	PRC/Chinese Mainland December 16,2021	RMB 100,000,000	100%	N/A	Under construction
Pharmaron (Xi'an) Technology Development Co., Ltd. ("康龍化成(西安)科技發展有限公司")	PRC/Chinese Mainland September 28,2021	RMB 450,000,000	100%	N/A	Laboratory services
Beijing LinkStart Biotechnology Co., Ltd. ("北京聯斯達醫藥科技發展有限公司")	PRC/Chinese Mainland July 19, 2012	RMB 20,000,000	N/A	81.58%	Clinical development services
Beijing Kangsida Health Management Co., Ltd. ("北京康斯達健康管理有限公司")	PRC/Chinese Mainland April 15, 2014	RMB 5,000,000	N/A	81.58%	Clinical development services
Hainan Shenzhou Deshu Medical Technology Co., Ltd. ("海南神州德數醫療科技有限公司")	PRC/Chinese Mainland March 19, 2020	RMB 5,000,000	N/A	81.58%	Clinical development services
RAMED (Beijing) Medical Technology Co., Ltd. ("法蒼(北京)醫療科技有限公司")	PRC/Chinese Mainland June 4, 2010	RMB 50,000,000	N/A	81.58%	Clinical development services
Shanghai RAMED Medical Technology Co., Ltd. ("上海法蒼醫療科技有限公司")	PRC/Chinese Mainland July 21, 2015	RMB 1,000,000	N/A	81.58%	Clinical development services
Nanjing Sirui Biotechnology Co., Ltd. ("Nanjing Sirui") ("南京思睿生物科技有限公司")	PRC/Chinese Mainland February 7, 2018	RMB 90,040,496	N/A	81.58%	Investment holding
Pharmaron (Nanjing) Clinical Services Co., Ltd. ("康龍化成(南京)臨床醫學研究有限公司")	PRC/Chinese Mainland January 20, 2017	RMB 80,000,000	N/A	81.58%	Clinical development services
Pharmaron (Beijing) Clinical Services Co., Ltd. ("康龍化成(北京)醫學研究有限公司")	PRC/Chinese Mainland September 30, 2018	RMB 5,000,000	N/A	81.58%	Clinical development services
Pharmaron (Shanghai) Clinical Services Co., Ltd. ("康龍化成(上海)醫學臨床研究有限公司")	PRC/Chinese Mainland October 13, 2020	RMB 5,000,000	N/A	81.58%	Clinical development services
Biomedical Research (GZ), Ltd. ("安凱毅博(肇慶)生物技術有限公司")	PRC/Chinese Mainland August 12, 2003	USD 9,731,586	50.01%	N/A	Animal breeding
Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. ("恩遠醫藥科技(北京)有限公司")	PRC/Chinese Mainland September 21, 2015	RMB 10,000,000	N/A	81.58%	Clinical development services
AniKeeper (Zhanjiang) Biotech Co., Ltd. ("安凱毅博(湛江)生物技術有限公司")	PRC/Chinese Mainland September 6, 2017	RMB 20,000,000	100%	N/A	Animal breeding

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

As at December 31, 2024, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below: (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Pharmaron (Hangzhou) Clinical Services Co., Ltd. ("康龍化成(杭州)醫學研究有限公司")	PRC/Chinese Mainland September 13, 2018	RMB 5,000,000	N/A	81.58%	Clinical development services
Pharmaron (Wuhan) Clinical Services Co., Ltd. ("康龍化成(武漢)醫學研究有限公司")	PRC/Chinese Mainland June 27, 2019	RMB 1,000,000	N/A	81.58%	Clinical development services
DeltaMed (Beijing) Co., Ltd. ("北京德泰邁醫藥科技有限公司")	PRC/Chinese Mainland March 21, 2018	RMB 1,000,000	N/A	81.58%	Clinical development services
Beijing AniKeeper Biotech Co., Ltd. ("北京安凱毅博生物技術有限公司")	PRC/Chinese Mainland September 13, 2012	RMB 50,000,000	100%	N/A	Animal breeding
AniKeeper (Ningbo) Biotech Co., Ltd. ("安凱毅博(寧波)生物技術有限公司")	PRC/Chinese Mainland September 5, 2022	RMB 50,000,000	N/A	100%	Animal breeding
Pharmaron (Beijing) Biologics Co., Ltd. ("康龍化成(北京)生物醫藥技術研究有限公司")	PRC/Chinese Mainland July 18, 2023	RMB 30,000,000	N/A	88.89%	Under construction
Pharmaron (Ningbo) Medical Device Testing Co., Ltd. ("康龍化成(寧波)醫療器械檢驗檢測有限公司")	PRC/Chinese Mainland Aug 16, 2023	RMB 20,000,000	N/A	81.58%	Under construction
Pharmaron (Zhuhai) Clinical Services Co., Ltd. ("康龍化成(珠海)醫學研究有限公司")	PRC/Chinese Mainland Oct 23, 2023	RMB 80,000,000	N/A	81.58%	Under construction
Pharmaron (US) Clinical Services, Inc.	United States of America February 9, 2019	10,000 shares	N/A	81.58%	Clinical development services
Pharmaron US, Inc.	United States of America August 12, 2015	100 shares	100%	N/A	Investment holding
Pharmaron, Inc.	United States of America December 22, 2006	100 shares	N/A	100%	Business development
Pharmaron (Hong Kong) International Limited	PRC/Hong Kong December 31, 2015	10,000 shares	100%	N/A	Investment holding
Pharmaron UK Limited	United Kingdom October 30, 2013	54,136,364 shares	N/A	100%	Laboratory, CMC (small molecule CDMO) and clinical development services
Pharmaron (Hong Kong) Investments Limited	PRC/Hong Kong February 11, 2016	10,000 shares	N/A	100%	Investment holding
Pharmaron Biologics (UK) Holdings Limited	United Kingdom December 2, 2020	10,000 shares	N/A	88.89%	Investment holding
Quotient Bioresearch (Radiochemicals) Limited	United Kingdom April 9, 2009	1 share	N/A	100%	Clinical development services

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

As at December 31, 2024, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below: (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Pharmaron (Germantown) Lab Services Inc.	United States of America October 31, 2001	1,500 shares	N/A	100%	Clinical development services
Pharmaron CPC, Inc.	United States of America October 7, 2004	100,000 shares	N/A	65.26%	Clinical development services
Pharmaron Japan LLC	Japan November 2, 2020	JPY 10,000,000	N/A	100%	Laboratory services
Pharmaron (UK) Investments Limited	United Kingdom October 1, 2020	10,000 shares	N/A	100%	Investment holding
Pharmaron (US) Lab Services, Inc.	United States of America October 2, 2020	10,000 shares	N/A	100%	Investment holding
Pharmaron (Exton) Lab Services LLC	United States of America July 31, 2017	N/A	N/A	88.89%	Biologics and CGT services
Pharmaron (San Diego) Lab Services LLC	United States of America November 29, 1999	N/A	N/A	88.89%	Biologics and CGT services
Pharmaron (Boston) Lab Services LLC	United States of America September 20, 2017	N/A	N/A	88.89%	Biologics and CGT services
Pharmaron Biologics (UK) Ltd	United Kingdom September 24, 2002	1 share	N/A	88.89%	Biologics and CGT services
Pharmaron Manufacturing Services (UK) Ltd.	United Kingdom July 23, 2004	67,291,037 shares	N/A	100%	CMC (small molecule CDMO) services
Pharmaron Manufacturing Services (US) LLC	United States of America April 18, 2022	N/A	N/A	100%	CMC (small molecule CDMO) services
Pharmaron Biologics (HK) Holdings Limited	PRC/Hong Kong December 5, 2022	50,000 shares	N/A	88.89%	Investment holding
Pharmaron (US) Clinical Holdings, Inc.	United States of America July 19, 2022	10,000 shares	N/A	81.58%	Investment holding
Pharmaron Biologics (US) Holdings, Inc.	United States of America Feb 23, 2023	10,000 shares	N/A	88.89%	Investment holding
Shanghai Jiying Intelligent Technology Co., Ltd. (上海機穎智能科技有限公司)	Chinese Mainland March 28, 2018	RMB 39,430,000	78.50%	N/A	Clinical development services
Hangzhou Ruituo Intelligent Technology Co., Ltd. (杭州睿拓智能科技有限公司)	Chinese Mainland May 7, 2018	RMB 15,252,000	N/A	78.50%	Clinical development services

The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for biological assets which are measured at fair value less costs to sell, equity investments at fair value through profit or loss, derivative financial instruments, financial assets and financial liabilities at fair value through profit or loss which have been measured at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended December 31, 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee;

b. rights arising from other contractual arrangements; and

c. the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised IFRS Accounting Standards are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at January 1, 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that, these new and revised IFRS Accounting Standards are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its derivative financial instruments, equity investments at fair value through profit or loss, financial assets and liabilities at fair value through profit or loss and biological assets at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group 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); and

  (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 parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	20-39 years	0-5%
Laboratory equipment	3-10 years	0-3%
Transportation equipment	5-10 years	0-5%
Furniture, fixtures and equipment	3-8 years	0-5%
Leasehold improvements	3-30 years	0%
Land	Indefinite useful life	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

The principal estimated useful lives of other intangible assets are as follows:

Category	Estimated useful life	Estimated residual value
Software (i)	3-10 years	0%
Patents (ii)	10-20 years	0%
Client relationship (iii)	9-10 years	0%
Software Copyright (iv)	10-50 years	0%

(i) Softwares have amortisation periods from three to ten years based on the estimated useful lives.

(ii) Patents have amortisation periods from ten to twenty years based on the periods covered by their licenses.

(iii) Client relationships have amortisation periods from nine to ten years based on estimated beneficial periods considering industry experience, customer retention rate and others.

(iv) Software copyright is the exclusive right of software developers to copy, distribute and modify their developed software according to law. The term of protection usually covers the author's life and several years after his death. It is used to encourage innovation, protect the rights and interests of developers and safeguard fair competition in the software market.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Biological assets

Biological assets mainly include cynomolgous and macaque non-human primates for experiment, beagles, and rats, which are classified as current assets and macaque non-human primates for breeding, which are classified as non-current assets of the Group. Biological assets are measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss for the period in which it arises. The fair value of monkeys is determined by using the market method through direct comparison or analysis of the recent trading prices of the same or similar assets, and is determined independently by a professional valuer.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 to 24 years
Laboratory equipment	3 to 8 years
Transportation equipment	3 years
Furniture, fixtures and equipment	3 to 5 years
Land use rights	42 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instrument)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, financial liabilities as contingent consideration of an acquirer in a business combination to which IFRS 3 applies and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

The Group has different contractual arrangements with different customers under two different charge models: full-time-equivalents ("FTE") or fee-for-services ("FFS") model.

Certain laboratory and CMC (small molecule CDMO) services are under the FTE model. For services under the FTE model, a dedicated team of employees are provided to a customer's project for a specific time and charge the customer at fixed rate per employee. The customer simultaneously receives and consumes benefits provided by the Group's performance. Therefore, the revenue is recognised over time at the amount to which the Group has the right to invoice for the performance completed to date (i.e. FTE billable amounts, which are calculated based on the number of employees assigned to the project and the time employees worked), usually in the form of a monthly or quarterly statement. Under the FTE model, the Group measures its progress by using units produced/services transferred to the customer to date (output method).

Certain laboratory, CMC (small molecule CDMO), clinical development services and biologics and CGT services are under the FFS model, and the revenue is recognised at a point in time when the Group transfers the control for services/deliverable units at a point in time and has right to payment from the customers for the services performed upon finalisation, delivery and acceptance of the deliverable units.

Certain of the revenue from laboratory and clinical development services are under the FFS model, and the revenue is recognised over time, as the Group's performance has created an asset with no alternative use and the Group has an enforceable right for payments for performance completed to date. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method).

Under the input method, the Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. Under the output method, the units produced/services transferred to the customer to date are measured to the extent of progress towards completion, based on discrete services or time-based increments.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

Rental income arising from leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue.

Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued for each period, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Group operate several share incentive schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations. The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Employee benefits to all eligible employees of the overseas subsidiaries are made in accordance with the rules set forth in the collective labour agreement, and recorded as an expense in the period they are due as a charge to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the timing of satisfaction of performance obligations

The Group has different contractual arrangements with different customers. In determining the timing of satisfaction of performance obligations, management reviews the contract terms of each individual contract.

For certain types of revenue under the FFS model, the directors of the Company have determined that performance obligations are satisfied over time. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to certain types of revenue under the FFS model create an enforceable right to payment for the Group.

Determining the method for measuring progress towards complete satisfaction of performance obligations

Depending on which better depicts the transfer of value to the customer, the directors of the Company make judgement to measure the progress of the projects using either the input method or the output method.

Determining significant influence over entities in which the Group holds less than 20% equity interests

The Group's certain investments in associates are accounted for under the equity method of accounting if the Group has significant influence over these entities by way of participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20%.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses of RMB174,246,000 (2023: RMB135,252,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB2,665,271,000 (2023: RMB2,059,540,000). Further details on deferred taxes are disclosed in note 21 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Details of share-based payments are contained in note 40.

The share-based compensation expense is measured based on the fair value of the share incentives as calculated under the Black-Scholes pricing model. The Group is responsible for determining the fair value of the restricted shares granted to employees. The key assumptions used to determine the fair value of the share unit incentives at the grant date and the re-measurement dates include share price on the measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share incentives and hence the amount of compensation expenses the Group recognises in our consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimates of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Fair value of biological assets

The Group's biological assets are valued at fair value less costs to sell. The fair value of biological assets is determined based on the market-determined prices as at each year end adjusted with reference to the species, age, and growing condition to reflect differences in stages of growth of biological. Any changes in the estimates may affect the fair value of the biological assets significantly. The management reviews the assumptions and estimates periodically to identify any significant change in fair value of biological assets. Further details are given in note 20 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2024 was RMB73,147,000 (2023: nil). Further details are given in note 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 25 and 26.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Valuation of the embedded derivatives in convertible bonds

The fair value for the embedded derivatives in convertible bonds are established by using valuation techniques. The valuation model is sensitive to changes in certain key inputs including volatility of share prices and risk-free rate that require significant management estimates. Any changes in the estimates and assumptions will affect the fair values of the embedded derivatives in convertible bonds. The carrying amount of embedded derivatives is disclosed in note 32 and note 37.

Inventories and contract costs

The Group assesses periodically if cost of inventories and contract cost may not be recoverable based on an assessment of the net realizable value of inventories and contract cost. Allowances are applied to inventories and contract cost where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories or contract cost. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories and in the case of contract cost, the net realizable value has been determined based on the contracted selling price to be recognised upon the completion of the contract cost less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and contract cost in the year in which such estimate changes.

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives and residual values of other intangible assets

The Group's management determines the useful lives, residual values and related amortisation charges for its other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher amortisation charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortisation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable business segments as follows:

- The laboratory services segment includes laboratory chemistry (including medicinal chemistry, synthetic chemistry, analytical and purification chemistry, and computer-aided drug design (CADD)) and bioscience services (including in vitro and in vivo DMPK/ADME, in vitro biology and in vivo pharmacology, safety assessment and U.S. laboratory services)

- The CMC (small molecule CDMO) services segment includes process development and manufacturing, materials science/pre-formulation, formulation development and manufacturing, and analytical development services

- The clinical development services segment includes overseas clinical development services (including radiolabelled science services and early stage clinical trial services) and domestic clinical development services (including clinical research services and site management services)

- The Biologics and CGT services segment includes biologics discovery, development and manufacturing services (CDMO), CGT lab and Gene therapy CDMO services

- The "Others" segment

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Year ended December 31, 2024	Laboratory services RMB'000	CMC (small molecule CDMO) services RMB'000	Clinical development services RMB'000	Biologics and CGT services RMB'000	Others RMB'000	Total RMB'000
Segment revenue	7,046,875	2,988,773	1,826,208	407,519	6,400	12,275,775
Segment results	3,128,352	988,432	234,183	(204,322)	2,610	4,149,255
Unallocated amounts:						
Other income and gains						884,520
Other expenses						(67,763)
Selling and distribution expenses						(258,431)
Administrative expenses						(1,663,598)
Research and development costs						(469,260)
Impairment losses on financial and contract assets, net of reversal						(42,947)
Impairment losses of goodwill						(73,539)
Finance costs						(243,718)
Share of losses of associates						(123,256)
Group's profit before tax						2,091,263

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

The following is an analysis of the Group's revenue and results by reportable segments: (continued)

Year ended December 31, 2023	Laboratory services RMB'000	CMC services RMB'000	Clinical development services RMB'000	Biologics and CGT services RMB'000	Others RMB'000	Total RMB'000
Segment revenue	6,660,117	2,711,039	1,737,293	424,937	4,610	11,537,996
Segment results	2,928,549	904,269	296,248	(35,304)	1,058	4,094,820
Unallocated amounts:						
Other income and gains						374,011
Other expenses						(37,904)
Selling and distribution expenses						(252,778)
Administrative expenses						(1,671,883)
Research and development costs						(448,278)
Impairment losses on financial and contract assets, net of reversal						(35,825)
Finance costs						(182,192)
Share of losses of associates						(2,084)
Group's profit before tax						1,837,887

Management monitors the results of the Group's business segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue

	2024 RMB'000	2023 RMB'000
North America	**7,852,729**	7,400,776
Europe	**2,271,934**	1,844,397
Chinese Mainland	**1,847,332**	1,974,914
Asia (except Chinese Mainland)	**264,275**	269,036
Others	**39,505**	48,873
	12,275,775	11,537,996

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Chinese Mainland	**11,237,927**	10,565,990
Europe	**2,599,672**	2,552,833
North America	**2,039,131**	2,026,668
Asia (except Chinese Mainland)	**15,746**	21,559
	15,892,476	15,167,050

The non-current asset information above is based on the locations of the assets and excludes equity investments at fair value through profit or loss and deferred tax assets.

Information about major customers

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during each reporting period.

5. REVENUE

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**12,275,775**	11,537,996

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	2024 RMB'000	2023 RMB'000
Types of services		
Laboratory services	**7,046,875**	6,660,117
CMC (small molecule CDMO) services	**2,988,773**	2,711,039
Clinical development services	**1,826,208**	1,737,293
Biologics and CGT services	**407,519**	424,937
Others	**6,400**	4,610
Total revenue from contracts with customers	**12,275,775**	11,537,996
Timing of revenue recognition		
Services transferred at a point of time	**6,599,158**	5,961,463
Services transferred over time	**5,676,617**	5,576,533
Total revenue from contracts with customers	**12,275,775**	11,537,996

(b) Performance obligations

The Group has different contractual arrangements with different customers under two different charge methods: Full-Time-Equivalent ("FTE") or Fee-For-Service ("FFS") model.

For all the services under the FTE model, revenue is recognised over time at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under the FTE model.

Similarly, for certain services under the FFS model, revenue is recognised over time and contracts are generally within an original expected length of one year or less. Therefore, the practical expedients are also applied.

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	Notes	2024 RMB'000	2023 RMB'000
Other income			
Interest income		**73,631**	33,543
Government grants and subsidies related to			
– Assets (i)		**22,160**	24,071
– Income (ii)		**62,082**	77,822
		157,873	135,436
Other gains			
Foreign exchange gain, net		**31,428**	146,997
Gains on fair value change of biological assets	20	**–**	48,035
Gains on equity investment at fair value through profit or loss		**572,388**	17,487
Gains on termination of lease contracts		**8,723**	1,151
Gains on financial assets at fair value through profit or loss		**23,108**	18,444
Gains on financial assets at amortised cost		**1,583**	4,231
Gains on repurchase of convertible bonds		**88,593**	–
Others		**824**	2,230
		726,647	238,575
		884,520	374,011
Other expenses			
Losses on disposal of property, plant and equipment		**(34,099)**	(1,092)
Losses on derivative financial instruments		**(14,211)**	(70)
Losses on fair value change of equity investment at fair value through profit or loss		**(1,576)**	(16,398)
Losses on fair value change of financial liabilities at fair value through profit or loss	32	**–**	(5,489)
Losses on fair value change of biological assets	20	**(3,020)**	–
Others		**(14,857)**	(14,855)
		(67,763)	(37,904)

6. OTHER INCOME AND GAINS AND OTHER EXPENSES (CONTINUED)

(i) The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognised in profit and loss over the useful lives of relevant assets. Details of these grants related to assets are set out in note 38.

(ii) The government grants and subsidies related to income have been received to compensate for the Group's research and development expenditures. Some of the grants related to income have future related costs expected to be incurred, require the Group to comply with conditions attached to the grants and require the government to acknowledge the compliance of these conditions. These grants related to income are recognised in the statement of profit or loss on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Other government grants related to income for that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses on bank borrowings	**199,164**	59,659
Interest expenses on convertible bond – debt component	**34,387**	117,404
Interest expenses on lease liabilities	**27,791**	36,439
Total interests	**261,342**	213,502
Less: Interest capitalised	**(17,624)**	(31,310)
	243,718	182,192

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Depreciation of property, plant and equipment	14	**926,184**	778,070
Depreciation of right-of-use assets	15	**179,432**	194,903
Amortisation of other intangible assets	17	**39,796**	35,615
Staff costs* (including directors' and chief executive's remuneration):			
Salaries and other benefits		**4,383,974**	4,143,179
Pension scheme contributions, social welfare and other welfare**		**1,386,825**	1,239,369
Share-based compensation expenses	40	**91,108**	202,222
Gains on financial assets at fair value through profit or loss	6	**(23,108)**	(18,444)
Losses on fair value change of equity investments at fair value through profit or loss	6	**1,576**	16,398
Losses/(gains) on fair value change of biological assets	6	**3,020**	(48,035)
Gains on financial assets at amortised cost	6	**(1,583)**	(4,231)
Losses on fair value change of financial liabilities at fair value through profit or loss	6	**–**	5,489
Gains on repurchase of convertible bonds	6	**(88,593)**	–
Gains on equity investment at fair value through profit or loss	6	**(572,388)**	(17,487)
Impairment losses on inventories, net of reversal		**18,783**	8,566
Impairment losses on financial and contract assets, net of reversal	25, 26	**42,947**	35,825
Impairment losses of goodwill	16	**73,539**	–
Foreign exchange gains, net	6	**(31,428)**	(146,997)
Losses on derivative financial instruments	6	**14,211**	70
Auditor's remuneration		**4,275**	4,750

* The staff costs for the year are included in "Cost of sales", "Administrative expenses", "Selling and distribution expenses" and "Research and development costs" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the emoluments paid or payable to the directors and the chief executive of the Company for the services provided to the Group during each reporting period are as follows:

2024	Fees RMB'000	Salaries RMB'000	Social welfare benefits RMB'000	Total RMB'000
Chief executive and executive director:				
Dr. Boliang LOU	–	2,100	113	2,213
Executive directors:				
Mr. Xiaoqiang LOU	–	1,800	113	1,913
Ms. Bei ZHENG	–	1,600	–	1,600
Non-executive directors:				
Mr. Baifeng HU	–	–	–	–
Mr. Jiaqing LI	–	–	–	–
Independent non-executive directors:				
Mr. Jian YU	300	–	–	300
Mr. TSANG Kwan Hung Benson	300	–	–	300
Ms. Lihua LI	300	–	–	300
Mr. Qilin ZHOU	277	–	–	277
	1,177	5,500	226	6,903

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Details of the emoluments paid or payable to the directors and the chief executive of the Company for the services provided to the Group during each reporting period are as follows: (continued)

2023	Fees RMB'000	Salaries RMB'000	Social welfare benefits RMB'000	Total RMB'000
Chief executive and executive director:				
Dr. Boliang LOU	–	2,100	108	2,208
Executive directors:				
Mr. Xiaoqiang LOU	–	1,800	108	1,908
Ms. Bei ZHENG	–	1,600	–	1,600
Non-executive directors:				
Mr. Baifeng HU	–	–	–	–
Mr. Jiaqing LI	–	–	–	–
Independent non-executive directors:				
Mr. Jian YU	300	–	–	300
Mr. TSANG Kwan Hung Benson	300	–	–	300
Ms. Lihua LI	300	–	–	300
Mr. Qilin ZHOU	300	–	–	300
	1,200	5,500	216	6,916

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group during the year included three (2023: three) directors disclosed above, details of whose remuneration are set out as above in note 9. Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive of the Company for the reporting periods are as follows:

	2024 RMB'000	2023 RMB'000
Salaries	3,600	3,600
Performance related bonuses	–	–
Social welfare benefits	186	174
	3,786	3,774

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
RMB1,000,001 to RMB2,000,000	2	2
	2	2

11. INCOME TAX

	2024 RMB'000	2023 RMB'000
Current tax	410,448	319,737
Deferred tax	(33,344)	(63,631)
	377,104	256,106

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless subject to tax exemption set out below.

The Company was accredited as a "High and New Technology Enterprise" in 2017 which was subsequently renewed in 2023 and as an "Advanced Technology Enterprise" in 2015 which was subsequently renewed in 2023, and therefore the Company was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. These qualifications are subject to review by the relevant tax authority in the PRC for every three years.

11. INCOME TAX (CONTINUED)

Pharmaron Xi'an Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2018 and the qualification was subsequently renewed in 2023, and therefore Pharmaron Xi'an Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Beijing) TSP Service Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2015 and the qualification was renewed in 2023 and as an "High and New Technology Enterprise" in 2020 and the qualification was subsequently renewed in 2023, and therefore Pharmaron (Beijing) TSP Service Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. These qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Ningbo) Technology Development Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2020 and the qualification was renewed in 2024, and therefore Pharmaron (Ningbo) Technology Development Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC annually.

Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020 and the qualification was subsequently renewed in 2023, and therefore Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Beijing LinkStart Biotechnology Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020 and the qualification was subsequently renewed in 2023, and therefore Beijing LinkStart Biotechnology Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

RAMED (Beijing) Medical Technology Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020 and the qualification was subsequently renewed in 2023, and therefore RAMED (Beijing) Medical Technology Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron Shanghai Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2023, and therefore Pharmaron Shanghai Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Beijing) Technology Development Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2023, and therefore Pharmaron (Beijing) Technology Development Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Nanjing) Clinical Services Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2022, and therefore Pharmaron (Nanjing) Clinical Services Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Ningbo) Bioscience Services Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2024, and therefore Pharmaron (Ningbo) Bioscience Services Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

11. INCOME TAX (CONTINUED)

Pharmaron CRI (Ningbo) Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2024, and therefore Pharmaron CRI (Ningbo) Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron Qingdao Co., Ltd. was applied for an "Advanced Technology Enterprise" in 2024. The processing result has been currently publicized and therefore Pharmaron Qingdao Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2024.

The group entities incorporated in the U.S. were subject to the federal corporate tax at a rate of 21% and the state income tax at a rate ranging from 0% to 10% as at December 31, 2023 and 2024.

The group entities incorporated in the U.K. were subject to tax at a rate of 25% for the years ended December 31, 2023 and 2024.

The group entities incorporated in Japan were subject to the national corporate tax at a rate of 23.2% and the local corporate tax at a rate of 2.4% as at December 31, 2023 and 2024.

The group entities incorporated in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended December 31, 2023 and 2024.

The Group's tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

The tax charge for the reporting period can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	**2,091,263**	1,837,887
Tax at tax rates of 15%	**313,689**	275,683
Effect of different tax rates of subsidiaries	**(72,384)**	(46,957)
Effect of share of results of profits and losses attributable to associates	**47,887**	599
Income not subject to tax	**(94,628)**	(4,623)
Non-deductible expenses	**10,180**	17,712
Additional deductible allowance for research and development ("R&D") expenses	**(43,704)**	(51,433)
Utilisation of tax losses and other deductible temporary differences previously not recognised as deferred tax assets	**(4,729)**	(46,075)
Unrecognised deductible temporary differences and tax losses	**211,971**	122,935
Others	**8,822**	(11,735)
	377,104	256,106

11. INCOME TAX (CONTINUED)

Pillar Two income taxes

The Group is within the scope of the Pillar II model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted in the two jurisdictions (i.e., the U.K. and Japan) in which the Group operates on January 1, 2024.

The Group is in the process of assessing the potential exposure arising from Pillar Two legislation based on the information available for the year ended December 31, 2024. The Group estimated the tax impact is immaterial for the above two jurisdictions where the Pillar Two legislation has been effective. The Group will continue monitoring and assessing pending legislation and implementation by individual countries and evaluate the potential impact in the future periods.

12. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Proposed final – RMB0.20 (2023: RMB0.20) per ordinary share	**354,186**	357,479

On June 6, 2024, the Company's shareholders approved the 2023 Profit Distribution at the annual general meeting, pursuant to which a final dividend of RMB0.20 (inclusive of tax) per share in respect of the year ended December 31, 2023 was declared to both holders of A Shares and H Shares and aggregate dividend amounted to RMB357,479,000 (inclusive of tax). As at December 31, 2024, all A shares and H shares dividends have been paid.

The Board proposed to declare a final cash dividend of RMB2.0 (inclusive of tax) per 10 shares or an aggregate of approximately RMB354,186,000 (inclusive of tax) for the year ended December 31, 2024.

The proposed final dividend for the year ended December 31, 2024 is subject to the approval of the Company's shareholders at the forthcoming AGM.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,769,742,721 (2023: 1,772,422,967) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is based on the number of ordinary shares used in the basic earnings per share calculation adjusted for the dilutive effect of share options and restricted A shares issued by the Company. For the year ended December 31, 2024, the calculation of the diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive impact of the share options and restricted A shares and the convertible bonds issued by the Company.

The calculations of basic and diluted earnings per share are based on:

	2024 RMB'000	2023 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,793,351**	1,601,096

	2024	2023
Number of shares ('000):		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,769,743**	1,772,423
Effect of diluted potential ordinary shares:		
Effect of restricted shares units and share awards issued by the Company	**3,613**	2,834
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**1,773,356**	1,775,257

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Laboratory equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Land RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2024								
At January 1, 2024:								
Cost	3,970,600	4,643,212	22,579	485,193	595,111	202,052	2,632,539	12,551,286
Accumulated depreciation and impairment	(558,226)	(1,824,074)	(10,683)	(231,959)	(74,639)	–	–	(2,699,581)
Net carrying amount	3,412,374	2,819,138	11,896	253,234	520,472	202,052	2,632,539	9,851,705
At January 1, 2024, net of accumulated depreciation	3,412,374	2,819,138	11,896	253,234	520,472	202,052	2,632,539	9,851,705
Additions	2,346	509,011	2,665	9,724	251,494	–	1,233,230	2,008,470
Acquisition of subsidiaries	–	–	–	126	–	–	–	126
Disposals	–	(4,391)	(69)	(364)	–	–	–	(4,824)
Depreciation provided during the year	(188,023)	(559,494)	(2,642)	(79,279)	(96,746)	–	–	(926,184)
Transfer to fixed assets	947,000	631,994	108	35,152	–	–	(1,614,254)	–
Exchange realignment	3,757	3,516	2	893	3,282	1,262	2,147	14,859
At December 31, 2024, net of accumulated depreciation	4,177,454	3,399,774	11,960	219,486	678,502	203,314	2,253,662	10,944,152
At December 31, 2024:								
Cost	4,921,211	5,731,912	24,902	519,041	771,966	203,314	2,253,662	14,426,008
Accumulated depreciation and impairment	(743,757)	(2,332,138)	(12,942)	(299,555)	(93,464)	–	–	(3,481,856)
Net carrying amount	4,177,454	3,399,774	11,960	219,486	678,502	203,314	2,253,662	10,944,152

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Laboratory equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Land RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2023								
At January 1, 2023:								
Cost	3,346,780	3,827,484	20,955	418,306	568,850	189,937	1,670,806	10,043,118
Accumulated depreciation and impairment	(406,738)	(1,372,299)	(9,525)	(160,267)	(72,475)	–	–	(2,021,304)
Net carrying amount	2,940,042	2,455,185	11,430	258,039	496,375	189,937	1,670,806	8,021,814
At January 1, 2023, net of accumulated depreciation	2,940,042	2,455,185	11,430	258,039	496,375	189,937	1,670,806	8,021,814
Additions	–	448,749	2,013	41,679	98,736	–	2,013,621	2,604,798
Disposals	–	(6,848)	(24)	(647)	–	–	–	(7,519)
Depreciation provided during the year	(147,882)	(476,139)	(2,023)	(70,609)	(81,417)	–	–	(778,070)
Transfer to fixed assets	593,925	367,961	498	17,569	–	–	(979,953)	–
Exchange realignment	26,289	30,230	2	7,203	6,778	12,115	(71,935)	10,682
At December 31, 2023, net of accumulated depreciation	3,412,374	2,819,138	11,896	253,234	520,472	202,052	2,632,539	9,851,705
At December 31, 2023:								
Cost	3,970,600	4,643,212	22,579	485,193	595,111	202,052	2,632,539	12,551,286
Accumulated depreciation and impairment	(558,226)	(1,824,074)	(10,683)	(231,959)	(74,639)	–	–	(2,699,581)
Net carrying amount	3,412,374	2,819,138	11,896	253,234	520,472	202,052	2,632,539	9,851,705

At December 31, 2024, certain buildings, land and equipment with a net carrying amount of approximately RMB1,102,705,000 (2023: RMB691,705,000) were pledged to secure general banking facilities and other borrowings granted to the Group (note 31).

15. RIGHT-OF-USE ASSETS

	Office premises RMB'000	Laboratory equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Land use rights RMB'000	Total RMB'000
As at January 1, 2023	922,757	811	–	962	405,168	1,329,698
Additions	5,365	2,571	106	–	–	8,042
Disposal	(1,940)	–	–	–	–	(1,940)
Depreciation provided during the year	(184,204)	(1,061)	(44)	(657)	(8,937)	(194,903)
Exchange realignment	5,097	107	2	39	–	5,245
As at December 31, 2023 and January 1, 2024	**747,075**	**2,428**	**64**	**344**	**396,231**	**1,146,142**
Additions	**56,078**	**513**	**61**	**2,270**	**802**	**59,724**
Disposal	**(105,807)**	**–**	**–**	**–**	**–**	**(105,807)**
Depreciation provided during the year	**(167,636)**	**(799)**	**(90)**	**(1,962)**	**(8,945)**	**(179,432)**
Exchange realignment	**1,955**	**10**	**–**	**–**	**–**	**1,965**
As at December 31, 2024	**531,665**	**2,152**	**35**	**652**	**388,088**	**922,592**

As at December 31, 2024, certain land use rights with a net carrying amount of approximately RMB138,272,000 (2023: RMB128,314,000) were pledged to secure general banking facilities granted to the Group (note 31).

16. GOODWILL

	2024 RMB'000	2023 RMB'000
Cost	2,833,883	2,780,918
Accumulated impairment	(73,147)	–
Net carrying amount	2,760,736	2,780,918
Opening carrying amount, net of accumulated impairment	2,780,918	2,687,865
Acquisition of subsidiaries	32,905	–
Impairment losses of goodwill	(73,539)	–
Exchange realignment	20,452	93,053
	2,760,736	2,780,918

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2024 RMB'000	2023 RMB'000
Pharmaron (Chengdu) Clinical Services Co., Ltd. business	605,357	603,724
Pharmaron (Germantown) Lab Services Inc. business	28,657	28,235
Pharmaron (Ningbo) Technology Development business	6,542	6,542
Pharmaron (Exton) Lab Services LLC business	855,237	842,662
Pharmaron Biologics (UK) Ltd business	653,311	650,763
Biomedical Research (GZ), Ltd. business	23,631	23,631
AniKeeper (Zhanjiang) Biotech Co., Ltd. business	69,852	69,852
Pharmaron Manufacturing Services (UK) Ltd. business	402,185	400,617
Beijing AniKeeper Biotech Co., Ltd. business	66,857	66,857
Coventry API manufacturing facility business	89,349	88,035
Shanghai Jiying Intelligent Technology Co., Ltd business	32,905	–
	2,833,883	2,780,918

16. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Pharmaron (Chengdu) Clinical Services Co., Ltd. business cash-generating unit;
- Pharmaron (Germantown) Lab Services Inc. business cash-generating unit;
- Pharmaron (Ningbo) Technology Development business cash-generating unit;
- Pharmaron (Exton) Lab Services LLC business cash-generating unit;
- Pharmaron Biologics (UK) Ltd business cash-generating unit;
- Biomedical Research (GZ), Ltd. business cash-generating unit;
- AniKeeper (Zhanjiang) Biotech Co., Ltd. business cash-generating unit;
- Pharmaron Manufacturing Services (UK) Ltd. business cash-generating unit;
- Beijing AniKeeper Biotech Co., Ltd. business cash-generating unit; and
- Coventry API manufacturing facility business cash-generating unit.

Pharmaron (Germantown) Lab Services Inc. business cash-generating unit

The recoverable amount of the Pharmaron (Germantown) Lab Services Inc. cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15% (2023: 15%) and cash flows beyond the five-year period were extrapolated using a growth rate of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Pharmaron (Ningbo) Technology Development business cash-generating unit

The recoverable amount of the Pharmaron (Ningbo) Technology Development business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 18% (2023: 18%) and cash flows beyond the five-year period were extrapolated using a growth rate of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Pharmaron (Exton) Lab Services LLC business cash-generating unit

The recoverable amount of the Pharmaron (Exton) Lab Services LLC business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 18% (2023: 18%) and cash flows beyond the five-year period were extrapolated using a growth of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Pharmaron (Chengdu) Clinical Services Co., Ltd. business cash-generating unit

The recoverable amount of the Pharmaron (Chengdu) Clinical Services Co., Ltd. business cash-generating unit business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 18% (2023: 18%) and cash flows beyond the five-year period were extrapolated using a growth of 2.2%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Biomedical Research (GZ), Ltd. business cash-generating unit

The recoverable amount of the Biomedical Research (GZ), Ltd. business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15% (2023: 15%) and cash flows beyond the five-year period were extrapolated using a growth of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

AniKeeper (Zhanjiang) Biotech Co., Ltd. business cash-generating unit

The recoverable amount of the AniKeeper (Zhanjiang) Biotech Co., Ltd. business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 14% (2023: 14%) and cash flows beyond the five-year period were extrapolated using a growth of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Pharmaron Manufacturing Services (UK) Ltd. business cash-generating unit

The recoverable amount of the Pharmaron Manufacturing Services (UK) Ltd. business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a nine-year period approved by senior management. The discount rate applied to the cash flow projections was 18% (2023: 17%) and cash flows beyond the ten-year period were extrapolated using a growth of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Beijing AniKeeper Biotech Co., Ltd. business cash-generating unit

The recoverable amount of the Beijing AniKeeper Biotech Co., Ltd. business cash-generating unit business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 12% (2023:12%) and cash flows beyond the five-year period were extrapolated using a growth of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Pharmaron Biologics (UK) Ltd business cash-generating unit

The recoverable amount of the Pharmaron Biologics (UK) Ltd business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a seven-year period approved by senior management due to the continuous business integration to achieve stable profitability. The discount rate applied to the cash flow projections was 16% (2023: 17%) and cash flows beyond the seven-year period were extrapolated using a growth of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

The carrying amount of the Pharmaron Biologics (UK) Ltd was impaired by RMB73,147,000 during the year ended December 31, 2024. The impairment was attributable to the soft demand for gene therapy CDMO services, and the emerging segment was still in the investment stage. The Company will continue to advance biologics discovery and CDMO services, and to expand research and production services for other complex moleculars to broaden revenue sources.

Coventry API manufacturing facility business cash-generating unit

The recoverable amount of the Coventry API manufacturing facility business cash-generating unit business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering an nine-year period approved by senior management due to the continuous business integration to achieve stable profitability. The discount rate applied to the cash flow projections was 16% (2023: 16%) and cash flows beyond the ten-year period were extrapolated using a growth of 2.5%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Shanghai Jiying Intelligent Technology Co., Ltd business cash-generating unit

The recoverable amount of the Shanghai Jiying Intelligent Technology Co., Ltd business cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering an seven-year period approved by senior management due to the continuous business integration to achieve stable profitability. The discount rate applied to the cash flow projections was 21% (2023: Nil) and cash flows beyond the ten-year period were extrapolated using a growth of 2.0%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Assumptions were used in the value in use calculation of these cash-generating units for December 31, 2024 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the years immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Revenue growth rate – The revenue growth rate is based on historical sales and expected growth rates of the pharmaceutical market according to published industry research.

The values assigned to the key assumptions on the market development of cash-generating units and discount rates are consistent with external information sources.

Management of the Group assessed that any reasonably possible change in any of these assumptions would not cause the carrying amounts of these cash-generating units to exceed their respective recoverable amounts as at December 31, 2024.

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Patents RMB'000	Client relationship RMB'000	Software copyright RMB'000	Total RMB'000
December 31, 2024					
Cost at January 1, 2024, net of accumulated amortisation	**56,030**	**3,842**	**156,620**	**–**	**216,492**
Additions	**37,903**	**475**	**–**	**–**	**38,378**
Acquisition of a subsidiary	**–**	**–**	**–**	**9,200**	**9,200**
Amortisation provided during the year	**(14,881)**	**(428)**	**(24,027)**	**(460)**	**(39,796)**
Exchange realignment	**102**	**44**	**899**	**–**	**1,045**
At December 31, 2024	**79,154**	**3,933**	**133,492**	**8,740**	**225,319**

	Software RMB'000	Patents RMB'000	Client relationship RMB'000	Total RMB'000
December 31, 2023				
Cost at January 1, 2023, net of accumulated amortisation	49,347	4,526	179,275	233,148
Additions	17,078	170	–	17,248
Amortisation provided during the year	(10,788)	(921)	(23,906)	(35,615)
Exchange realignment	393	67	1,251	1,711
At December 31, 2023	56,030	3,842	156,620	216,492

18. INVESTMENTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	**648,983**	722,946

As of December 31, 2024, details of each of the Group's associates are as follows:

Name of entity	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Kangjun Investment Management (Beijing) Co., Ltd.	Ordinary shares	PRC/Chinese Mainland	30.00%	Investment management
Beijing Kangjun Ningyuan Equity Investment Partnership Enterprise (Limited Partnership)	Ordinary shares	PRC/Chinese Mainland	21.28%	Investment management
Ningbo Kangjun Zhongyuan Equity Investment Partnership Enterprise (Limited Partnership)	Ordinary shares	PRC/Chinese Mainland	18.57%	Investment management
AccuGen Group	Ordinary shares	Cayman Islands	47.00%	Genetic and cell research
PharmaGend Global Medical Services PTE	Ordinary shares	Singapore	35.00%	CDMO services
Ningbo Yongxin Equity Investment Partnership Enterprise (Limited Partnership)	Ordinary shares	PRC/Chinese Mainland	31.11%	Investment management

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2024 RMB'000	2023 RMB'000
Share of the associates' total comprehensive losses for the year	**(123,256)**	(2,084)
Aggregate carrying amount of the Group's investments in the associates	**648,983**	722,946

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Unlisted equity investments, at fair value	31,817	81,396
Unlisted fund investments, at fair value	202,242	200,636
	234,059	282,032

20. BIOLOGICAL ASSETS

(a) Nature of the Group's agricultural activities

The biological assets of the Group are mainly cynomolgous and macaque non-human primates for experiment, beagles, and rats, which are classified as current assets, and cynomolgous and macaque non-human primates for breeding, which are classified as non-current assets of the Group.

The Group is exposed to the following operational risks:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding. The Group has established environmental policies and procedures aiming at complying with local environmental regulations and legislations. Management performs regular reviews to identify environmental risks to ensure that the systems in place are adequate to manage these risks.

(ii) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aiming at monitoring and mitigating those risks, including regular inspections, disease controls, surveys and insurance.

20. BIOLOGICAL ASSETS (CONTINUED)

(b) Fair value of biological assets

The values of the Group's biological assets at the year-end were as follows:

As of December 31, 2024	Non-human primates for breeding RMB'000	Non-human primates for experiment RMB'000	Total RMB'000
At January 1, 2024	**157,633**	**491,724**	**649,357**
Breeding costs	**–**	**14,660**	**14,660**
Purchases	**–**	**24,596**	**24,596**
Gains/(Losses) arising from changes in fair value less costs to sell of biological assets	**7,986**	**(11,006)**	**(3,020)**
Transfer	**14,695**	**(14,695)**	**–**
Decrease due to disposal	**(5,313)**	**(4,172)**	**(9,485)**
Decrease due to sales	**–**	**(14,418)**	**(14,418)**
Decrease due to experiments	**–**	**(68,407)**	**(68,407)**
At December 31, 2024	**175,001**	**418,282**	**593,283**

As of December 31, 2023	Non-human primates for breeding RMB'000	Non-human primates for experiment RMB'000	Total RMB'000
At January 1, 2023	178,016	497,279	675,295
Breeding costs	–	12,982	12,982
Purchases	–	33,894	33,894
(Losses)/Gains arising from changes in fair value less costs to sell of biological assets	(31,558)	79,593	48,035
Transfer	16,979	(16,979)	–
Decrease due to disposal	(5,804)	(3,410)	(9,214)
Decrease due to sales	–	(38,527)	(38,527)
Decrease due to experiments	–	(73,108)	(73,108)
At December 31, 2023	157,633	491,724	649,357

As at December 31, 2024 and 2023, no biological assets of the Group were pledged.

20. BIOLOGICAL ASSETS (CONTINUED)

(b) Fair value of biological assets (continued)

Analysed for reporting purposes as:

	2024 RMB'000	2023 RMB'000
Current	**418,282**	491,724
Non-current	**175,001**	157,633
Total	**593,283**	649,357

(c) Fair value measurement

The Group's biological assets as of December 31, 2024 and 2023 were valued by an independent qualified professional valuer unrelated to the Group.

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

Level 3 – based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

	Level 3 RMB'000
As at December 31, 2024	**593,283**
As at December 31, 2023	649,357

(d) Description of valuation techniques used and key inputs to valuation on biological assets

The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation.

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Cynomolgous and macaque non-human primates for experiment	Comparable market method	Recent transaction prices and adjustment coefficients based on biological asset characteristics (including age, variety, health status, etc.)	The higher the change in the adjustment coefficient, the higher the fair value.
Cynomolgous and macaque non-human primates for breeding	Comparable market method	Recent transaction prices and adjustment coefficients based on biological asset characteristics (including age, variety, health status, etc.)	The higher the change in the adjustment coefficient, the higher the fair value.

21. DEFERRED TAX

The movements in deferred tax assets are as follows:

	2024				
	Losses available for offsetting against future taxable profits RMB'000	Impairment provision for assets RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
At December 31, 2023 and at January 1, 2024	135,252	10,394	27,919	128,438	302,003
Deferred tax credited to profit or loss during the year	38,994	7,467	2,667	(26,530)	22,598
Deferred tax assets at December 31, 2024	174,246	17,861	30,586	101,908	324,601

	2023				
	Losses available for offsetting against future taxable profits RMB'000	Impairment provision for assets RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
At December 31, 2022	79,656	8,136	19,018	37,886	144,696
Effect of adoption of amendments to IAS 12	–	–	–	105,809	105,809
At January 1, 2023	79,656	8,136	19,018	143,695	250,505
Deferred tax credited to profit or loss during the year	55,596	2,258	8,901	(15,257)	51,498
Deferred tax assets at December 31, 2023	135,252	10,394	27,919	128,438	302,003

21. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities are as follows:

	2024					
	Fair value gain arising from acquisition of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Fair value gain arising from financial instruments RMB'000	Fair value gain arising from biological assets RMB'000	Right-of-use assets RMB'000	Total RMB'000
At January 1, 2024	61,604	217,820	10,181	63,436	85,783	438,824
Deferred tax charged/(credited) to profit or loss during the year	(6,951)	17,579	10,555	(1,826)	(30,103)	(10,746)
Credit to other comprehensive income	–	–	(6,711)	–	–	(6,711)
Exchange realignment	2,417	–	–	–	–	2,417
Deferred tax liabilities at December 31, 2024	57,070	235,399	14,025	61,610	55,680	423,784

	2023					
	Fair value gain arising from acquisition of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Fair value gain arising from financial instruments RMB'000	Fair value gain arising from biological assets RMB'000	Right-of-use assets RMB'000	Total RMB'000
At December 31, 2022	67,814	198,284	16,008	64,353	461	346,920
Effect of adoption of amendments to IAS 12	–	–	–	–	105,809	105,809
At January 1, 2023	67,814	198,284	16,008	64,353	106,270	452,729
Deferred tax credited to profit or loss during the year	(6,607)	19,536	(3,658)	(917)	(20,487)	(12,133)
Credit to other comprehensive income	–	–	(2,169)	–	–	(2,169)
Exchange realignment	397	–	–	–	–	397
Deferred tax liabilities at December 31, 2023	61,604	217,820	10,181	63,436	85,783	438,824

21. DEFERRED TAX (CONTINUED)

As at December 31, 2024, certain deferred tax assets and liabilities with an amount of RMB131,917,000 (2023: RMB148,785,000) have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**192,684**	153,218
Net deferred tax liabilities recognised in the consolidated statement of financial position	**291,867**	290,039

In accordance with PRC laws and regulations, tax losses could be carried forward for five years to offset against future taxable profits. According to the Notice 2018 No. 76 of the Ministry of Finance, from January 1, 2018, the enterprises that have the qualifications of High and New Technology Enterprise will be able to make up for the losses that have not been completed in the previous five years before the qualification year. Therefore, certain PRC companies' longest tax loss carried-over period is extended from 5 years to 10 years. For the Group's subsidiaries in the U.S. and the U.K., losses can be carried over indefinitely. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group had unrecognised temporary differences and unused tax losses available for offsetting against future profits in respect of certain subsidiaries in the U.S. and the U.K. of RMB2,665,271,000 as at December 31, 2024 (December 31, 2023: RMB2,059,540,000), and the deferred tax assets have not been recognised. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. OTHER NON-CURRENT ASSETS

	2024 RMB'000	2023 RMB'000
Financial assets at amortized cost purchase of property, plant and equipment	**155,441**	226,702
Deposits	**36,543**	40,388
Financial assets at amortised cost	**23,709**	24,124
	215,693	291,214

As at December 31, 2024 and 2023, the financial assets included in other non-current assets of the Group were considered to be of low credit risk and thus the Group has assessed that the ECLs for deposits are immaterial under the 12-month expected credit loss method.

23. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials and consumables	**486,811**	365,479

As at December 31, 2024, the inventories were net of a write-down of approximately RMB44,678,000 (2023: RMB25,925,000).

24. CONTRACT COSTS

	2024 RMB'000	2023 RMB'000
Costs to fulfill contracts	**211,572**	155,877

25. TRADE AND BILLS RECEIVABLE

	2024 RMB'000	2023 RMB'000
Trade receivables	**2,492,541**	2,316,486
Bills receivable	**4,603**	128
Allowance for impairment	**(83,515)**	(74,461)
	2,413,629	2,242,153

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

Included in the trade receivables was an amount due from related parties of RMB75,356,000 as at December 31, 2024 (2023: RMB58,953,000), which was repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of gross carrying amount of the trade and bills receivables as at the end of each reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**2,371,741**	2,226,376
1 year to 2 years	**88,762**	62,489
More than 2 years	**36,641**	27,749
	2,497,144	2,316,614

25. TRADE AND BILLS RECEIVABLE (CONTINUED)

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	74,461	57,643
Impairment losses, net	40,783	31,837
Write-offs	(31,890)	(15,933)
Exchange realignment	161	914
	83,515	74,461

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

An impairment analysis is performed at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting period about past events, current conditions, and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

	2024		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Within 1 year	0.79%	2,371,741	18,816
1 to 2 years	31.61%	88,762	28,058
Over 2 years	100.00%	36,641	36,641
		2,497,144	83,515

	2023		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Within 1 year	1.14%	2,226,376	25,276
1 to 2 years	34.30%	62,489	21,436
Over 2 years	100.00%	27,749	27,749
		2,316,614	74,461

26. CONTRACT ASSETS

	2024 RMB'000	2023 RMB'000
Contract assets	468,063	402,363
Allowance for impairment	(10,252)	(8,098)
	457,811	394,265

The contract assets primarily relate to the Group's right to consideration for the work completed and not billed. The contract assets are transferred to trade receivables when the rights become unconditional.

Included in the trade receivables was an amount due from related parties of RMB5,553,000 as at December 31, 2024 (2023: RMB2,460,000), which was repayable on credit terms similar to those offered to the major customers of the Group.

The expected timing of recovery or settlement is generally within one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	8,098	4,107
Impairment losses, net	2,164	3,989
Write-off	(13)	–
Exchange realignment	3	2
	10,252	8,098

The Group has applied the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all contract assets. To measure the ECLs, contract assets have been grouped based on shared credit risk characteristics and the days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2024	2023
Expected credit loss	2.19%	2.01%
Gross carrying amount (RMB'000)	468,063	402,363
Impairment (RMB'000)	(10,252)	(8,098)

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Financial assets at amortized cost (i)	**257,274**	176,677
Prepayments	**13,542**	17,809
Deposits and other receivables	**49,620**	46,737
Prepaid expenses	**115,844**	107,761
Tax recoverable	**342,330**	324,002
Others	**31,221**	11,031
	809,831	684,017

(i) Financial assets at amortized cost are mainly the reverse-repurchase products of the national debt with fixed interest rates.

As at the end of the reporting period, other receivables of the Group were considered to be of low credit risk and thus the Group has assessed that the ECLs for other receivables were immaterial under the 12-month expected loss method.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into purchase agreements of wealth management products with banks and other financial institutions. The expected rates of return ranged from 1.73%-3.17% per annum for the year (2023: 2.80%-3.17%), which were determined by reference to the returns of the underlying investment portfolio.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 RMB'000	2023 RMB'000
Current assets		
Derivatives under hedge accounting		
Cash flow hedges -Foreign currency forward contracts	**5,063**	27,650

29. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2024 RMB'000	2023 RMB'000
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges -Foreign currency forward contracts	**47,165**	26,931
	47,165	26,931

Cash flow hedges – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of foreign currency rate risk arising from forecast sales in USD. The balances of foreign currency forward contract vary with the level of expected foreign currency sales and changes in foreign currency forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the foreign currency forward contracts are identical to the hedged risk components. The cash flow hedges were assessed to be highly effective.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and the hedging instruments;
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

The Group holds the following foreign currency forward contracts:

	Less than 6 months USD'000	Total USD'000
As at December 31, 2024		
Foreign currency risk		
– Foreign currency forward contracts	**290,000**	**290,000**
Average forward rates (USD/RMB)	**7.1310**	**7.1310**

29. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The impacts of the hedging instruments on the consolidated statement of financial position are as follows:

	Notional amount USD'000	Carrying amount assets RMB'000	Carrying amount liabilities RMB'000	Line item in the statement of financial position
As at December 31, 2024				
Foreign currency risk				
– Foreign currency forward contracts	290,000	5,063	47,165	Derivative financial instruments liabilities

The impacts of the hedged items on the consolidated statement of financial position are as follows:

	Cash flow hedge reserve RMB'000
As at December 31, 2024	
Foreign currency risk	
– Foreign currency forward contracts	(17,789)

The effects of the cash flow hedge on the consolidated statement of profit or loss and the consolidated statement of comprehensive income are as follows:

	Total hedging loss recognised in other comprehensive income RMB'000	Amount reclassified from other comprehensive income to profit or loss RMB'000	Line item in the statement of profit or loss
As at December 31, 2024			
Foreign currency risk			
– Foreign currency forward contracts	(170,311)	(125,573)	Revenue/Other Expenses

29. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group holds the following foreign currency forward contracts:

	Less than 6 months USD'000	6 to 12 months USD'000	Total USD'000
As at December 31, 2023			
Foreign currency risk			
– Foreign currency forward contracts	480,000	140,000	620,000
Average forward rates (USD/RMB)	7.0558	6.9872	7.0403

The impacts of the hedging instruments on the consolidated statement of financial position are as follows:

	Notional amount USD'000	Carrying amount assets RMB'000	liabilities RMB'000	Line item in the statement of financial position
As at December 31, 2023				
Foreign currency risk				
– Foreign currency forward contracts	620,000	27,650	26,931	Derivative financial instruments assets/ liabilities

The impacts of the hedged items on the consolidated statement of financial position are as follows:

	Cash flow hedge reserve RMB'000
As at December 31, 2023	
Foreign currency risk	
– Foreign currency forward contracts	20,238

The effects of the cash flow hedge on the consolidated statement of profit or loss and the consolidated statement of comprehensive income are as follows:

	Total hedging loss recognised in other comprehensive income RMB'000	Amount reclassified from other comprehensive income to profit or loss RMB'000	Line item in the statement of profit or loss
As at December 31, 2023			
Foreign currency risk			
– Foreign currency forward contracts	(214,046)	(199,585)	Revenue/Other Expenses

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and cash equivalents	**1,623,072**	5,791,165
Pledged deposits	**66,844**	127,750
	1,689,916	5,918,915

	2024 RMB'000	2023 RMB'000
Cash and cash equivalents and pledged deposits Denominated in		
– RMB	**749,686**	5,221,449
– USD	**748,169**	490,386
– GBP	**158,116**	175,222
– HKD	**16,238**	10,330
– Others	**17,707**	21,528
	1,689,916	5,918,915

The RMB is not freely convertible into other currencies. However, under Chinese Mainland's Foreign currency Control Regulations and Administration of Settlement and Sale and Payment of Foreign currency Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign currency business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Pledged deposits earn interest at interest rates stipulated by the respective financial institutions. Pledged deposits represent the amounts pledged to issue letters of credit and deposits for environmental protection.

31. INTEREST-BEARING BANK BORROWINGS

	2024			2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	1.700-3.000	2025	1,047,309	3.200-3.600	2024	727,412
			1,047,309			727,412
Non-current						
Bank loans – secured (a)	2.4500-3.5300	2026-2032	732,832	3.050-3.960	2025-2032	691,669
Bank loans – unsecured	3.3500	2026-2032	3,644,536	3.350-3.530	2025-2032	3,616,496
			4,377,368			4,308,165
			5,424,677			5,035,577

Analysis into:

	2024 RMB'000	2023 RMB'000
Bank loans and other borrowings repayable:		
Within one year	1,047,309	727,412
In the second year	3,379,020	325,508
In the third to fifth years, inclusive	574,771	3,469,229
Beyond five years	423,577	513,428
	5,424,677	5,035,577

(a) As at December 31, 2024, the bank loans with an amount of RMB732,832,000 (2023: RMB691,669,000) were secured by certain assets, such as buildings, land and equipment and right-of-use assets.

32. CONVERTIBLE BONDS

On June 18, 2021 (the "Issue Date"), the Company issued two series of five-year zero coupon convertible bonds due 2026 in an aggregate principal amount of USD300,000,000 (the "Series 1 Bonds") and RMB1,916,000,000 (the "Series 2 Bonds"), respectively (together, the "Convertible Bonds"). The conversion right attaching to any bond may be exercised, at the option of the bondholder, at any time on or after the 41st day after the Issue Date up to the close of business on the date falling 10 working days prior to June 18, 2026 (the "Maturity Date") of each respective series (both days inclusive) into fully paid ordinary H shares with a nominal value of RMB1.00 each at an initial conversion price of HKD250.75 per share for Series 1 Bonds and HKD229.50 per share for Series 2 Bonds, respectively, with a fixed exchange rate of HKD7.7588 to USD1.00 and a fixed exchange rate of HKD1.2143 to RMB1.00, respectively, but could be subject to certain adjustments, as applicable.

Pursuant to the terms and conditions of the Bonds, the price at which H Shares will be issued upon conversion is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. As a result of the approval of the payment of the 2021 Profit Distribution and the Capitalization of Reserve by the Shareholders at the annual general meeting of the Company on May 31, 2022, the conversion price of the Series 1 Bonds and Series
2 Bonds has been adjusted from HKD $250.75 per H Share to HK$166.42 per H Share, and from HK$229.50 per H Share to HK$152.32 per H Share, respectively, with effect from June 14, 2022, being the day immediately after the Record Date for determining H Shareholders' entitlement to the Capitalization of Reserve and 2021 Profit Distribution. Save as disclosed above, all other terms of the Series 1 Bonds and Series 2 Bonds remain unchanged.

Pursuant to the terms and conditions of the Convertible Bonds, the conversion price of the Series 1 Bonds and Series 2 Bonds is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. As a result of the approval of the payment of the 2022 Profit Distribution and the 2022 Capitalization of Reserve by the Shareholders at the annual general meeting of the Company on June 21, 2023, the conversion price of the Series 1 Bonds and Series 2 Bonds has been further adjusted from HK$166.42 per H Share to HKD $110.32 per H Share, and from HK$152.32 per H Share to HK$100.97 per H Share to, respectively, with effect from July 27, 2023, being the day immediately after the Record Date for determining H Shareholders' entitlement to the 2022 Capitalization of Reserve and 2022 Profit Distribution. Save as disclosed above, all other terms of the Series 1 Bonds and Series 2 Bonds remain unchanged.

On the Maturity Date, unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Series 1 Bonds at 100% of its principal amount and each Series 2 Bonds at the USD equivalent of 107.76% of its principal amount, respectively.

32. CONVERTIBLE BONDS (CONTINUED)

The Company will, at the option of the holder of any bond, redeem all or some only of that holder's bonds on June 18, 2024 at, in respect of the Series 1 Bonds, 100%, and in respect of the Series 2 Bonds, the USD equivalent of 104.59% of their outstanding principal amount.

On giving not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), the bonds may be redeemed by the Company in whole, but not in part, on the date specified in the optional redemption notice at, in respect of the Series 1 Bonds, the principal amount, and in respect of the Series 2 Bonds, the USD equivalent of the early redemption amount, (i) in respect of the Series 1 Bonds only at any time after June 18, 2024 but prior to the Maturity Date, subject to certain conditions as specified in the terms and conditions, or (ii) in respect of both Series at any time if, the aggregate principal amount of the bonds outstanding is less than 10% of the aggregate principal amount originally issued.

The Series 1 Bonds comprise two components:

(a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Embedded derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially and subsequently measured at fair value.

The Series 2 Bonds comprise two components:

(a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Equity component comprises conversion options. It was initially measured at fair value and subsequently kept unchanged.

The total transaction costs that are related to the issue of the Convertible Bonds were allocated to the debt component, derivative component and equity component in proportion to their respective fair values.

32. CONVERTIBLE BONDS (CONTINUED)

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	Debt component RMB'000	Embedded derivative component RMB'000	Equity component RMB'000	Total RMB'000
Issue of convertible bonds	**3,891,501**	**117,582**	**198,554**	**4,207,637**
Exchange adjustments	**5,508**	**–**	**–**	**5,508**
Interest charge	**34,387**	**–**	**–**	**34,387**
Redemption of the convertible bonds	**(3,931,396)**	**(117,582)**	**(198,554)**	**(4,247,532)**
As at December 31, 2024	**–**	**–**	**–**	**–**

	Debt component RMB'000	Embedded derivative component RMB'000	Equity component RMB'000	Total RMB'000
Issue of convertible bonds	3,740,919	112,093	198,554	4,051,566
Exchange adjustments	33,178	–	–	33,178
Interest charge	117,404	–	–	117,404
Losses arising on changes of fair value	–	5,489	–	5,489
As at December 31, 2023	3,891,501	117,582	198,554	4,207,637

As at December 31, 2024, the series 1 Bonds and the Series 2 Bonds have been redeemed and cancelled, no Convertible Bonds are in circulation.

As at December 31, 2024, there is no residual value for the derivative component.

33. TRADE PAYABLES

Trade payables are non-interest-bearing and normally settled on terms of one to three months.

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**472,489**	401,034
Over 1 year	**4,600**	11,187
	477,089	412,221

The amount of trade payables due to a related party was nil as at December 31, 2024 (2023: nil).

34. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Staff payroll and welfare payables	**753,135**	708,193
Payables for acquisition of plant and equipment	**525,883**	439,640
Payables for acquisition of equity interests in subsidiaries	**14,758**	14,758
Accrued expenses	**107,922**	105,379
Other tax payable	**58,974**	53,401
Others	**47,327**	55,812
	1,507,999	1,377,183

35. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Short-term advances of delivery of services	**834,858**	740,866

Included in the contract liabilities was an amount due to related parties of RMB1,994,000 as at December 31, 2024 (2023: RMB2,732,000), which was repayable on credit terms similar to those offered by the related party to their major customers.

36. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Current		
Lease liabilities	**149,508**	185,316
Non-current		
Lease liabilities	**401,307**	585,197
	550,815	770,513

The movements of the lease liabilities during each reporting period are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**770,513**	924,549
New leases	**58,922**	8,042
Accretion of interest recognised during the year	**27,791**	36,439
Payments	**(197,424)**	(207,159)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(106,453)**	(2,060)
Charges on value-added tax	**6,850**	7,584
Exchange realignment	**(9,384)**	3,118
Carrying amount at 31 December	**550,815**	770,513

The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**27,791**	36,439
Depreciation charge of right-of-use assets	**179,432**	194,903
Total amount recognised in profit or loss	**207,223**	231,342

37. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Convertible bonds – Embedded derivative component (note 32)	–	117,582

38. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Government grants	409,978	391,707

	2024 RMB'000	2023 RMB'000
At the beginning of the year	391,707	152,374
Government grants received	40,184	261,568
Credited to profit or loss	(22,160)	(24,071)
Exchange realignment	247	1,836
At the end of the year	409,978	391,707

The Group received government grants for capital expenditure incurred for the acquisition of plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

39. SHARE CAPITAL

	2024 RMB'000	2023 RMB'000
Issued and fully paid:		
1,778,195,525 (2023: 1,787,394,297) ordinary shares	**1,778,196**	1,787,394

A summary of movements in the Company's share capital is as follows:

	Number of Shares in issue	Share capital RMB'000
At January 1, 2023	1,191,224,554	1,191,225
Restricted A shares granted	662,091	662
Cancellation of restricted A shares	(69,750)	(70)
Share dividend	595,577,402	595,577
At January 1, 2024	1,787,394,297	1,787,394
Restricted A shares granted	409,516	410
Cancellation of treasury A shares	(9,608,288)	(9,608)
At December 31, 2024	1,778,195,525	1,778,196

	Treasury shares RMB'000
At January 1, 2023	668,037
Vested	(203,754)
Dividends	(830)
At December 31, 2023	463,453
Repurchased	**285,906**
Vested	**(132,996)**
Cancelled	**(200,092)**
At December 31, 2024	**416,271**

40. SHARE OPTION SCHEME

2021 Pharmaron A Share Incentive Scheme

On July 12, 2021, the shareholders' meeting of the Company passed a resolution to issue up to 774,200 A Shares of the Company under the 2021 Pharmaron A Share Incentive Scheme consisting of Restricted A shares and share options. On June 9, 2021, the shareholders' meeting of the Company passed a resolution to grant 774,200 A Shares of the Company under the 2021 Pharmaron A Share Incentive Scheme consisting of Restricted A shares and share options. On July 27, 2021, 774,200 restricted A shares of the Company were approved to be granted to eligible employees at the price of RMB70.17 per A Share and the grant date was July 27, 2021. These granted restricted A Shares have a contractual term of no more than five years and will be unlocked over a four-year period, with 25%, 25%, 25% and 25% of the awards unlocking on the first, second, third and fourth anniversary dates of the A Share registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2021 Pharmaron A Share Incentive Scheme, employees shall not transfer the A Shares which fulfil the unlocking conditions to any third party in any form within six months from each unlocking anniversary date.

As a result of the implementation of the 2023 Profit Distribution and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, on August 27, 2024, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB30.79 per A Share to RMB30.59 per A Share.

The following share units were outstanding under this scheme during the year:

	2024		2023	
	Subscription price RMB per share	**Number of restricted A shares '000**	Subscription price RMB per share	Number of restricted A shares '000
At 1 January	**30.79**	**765**	46.48	774
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**30.79**	**(22)**	46.48	(14)
Exercised during the year	**30.59**	**(371)**	30.79	(382)
Share dividend	**–**	**–**	–	387
At 31 December	**30.59**	**372**	30.79	765

The fair value of the award shares under the 2021 Pharmaron A Share Incentive Scheme as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	A Share Incentive Scheme
Grant date A Share price (RMB)	186.50
Expected volatility in the black-out period	19.80%
Expected life (years)	0.58-2.58
Risk-free interest rate	1.50%

For the year ended December 31, 2024, the Group has recorded share-based compensation expenses of RMB7,418,000 (2023: RMB16,305,000) in relation to the 2021 Pharmaron A Share Incentive Scheme.

40. SHARE OPTION SCHEME (CONTINUED)

2022 Pharmaron A Share Incentive Scheme

On May 31, 2022, the Shareholders have resolved to adopt the 2022 Pharmaron A Share Incentive Scheme, pursuant to which, the maximum number of restricted A shares to be issued by the Company is 1,548,800 A shares, representing approximately 0.20% of the Company's total number of issued shares at the time of the adoption of the scheme. The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain performance conditions.

As a result of the implementation of the 2023 Profit Distribution and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme, on August 27, 2024, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2022 A Share Incentive Scheme from RMB25.55 per A Share to RMB25.35 per A Share.

The following share units were outstanding under this scheme during the year:

	2024		2023	
	Subscription price RMB per share	**Number of restricted A shares '000**	Subscription price RMB per share	Number of restricted A shares '000
At 1 January	**25.55**	**2,360**	38.62	2,203
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**25.55**	**(249)**	38.62	(158)
Exercised during the year	**25.35**	**(703)**	25.55	(786)
Share dividend	**–**	**–**	–	1,101
At 31 December	**25.35**	**1,408**	25.55	2,360

The fair value of the award shares under the 2022 Pharmaron A Share Incentive Scheme as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	A Share Incentive Scheme
Grant date A Share price (RMB)	82.38
Expected volatility in the black-out period	21.12%
Expected life (years)	0.58-2.58
Risk-free interest rate	1.50%

For the year ended December 31, 2024 the Group has recorded share-based compensation expenses of RMB15,524,000 (2023 RMB36,233,000) in relation to the 2022 Pharmaron A Share Incentive Scheme.

40. SHARE OPTION SCHEME (CONTINUED)

2023 Pharmaron A Share Incentive Scheme

On July 7, 2023, the Shareholders have resolved to adopt the 2023 Pharmaron A Share Incentive Scheme, pursuant to which, the maximum number of restricted A shares to be issued by the Company is 1,470,300 A shares, representing approximately 0.20% of the Company's total number of issued shares at the time of the adoption of the scheme. The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain performance conditions.

As a result of the implementation of the 2022 Profit Distribution Plan and 2023 Profit Distribution, and pursuant to the Management Measures and the 2023 A Share Incentive Scheme, on August 27, 2024, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2023 A Share Incentive Scheme from RMB28.58 per A Share to RMB18.65 per A Share.

The following share units were outstanding under this scheme during the year:

	2024		2023	
	Subscription price RMB per share	**Number of restricted A shares '000**	Subscription price RMB per share	Number of restricted A shares '000
At 1 January	**28.58**	**1,470**	–	–
Granted during the year	**–**	**–**	28.58	1,470
Forfeited during the year	**18.65**	**(655)**	–	–
Exercised during the year	**18.65**	**(4)**	–	–
Share dividend	**–**	**735**	–	–
At 31 December	**18.65**	**1,546**	28.58	1,470

The fair value of the award shares under the 2023 Pharmaron A Share Incentive Scheme amounting to RMB15,282,000 as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2023 Pharmaron A Share Incentive Scheme
Grant date A Share price (RMB)	38.28
Expected volatility in the black-out period	16.00%-20.54%
Expected life (years)	0.52-3.52
Risk-free interest rate	1.50%-2.75%

For the year ended December 31, 2024, the Group has recorded share-based compensation expenses of RMB1,589,000 (2023 RMB827,000) in relation to the 2023 Pharmaron A Share Incentive Scheme.

40. SHARE OPTION SCHEME (CONTINUED)

The First H Share Award and Trust Scheme

The Company adopted a H share award and trust scheme (the "H Share Scheme"), comprised of the Employee Share Award Plan (the "ESAP") and the Share Bonus Plan, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the H Share Scheme include any individual, being a Director, senior management, key operating team member, employee, or consultant, who is a full-time PRC or non-PRC employee of any members of the Group.

The H Share Scheme was approved in the 2020 third extraordinary general meeting ("EGM") of the Company on December 11, 2020 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

On December 14, 2020, the management committee of the H Share Scheme has resolved to grant 776,100 H Shares of the Company to 81 eligible employees under the H Share Scheme. The awards shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total options vesting on each anniversary date after the vesting commencement date upon meeting certain sales performance conditions. Awards under the Share Bonus Plan shall be vested in two equal tranches (i.e., 50% and 50% on each anniversary date after the vesting commence date upon meeting certain profit performance conditions).

The fair value of the award shares under the H Share Scheme amounting to RMB58,091,000 as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	ESAP granted on December 14, 2020
Grant date H Share price (HKD)	105.70
Expected volatility in the black-out period	53.00%
Expected life (years)	0.17-1.17
Risk-free interest rate	0.06%

On April 1, 2022, the management committee of the H Share Scheme has resolved to grant awards of a total of 751,110 H Shares to 44 eligible employees. The above number of the shares granted in two grants has been adjusted accordingly according to the impact of the Company's 2021 Profit Distribution Plan. All of the relevant granted H Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions.

40. SHARE OPTION SCHEME (CONTINUED)

The First H Share Award and Trust Scheme (continued)

The fair value of the award shares under the H Share Scheme amounting to RMB33,447,000 as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	ESAP granted on April 1, 2022
Grant date H Share price (HKD)	65.85
Expected volatility in the black-out period	61.45%
Expected life (years)	0.25-2.25
Risk-free interest rate	0.53%

On May 31, 2022, the management committee of the H Share Scheme has further resolved to grant awards of a total of 7,588,450 H Shares to 131 eligible employees. The above number of the shares granted in two grants has been adjusted accordingly according to the impact of the Company's 2021 Profit Distribution Plan. All of the relevant granted H Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions.

The fair value of the award shares under the H Share Scheme amounting to RMB336,168,000 as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	ESAP granted on May 31, 2022
Grant date H Share price (HKD)	62.75
Expected volatility in the black-out period	62.58%
Expected life (years)	0.42-2.42
Risk-free interest rate	0.53%

On August 29, 2023, the management committee of the H Share Scheme has further resolved to grant awards of a total of 1,942,071 H Shares to 121 eligible employees. All of the relevant granted H Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions.

40. SHARE OPTION SCHEME (CONTINUED)

The First H Share Award and Trust Scheme (continued)

The fair value of the award shares under the H Share Scheme amounting to RMB27,690,000 as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	ESAP granted on August 29, 2023
Grant date H Share price (HKD)	19.12
Expected volatility in the black-out period	70.60%
Expected life (years)	0.66-3.66
Risk-free interest rate	3.91%

On August 29, 2023, the management committee of the H Share Scheme has further resolved to grant awards of a total of 112,500 H Shares to 2 eligible employees. All of the relevant granted H Shares shall be vested over a two-year period, with 50% and 50% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions.

The fair value of the award shares under the H Share Scheme amounting to RMB1,604,000 as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	ESAP granted on August 29, 2023
Grant date H Share price (HKD)	19.12
Expected volatility in the black-out period	70.60%
Expected life (years)	0.66-1.66
Risk-free interest rate	3.911%

40. SHARE OPTION SCHEME (CONTINUED)

The First H Share Award and Trust Scheme (continued)

The following H shares options were outstanding under the H Share Scheme during the year:

	2024 RMB'000	2023 RMB'000
At 1 January	**12,020**	9,118
Granted during the year	**–**	2,055
Share dividend	**–**	3,341
Exercised during the year	**(3,269)**	(2,291)
Forfeited during the year	**(1,255)**	(203)
At 31 December	**7,496**	12,020

For the year ended December 31, 2024, the Group has recorded share-based compensation expenses of RMB64,745,000 (2023: RMB147,963,000) in relation to the H Share Scheme.

Share Incentive Plan of Subsidiaries

In 2021, certain subsidiaries of the Group granted 857,000 share options to eligible employees to attract and motivate personnel and promote the success of the subsidiaries.

The Group recognised share-based compensation expenses of RMB1,832,000 (2023: RMB894,000) during the year ended December 31, 2024.

41. RESERVES

(i) Statutory reserve

In accordance with the Company Law of the People's Republic of China, the companies in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

(ii) Capital reserve

The capital reserve of the Group represents the reserve arisen pursuant to the reorganisation of subsidiaries.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB58,922,000 (2023: RMB8,042,000) and RMB58,922,000 (2023: RMB8,042,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	**Lease liabilities RMB'000**	**Convertible bonds RMB'000**
At January 1, 2024	**5,035,577**	**770,513**	**3,891,501**
Changes from financing cash flows	**187,627**	**(197,424)**	**(3,931,396)**
New leases	**–**	**58,922**	**–**
Reassessment and revision of lease terms	**–**	**(106,453)**	**–**
Interest expense	**199,164**	**27,791**	**34,387**
Charges on value-added tax	**–**	**6,850**	**–**
Foreign exchange movements	**2,309**	**(9,384)**	**5,508**
At December 31, 2024	**5,424,677**	**550,815**	**–**

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000
At January 1, 2023	1,451,054	924,549	3,740,919
Changes from financing cash flows	3,611,740	(207,159)	–
New leases	–	8,042	–
Reassessment and revision of lease terms	–	(2,060)	–
Interest expense	59,659	36,439	117,404
Charges on value-added tax	–	7,584	–
Foreign exchange movements	(86,876)	3,118	33,178
At December 31, 2023	5,035,577	770,513	3,891,501

(c) Total cash outflow for leases

	2024 RMB'000	2023 RMB'000
Within financing activities	**201,855**	207,947

43. CONTINGENT LIABILITIES

As at the end of each reporting period, neither the Group nor the Company had any significant contingent liabilities.

44. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank loans and other borrowings, which are secured by the assets of the Group, are included in note 31 to the consolidated financial statements.

As at December 31, 2024, there were pledged deposits of approximately RMB66,844,000 (December 31, 2023: RMB127,750,000) for letters of credit and for environmental protection.

45. COMMITMENTS

(a) Capital commitments

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**1,089,215**	958,041
Capital contributions payable to associates	**253,330**	397,639
	1,342,545	1,355,680

46. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Transactions with related parties:

	2024 RMB'000	2023 RMB'000
Entities controlled by the close family members of the directors		
Provision of pharmaceutical R&D service (i)	**685**	1,612
Rental cost (ii)	**2,500**	2,500
Entities in which the directors act as key management personnel		
Provision of pharmaceutical R&D service (iii)	**56,760**	62,247
Rental income (iv)	**117**	117

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties: (continued)

(i) The R&D service fees were made according to the price list for similar nature and quantity of services provided to other clients.

(ii) The rental cost from related parties was an office rent from Ningbo Kanghui Technology Development Co., Ltd..

(iii) The R&D service fees were made according to the price list for similar nature and quantity of services provided to other clients.

(iv) The rental income from related parties was an office rent to Kangjun Investment Management (Beijing) Co., Ltd..

(b) Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	12,328	12,563
Performance-related bonus	639	499
	12,967	13,062

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

(c) Outstanding balances with related parties

In 2024, the Company increased capital by RMB83,200,000 in cash to the related party Kangjun Zhongyuan Equity investment Partnership Enterprise (Limited Partnership).

In 2023, the Company invested in Ningbo Yongxin Kangjun venture capital Partnership (Limited Partnership) with related parties Kangjun Investment Management (Beijing) Co., Ltd. and Beijing Xinyuan Zhikang enterprise management consulting Partnership (Limited Partnership). In April and July 2024, the Company contributed RMB14,000,000 and RMB42,000,000, respectively, in cash to Ningbo Yongxin Kangjun venture capital Partnership (Limited Partnership), a related party.

In August 2024, PharmaGend Global Medical Services Pte. Ltd., a related party sent an additional financing request of US$20,000,000 to all investors, to which the Company contributed US $7,000,000 in cash.

In 2023, Pharmaron (Ningbo) Biologics Co., Ltd., a subsidiary of the Company, received cash investments of RMB188,000,000, RMB12,000,000, and RMB20,000,000 from the affiliated parties, namely Ningbo Kangjun Zhongyuan Equity Investment Partnership Enterprise (Limited Partnership), Kangjun Investment Management (Beijing) Co., Ltd., and Ningbo Yufeng Entrepreneurship Investment Partnership Enterprise (Limited Partnership) as non-controlling shareholders, respectively.

Details of the Group's trade balances with its related parties as at the end of each reporting period are disclosed in notes 25, 26, 33 and 35 to the financial statements.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

As at December 31, 2024		Financial assets at fair value through profit or loss		
Financial assets	Financial assets at amortised cost RMB'000	Equity investments at fair value through profit or loss RMB'000	Mandatorily designated as such RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	–	234,059	–	234,059
Financial assets at fair value through profit or loss	–	–	1,115,265	1,115,265
Trade and bills receivable	2,413,629	–	–	2,413,629
Derivative financial instruments	–	–	5,063	5,063
Financial assets included in other non-current assets	60,252	–	–	60,252
Financial assets included in prepayments, other receivables and other assets	306,894	–	–	306,894
Pledged deposits	66,844	–	–	66,844
Cash and cash equivalents	1,623,072	–	–	1,623,072
	4,470,691	234,059	1,120,328	5,825,078

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	477,089	477,089
Financial liabilities included in other payables and accruals	–	667,568	667,568
Interest-bearing bank borrowings	–	5,424,677	5,424,677
Lease liabilities	–	550,815	550,815
Derivative financial instruments	47,165	–	47,165
	47,165	7,120,149	7,167,314

47. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows: (continued)

As at December 31, 2023		Financial assets at fair value through profit or loss		
Financial assets	Financial assets at amortised cost RMB'000	Equity investments at fair value through profit or loss RMB'000	Mandatorily designated as such RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	–	282,032	–	282,032
Financial assets at fair value through profit or loss	–	–	594,333	594,333
Trade and bills receivable	2,242,153	–	–	2,242,153
Derivative financial instruments	–	–	27,650	27,650
Financial assets included in other non-current assets	64,512	–	–	64,512
Financial assets included in prepayments, other receivables and other assets	226,094	–	–	226,094
Pledged deposits	127,750	–	–	127,750
Cash and cash equivalents	5,791,165	–	–	5,791,165
	8,451,674	282,032	621,983	9,355,689

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	412,221	412,221
Financial liabilities included in other payables and accruals	–	591,004	591,004
Interest-bearing bank borrowings	–	5,035,577	5,035,577
Convertible bonds debt component	–	3,891,501	3,891,501
Financial liabilities at fair value through profit or loss	117,582	–	117,582
Lease liabilities	–	770,513	770,513
Derivative financial instruments	26,931	–	26,931
	144,513	10,700,816	10,845,329

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at the end of each reporting period were assessed to be insignificant.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

For the fair value of the unlisted equity investments at fair value through profit or loss, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group invests in some wealth management products issued by banks. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments including forward currency contracts which are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market unobservable inputs.

The fair value of the derivative component of the convertible bonds were measured with reference to valuation report issued by a third-party professional valuer.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below are material unobservable inputs to the valuation of financial instruments together with a relationship of unobservable inputs to fair value as at December 31, 2024 and 2023:

	Valuation technique	Significant unobservable inputs (level 3)	Range	Relationship of unobservable inputs to fair value
Equity investments at fair value through profit or loss	Valuation multiples	Average EV/ R&D multiple of peers	2.27-9.63	The higher the multiple, the higher the fair value
Fund investments at fair value through profit or loss	Net asset value of underlying investments	Net asset value	–	The higher net asset value, the higher the fair value
Convertible bonds – Embedded derivative component	Binominal option pricing with the volatilities and risk-free rates as key inputs	Expected volatility/ Risk-free rate	–	The higher the expected volatility, the higher the fair value. The lower risk-free rate, the higher the fair value.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Significant Observable inputs (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000	Total RMB'000
As at December 31, 2024				
Equity investments at fair value through profit or loss	–	–	234,059	234,059
Derivative financial instruments assets	–	5,063	–	5,063
Financial assets at fair value through profit or loss	–	1,115,265	–	1,115,265
	–	1,120,328	234,059	1,354,387
As at December 31, 2023				
Equity investments at fair value through profit or loss	–	–	282,032	282,032
Derivative financial instruments assets	–	27,650	–	27,650
Financial assets at fair value through profit or loss	–	594,333	–	594,333
	–	621,983	282,032	904,015

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

Equity investments at fair value through profit or loss	2024 RMB'000	2023 RMB'000
At 1 January	**282,032**	219,056
Purchase	**5,108**	68,698
Transfer out	**(51,753)**	–
Losses arising from changes in fair value	**(1,576)**	(6,240)
Exchange realignment	**248**	518
	234,059	282,032

Liabilities measured at fair value

	Significant Observable inputs (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000	Total RMB'000
As at December 31, 2024				
Derivative financial instruments (liabilities)	**–**	**47,165**	**–**	**47,165**

	Significant Observable inputs (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000	Total RMB'000
As at December 31, 2023				
Derivative financial instruments (liabilities)	–	26,931	–	26,931
Convertible bonds – Embedded derivative component	–	–	117,582	117,582
	–	26,931	117,582	144,513

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise lease liabilities, interest-bearing bank and other borrowings, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Interest-bearing bank borrowings

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings with a floating interest rate.

The following table demonstrates the sensitivity to reasonably possible changes in interest rate, with all other variables held constant, of the Group's profit before tax (mainly the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000	(Decrease)/ increase in equity RMB'000
Year ended December 31, 2024	**100/(100)**	**(12,704)/12,704**	**(10,798)/10,798**
Year ended December 31, 2023	100/(100)	(13,295)/13,295	(11,301)/11,301

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and financing activities in currencies other than the units' functional currencies.

In addition, the Group has currency exposures from its interest-bearing bank borrowings.

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency, of the Group's profit before tax and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates.

	Increase/(decrease) in profit before tax RMB'000	**Increase/(decrease) in equity RMB'000**
Year ended December 31, 2024		
if RMB weakens against USD	**(25,123)**	**(21,355)**
if RMB strengthens against USD	**25,123**	**21,355**

	Increase/(decrease) in profit before tax RMB'000	Increase/(decrease) in equity RMB'000
Year ended December 31, 2023		
if RMB weakens against USD	5,199	4,419
if RMB strengthens against USD	(5,199)	(4,419)

Credit risk

The Group only trade with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each reporting period. The amounts presented are gross carrying amounts for financial assets.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at December 31, 2024	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	457,811	457,811
Trade and bills receivables*	–	–	–	2,413,629	2,413,629
Financial assets included in prepayments, other receivables and other assets	306,894	–	–	–	306,894
Financial assets included in other non-current assets	60,252	–	–	–	60,252
Pledged deposits	66,844	–	–	–	66,844
Cash and cash equivalents	1,623,072	–	–	–	1,623,072
	2,057,062	–	–	2,871,440	4,928,502

As at December 31, 2023	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	394,265	394,265
Trade and bills receivables*	–	–	–	2,242,153	2,242,153
Financial assets included in prepayments, other receivables and other assets	223,414	–	–	–	223,414
Financial assets included in other non-current assets	64,512	–	–	–	64,512
Pledged deposits	127,750	–	–	–	127,750
Cash and cash equivalents	5,791,165	–	–	–	5,791,165
	6,206,841	–	–	2,636,418	8,843,259

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 25 and 26 to the financial statements, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the consolidated financial statements.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

2024	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	1,243,612	4,159,168	440,382	5,843,162
Trade payables	477,089	–	–	477,089
Financial liabilities included in other payables and accruals	667,568	–	–	667,568
Lease liabilities	179,700	344,282	175,944	699,926
	2,567,969	4,503,450	616,326	7,687,745

2023	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	921,054	4,447,215	399,909	5,768,178
Trade payables	412,221	–	–	412,221
Convertible bonds – debt component	–	4,189,492	–	4,189,492
Financial liabilities included in other payables and accruals	591,004	–	–	591,004
Lease liabilities	223,854	489,207	216,100	929,161
	2,148,133	9,125,914	616,009	11,890,056

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2024 and 2023.

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:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Total assets	**23,927,399**	26,476,713
Total liabilities	**9,704,526**	13,238,667
Gearing ratio	**40.56%**	50.00%

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at December 31, 2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**1,528,357**	1,553,238
Right-of-use assets	**281,101**	327,576
Other intangible assets	**24,025**	20,544
Investments in associates	**12,440,328**	389,951
Investments in subsidiaries	**–**	10,324,520
Equity investments at fair value through profit or loss	**234,059**	232,453
Other non-current assets	**33,512**	40,343
Total non-current assets	**14,541,382**	12,888,625
CURRENT ASSETS		
Inventories	**231,818**	122,306
Contract costs	**–**	16,447
Trade receivables	**1,088,398**	1,668,994
Contract assets	**20,963**	16,042
Prepayments, other receivables and other assets	**2,198,303**	1,981,994
Derivative financial instruments	**5,063**	27,650
Financial assets at fair value through profit or loss	**620,554**	–
Pledged deposits	**20**	50,018
Cash and cash equivalents	**401,438**	1,095,189
Total current assets	**4,566,557**	4,978,640
CURRENT LIABILITIES		
Interest-bearing bank borrowings	**443,027**	498
Trade payables	**723,574**	426,614
Other payables and accruals	**1,270,460**	1,089,087
Contract liabilities	**82,570**	105,811
Lease liabilities	**28,064**	40,095
Tax payable	**56,460**	86,809
Derivative financial instruments	**43,935**	26,931
Total current liabilities	**2,648,090**	1,775,845
NET CURRENT ASSETS	**1,918,467**	3,202,795
TOTAL ASSETS LESS CURRENT LIABILITIES	**16,459,849**	16,091,420

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	As at December 31, 2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**68,051**	80,730
Interest-bearing bank and other borrowings	**3,201,532**	44,736
Deferred income	**1,959**	221
Lease liabilities	**163,724**	185,060
Financial liabilities at fair value through profit or loss	**–**	117,582
Convertible bonds-debt component	**–**	3,891,501
Total non-current liabilities	**3,435,266**	4,319,830
NET ASSETS	**13,024,583**	11,771,590
EQUITY (Note)		
Share capital	**1,778,196**	1,787,394
Treasury shares	**(416,271)**	(463,453)
Reserves	**11,662,658**	10,249,095
Equity component of convertible bonds	**–**	198,554
Total equity	**13,024,583**	11,771,590

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

The Company's equity movement is as follows:

	Share capital RMB'000	Treasury shares RMB'000	Equity component of convertible bonds RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Cash flow hedge reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at January 1, 2023	1,191,225	(668,037)	198,554	5,562,123	251,138	421,424	26,231	3,008,169	9,990,827
Profit for the year	–	–	–	–	–	–	–	1,916,182	1,916,182
Cash flow hedges, net of tax	–	–	–	–	–	–	(12,291)	–	(12,291)
Total comprehensive income for the year	–	–	–	–	–	–	(12,291)	1,916,182	1,903,891
Transferred from retained profits	–	–	–	–	–	191,618	–	(191,618)	–
Repurchase of restricted A shares	(70)	830	–	(760)	–	–	–	–	–
H shares granted	–	185,920	–	(82,742)	(103,178)	–	–	–	–
Restricted A shares granted and vested	662	17,834	–	99,928	(85,534)	–	–	–	32,890
Transferred from share premium	595,577	–	–	(595,577)	–	–	–	–	–
Payment of dividends	–	–	–	–	–	–	–	(357,346)	(357,346)
Recognition of share-based payments	–	–	–	–	201,328	–	–	–	201,328
As at December 31, 2023	1,787,394	(463,453)	198,554	4,982,972	263,754	613,042	13,940	4,375,387	11,771,590
Profit for the period	–	–	–	–	–	–	–	2,011,732	2,011,732
Other comprehensive income for the period:	–	–	–	–	–	–	–	–	–
Cash flow hedges, net of tax	–	–	–	–	–	–	(31,433)	–	(31,433)
Total comprehensive income/ (loss) for the period	–	–		–	–	–	(31,433)	2,011,732	1,980,299
Transferred from retained profits	–	–	–	–	–	201,173		(201,173)	–
Repurchase of A Shares	–	(200,092)	–	–	–	–	–	–	(200,092)
Repurchase of restricted H shares	–	(85,814)	–	–	–		–	–	(85,814)
Repurchase of convertible bonds	–	–	(198,554)	11,650	–	–	–	–	(186,904)
H shares RSU granted	–	132,996	–	(35,392)	(97,923)	–	–	–	(319)
Restricted A shares granted and vested	410	–	–	47,399	(37,299)	–	–	–	10,510
Cancellation of treasury A shares	(9,608)	200,092	–	(190,484)	–	–	–	–	–
Payment of dividends	–	–	–	–	–	–	–	(353,963)	(353,963)
Recognition of share-based payments	–	–	–	–	89,276	–	–	–	89,276
As at December 31, 2024	1,778,196	(416,271)	–	4,816,145	217,808	814,215	(17,493)	5,831,983	13,024,583

51. EVENTS AFTER THE REPORTING PERIOD

In December 2024, Beijing Kangsida Health Management Co., Ltd., a subsidiary of the Company, entered into a series of agreements to purchase approximately 51.39% of the equity in Zhejiang haixinzhihui Technology Co., Ltd. by contributing approximately RMB185 million. The transaction was completed in February 2025.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 26, 2025.

"^{14}C"	Carbon-14 (^{14}C), or radiocarbon, a radioactive isotope of carbon with an atomic nucleus containing 6 protons and 8 neutrons
"^{3}H"	Tritium or Hydrogen-3, a radioactive isotope of hydrogen, whose nucleus contains one proton and two neutrons
"2021 A Share Incentive Scheme"	the 2021 Restricted A Share Incentive Scheme of the Company
"2021 Capitalization of Reserve"	the issue of 5 Capitalization Shares for every 10 Shares by way of capitalization of reserve which was approved by the Shareholders at the 2021 annual general meeting of the Company held on May 31, 2022
"2021 Profit Distribution"	the distribution of the final dividends in respect of the year ended December 31, 2021, which was approved by the Shareholders at the 2021 annual general meeting of the Company held on May 31, 2022
"2021 Profit Distribution Plan"	the 2021 Profit Distribution and 2021 Capitalization of Reserve
"2022 A Share Incentive Scheme"	the 2022 Restricted A Share Incentive Scheme of the Company
"2022 Capitalization of Reserve"	the issue of 5 Capitalization Shares for every 10 Shares by way of capitalization of reserve which was approved by the Shareholders at the 2022 annual general meeting of the Company held on June 21, 2023
"2022 Profit Distribution"	the distribution of the final dividends in respect of the year ended December 31, 2022, which was approved by the Shareholders at the 2022 annual general meeting of the Company held on June 21, 2023
"2022 Profit Distribution Plan"	the 2022 Profit Distribution and 2022 Capitalization of Reserve
"2023 A Share Incentive Scheme"	the 2023 Restricted A Share Incentive Scheme of the Company
"2023 Profit Distribution"	the distribution of the final dividends in respect of the year ended December 31, 2023, which was approved by the Shareholders at the 2023 annual general meeting of the Company held on June 6, 2024
"ADC"	Antibody-drug Conjugate
"AGM"	the annual general meeting of the Company to be held for the purpose of, among others, approving the audited financial statements for the year ended December 31, 2024
"Aistarfish Technology"	Zhejiang Aistarfish Technology Co., Ltd. (浙江海心智惠科技有限公司), a limited liability company incorporated in PRC on January 26, 2018, which is held as to 51.39% by Beijing Kangsida Health Management Co., Ltd., a holding subsidiary of the Company

"AMS"	accelerator mass spectrometry
"Antibodies"	An immunoglobulin that specifically binds to a corresponding antigen
"API"	Active Pharmaceutical Ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body
"A Share(s)"	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shenzhen Stock Exchange and traded in RMB
"ASO"	antisense oligonucleotides, a class of artificially synthesized short-chain nucleic acid molecules. They are nucleic acid fragments complementary to a certain segment of the target gene or mRNA. They can bind to the target gene/mRNA through the principle of base complementarity, thus blocking gene expression and playing an important role in drug research and development and gene therapy
"Audit Committee"	the audit committee of the Board
"Award"	award granted by the management committee of the First H Share Award and Trust Scheme to a Selected Participant, pursuant to the First H Share Award and Trust Scheme
"Bioanalysis"	A sub-discipline of analytical sciences covering the quantitative analysis of xenobiotics (drugs, their metabolites, and biomolecules at unusual locations or concentrations) and biotoxins (macromolecules, proteins, DNA, biologics, metabolites) in biological systems
"Bioconjugation"	a chemical method that involves creating a stable link, typically covalent, between two molecules, at least one of which is of biological origin or a derivative of a biomolecule. This technology is widely used in fields such as drug development, biomedical research, and clinical diagnosis
"Biological testing"	an experimental method for detecting and evaluating the biological activity, toxicity, safety, or function of substances, drugs, and chemicals through biological systems (such as cells, microorganisms, tissues, animal models, or human samples). Its core goal is to use biological reactions to quantitatively or qualitatively analyze the mechanism of action, efficacy, and potential risks of the test substance, and it is widely used in drug research and development, environmental monitoring, clinical diagnosis, and basic scientific research
"Board"	the board of Directors of the Company
"Bonds"	Series 1 Bonds and Series 2 Bonds
"CADD"	computer-aided drug design, the use of computers (or workstations) to aid in the creation, modification, analysis, or optimization of novel compounds or biologics

"CAGR"	the compound annual growth rate
"Campus in Xi'an"	Located in Xixian New District, Shanxi Province, it is mainly engaged in laboratory services
"CDMO"	contract development and manufacturing organization(s), a CMO that, in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
"cGMP" or "GMP"	current Good Manufacturing Practice
"CGT"	Cell and Gene Therapy
"China" or "PRC"	the People's Republic of China
"Clinical research"	The clinical research of innovative drugs is divided into four stages from I to IV. The work involves the whole process of clinical trial, including the preparation before the trial, the selection of clinical trial research institutions and investigators, assisting the sponsor to prepare for the deliberation of the ethics committee, and working with the sponsor and investigators to design and implement the clinical trial protocol
"CMC"	chemistry, manufacturing and controls
"CMO"	Contract Manufacturing Organization
"Commercialization"	The stage of drug development when a new drug is approved and marketed
"Company" or "Pharmaron"	Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司), a joint stock limited company incorporated under the laws of the PRC on July 1, 2004, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 300759) and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3759)
"Convertible Bonds"	the (i) US$300.0 million zero coupon convertible bonds due 2026 (debt stock code: 40725) and the (ii) RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 (debt stock code: 40733) issued by the Company on June 18, 2021
"CRC"	Clinical Research Coordinator
"CRO"	Contract Research Organization, a company focused on providing pharmaceutical research and development services to companies in the pharmaceutical markets

"Crystal screening"	Adopt high-throughput screening technology to obtain various types of solid forms that may exist in the drug, characterize the physicochemical properties of various forms using a variety of solid-state analytical techniques, and adopt multidisciplinary and comprehensive means to assess the biopharmaceutical performance of the advantageous forms, in order to screen out the advantageous crystalline forms of the drug that are suitable for production, high bioavailability, and conducive to the preparation of the drug
"Data Management and Statistical Analysis"	the business of data management and statistical analysis
"Delegatee"	the management committee of the First H Share Award and Trust Scheme, person(s) or board committee(s) to which the Board has delegated its authority
"Directors"	directors of the Company
"DMPK/ADME"	drug metabolism and pharmacokinetics/Absorption, Distribution, Metabolism and Excretion
"DNA"	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses
"Druggability"	Preliminary pharmacodynamic studies, early evaluation of pharmacokinetic properties and safety, with potential for development as a drug
"Eligible Employee(s)"	includes Plan A Eligible Employee for the purpose of the Employee Share Award Plan, and Plan B Eligible Employee for the purpose of the Share Bonus Plan; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the First H Share Award and Trust Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the Delegatee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the First H Share Award and Trust Scheme and such individual shall therefore be excluded from the term "Eligible Employee"
"EMA"	European Medicines Agency, an EU agency for the evaluation of medicinal products
"Employee Share Award Plan"	one of the two plans which collectively make up the First H Share Award and Trust Scheme
"Enzyme catalysis"	the chemical reaction process mediated by enzymes as catalysts
"ESG"	Environmental, Social and Governance
"EU"	European Union

"FDA"	the Food and Drug Administration of the U.S.
"FIH"	first-in-human
"First H Share Award and Trust Scheme"	The First H Share Award and Trust Scheme of the Company
"GCP"	Good Clinical Practice
"GLP"	Good Laboratory Practice
"GMP"	Good Manufacturing Practice
"Group", "we", "our" or "us"	the Company and its subsidiaries
"High Potency Compounds"	compounds with high pharmacological activity that can produce significant biological effects at extremely low doses
"H Share(s)"	overseas-listed foreign shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed for trading on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Share(s)
"IND"	investigational new drug
"Independent Third Party(ies)"	third parties independent of and not connected with the Company and its connected persons
"Lead compound"	A compound with certain strength and selective activity against a certain target or model, which generally has a novel chemical structure, and its physical and chemical properties, pharmacokinetic properties and safety meet certain requirements, so it has the property of analogy and exploitability. Generally, lead compounds can not be directly used as drugs, and their chemical structures need to be optimized to achieve the best configuration of the above properties. The quality of lead compounds directly affects the speed and success rate of new drug research and development
"Linkers"	A component of an ADC that links antibodies to toxic molecules
"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Management Committee"	the management committee of the First H Share Award and Trust Scheme to which the Board has delegated its authority to administer the First H Share Award and Trust Scheme
"Management Measures"	the Management Measures for Share Incentives of Listed Companies
"MHRA"	U.K. Medicines and Healthcare products Regulatory Agency

"Molecular glue"	a class of small molecule compounds that can induce protein-protein interactions
"Model Code"	the Model Code for Securities Transactions by Directors of the Listing Issuers
"NDA"	new drug applications
"NMPA"	National Medical Product Administration (國家藥品監督管理局) (formerly known as China Food and Drug Administration), the authority responsible for approving drug and biologic products in China
"OECD"	the Organization for Economic Cooperation and Development
"Oligonucleotides"	A compound in which nucleotides are linked by phosphodiester bonds
"Peptide"	A compound of amino acids linked by peptide bonds
"Pharmacology"	It is an experimental content to study the activity, biological effect and efficacy of drugs, as well as the relationship between bioavailability, tissue distribution and efficacy through *in vitro* tests and animal tests, and to explore the mechanism and target of drug action, so as to carry out pharmacodynamic evaluation and pharmacological research
"Pharmacovigilance"	Scientific research and activities related to the detection, evaluation, understanding and prevention of adverse reactions or any other problems that may be related to drugs
"Pharmaron Clinical"	Pharmaron (Chengdu) Clinical Services Co., Ltd. (康龍化成(成都)臨床研究服務有限公司), a company incorporated in PRC on May 27, 2021, which is held as to 81.5759% by the Company
"Pharmaron Ningbo Biologics"	Pharmaron (Ningbo) Biologics Co., Ltd. (康龍化成(寧波)生物醫藥有限公司), a limited liability company incorporated in PRC on October 9, 2020, which is held as to 88.89% by the Company
"PharmaGend"	PharmaGend Global Medical Services Pte. Ltd., a joint stock company of the Company, which is held as to 35% by the Company, formerly known as Rxilient Biohub Pte. Ltd.
"Plasmid"	Double-stranded circular DNA, a common vector used in genetic engineering
"Preclinical"	Of or relating to the preclinical stage of drug research
"PROTAC"	Proteolysis-Targeting Chimera, a heterobifunctional molecule composed of two ligands connected by a Linker. One ligand can bind to the target protein, and the other ligand can target the E3 ligase. It is an emerging therapeutic strategy and drug research and development technology
"QC/QA"	quality control and quality assurance

"R&D"	research and development
"Reporting Period"	the year ended December 31, 2024
"Restricted A Shares"	the restricted A Shares granted by the Company under the respective 2021 A Share Incentive Scheme, 2022 A Share Incentive Scheme and 2023 A Share Incentive Scheme
"RMB"	Renminbi, the lawful currency of the PRC
"RNA"	ribonucleic acid, complex compound of high molecular weight that functions in cellular protein synthesis and replaces DNA as a carrier of genetic codes in some viruses
"Selected Participants"	any Eligible Employee who, in accordance with the First H Share Award and Trust Scheme, is approved for participation in the Employee Share Award Plan or the Share Bonus Plan, and has been granted any Award under the respective plans
"Series 1 Bonds"	the US$300.0 million zero coupon convertible bonds due 2026 issued by the Company on June 18, 2021 which has been fully cancelled by the Company
"Series 2 Bonds"	the RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 issued by the Company on June 18, 2021 which has been fully cancelled by the Company
"Share(s)"	A Share(s) and H Share(s)
"Share Bonus Plan"	one of the two plans which collectively make up the First H Share Award and Trust Scheme
"Shareholder(s)"	the holder(s) of the Share(s)
"Shanghai Jiying"	Shanghai Jiying Intelligent Technology Co., Ltd. (上海機穎智慧科技有限公司), a limited liability company incorporated in PRC on March 28, 2018, which is held as to 78.5% by the Company
"Shenzhen Listing Rules"	the Rules Governing the Listing of Stocks on the ChiNext Market of Shenzhen Stock Exchange
"siRNA"	Small interfering RNA, also known as short interfering RNA or silencing RNA. It is a class of double-stranded RNA molecules with a length of 20 – 25 base pairs and is a small molecule RNA that plays an important regulatory role in living organisms
"Sullivan"	founded in 1961, it is a world-leading growth consultancy that owns 31 branches and more than 1,700 industry consultants, market analysts, technical analysts and economists in 21 countries across six continents
"Supervisors"	supervisors of the Company

"SSU"	Study Start up, the start-up specialist of a clinical project
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structure-activity relationship"	The relationship between the chemical structure of drugs or other physiologically active substances and their physiological activities is one of the main research contents of medicinal chemistry
"Synthetic process"	A single or multi-step unitary reaction process that converts a specific raw material to a desired product. Synthesis routes are generally discussed in relation to specific products
"TQT/cardiac"	This study means observing and describing all ECG changes of the subject in an all-round manner at the early stage of a clinical trial on the drug and measuring the extension of the QT/QTc interval to determine whether the drug will impact the heart repolarization and the extent of impact, judge the risk of malignant arrhythmia it will trigger, and provide the data support in deciding whether to enter the next drug research and development stage
"Target spot"	Biological macromolecules, such as some proteins and nucleic acids, which have pharmacodynamic functions *in vivo* and can be acted on by drugs. Those genes encoding target proteins are also known as target genes. The prior identification of target molecules associated with specific diseases is the basis of modern new drug development
"U.K."	the United Kingdom
"U.S."	the United States
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Warhead molecule"	the active ingredient in targeted therapeutic drugs that is responsible for exerting the main therapeutic effect
"%"	per cent.

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