CASYMCHEM

Asymchem Laboratories (Tianjin) Co., Ltd.

凱 萊 英 醫 藥 集 團（ 天 津 ）股 份 有 限 公 司

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

www.asymchem.com

Stock Code: 6821

2024

ANNUAL REPORT


ASYMCHEM

CONTENTS

CORPORATE INFORMATION

I. BOARD

i. Executive Director

Dr. Hao Hong
Ms. Yang Rui
Mr. Zhang Da
Mr. Hong Liang

ii. Non-executive Directors

Dr. Ye Song
Ms. Zhang Ting

iii. Independent Non-executive Directors

Dr. Sun Xuejiao
Dr. Hou Xinyi *(appointed on 29 February 2024)*
Mr. Wang Qingsong *(resigned on 5 February 2024 with effect from 29 February 2024)*
Mr. Lee, Kar Chung Felix

II. BOARD OF SUPERVISORS

Ms. Zhi Xinxin
Ms. Hou Jingyi
Ms. Di Shanshan

III. REGISTERED OFFICE AND HEAD OFFICE

No. 6 Dongting 3rd Street
Economic – Technological
Development Area
Tianjin
PRC

IV. PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

40th Floor, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

V. H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

VI. JOINT COMPANY SECRETARIES

Mr. Xu Xiangke
Mr. Cheng Ching Kit *(associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*

VII. AUTHORIZED REPRESENTATIVES

Mr. Zhang Da
Mr. Xu Xiangke

VIII. AUDIT COMMITTEE

Dr. Sun Xuejiao *(Chairperson)*
Ms. Zhang Ting
Dr. Hou Xinyi *(appointed on 29 February 2024)*
Mr. Wang Qingsong *(resigned on 5 February 2024 with effect from 29 February 2024)*

IX. STRATEGY COMMITTEE

Dr. Hao Hong *(Chairperson)*
Ms. Yang Rui
Mr. Lee, Kar Chung Felix

X. NOMINATION COMMITTEE

Mr. Lee, Kar Chung Felix *(Chairperson)*
Mr. Hong Liang
Dr. Hou Xinyi *(appointed on 29 February 2024)*
Mr. Wang Qingsong *(resigned on 5 February 2024 with effect from 29 February 2024)*

XI. REMUNERATION AND EXAMINATION COMMITTEE

Dr. Hou Xinyi *(Chairperson)*
(appointed on 29 February 2024)
Mr. Wang Qingsong *(Chairperson)*
(resigned on 5 February 2024 with effect from 29 February 2024)
Mr. Zhang Da
Dr. Sun Xuejiao

XII. STOCK CODES

Hong Kong Stock Exchange (H Shares): 6821
Shenzhen Stock Exchange (A Shares): 002821

XIII. AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

XIV. LEGAL ADVISERS TO THE COMPANY

Hong Kong laws

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

PRC laws

DeHeng Law Offices
12/F, Tower B, Focus Place
19 Finance Street
Xicheng District
Beijing
PRC

XV. PRINCIPAL BANKERS

Bank of China Dunhua Branch
No. 1218, Hanzhang Street
Dunhua
Jilin Province
PRC

SPD Bank Puxin Branch
No. 920, Tanggu Chunfeng Road
Binhai New District
Tianjin
PRC

SPD Bank Puhui Branch
No. 116, West Cuiheng Square
No. 39 Third Street
Economic – Technological
Development Area
Tianjin
PRC

XVI. COMPANY'S WEBSITE

www.asymchem.com

CHAIRPERSON'S STATEMENT

Dear Shareholders and Stakeholders,

Thank you for your continued support of Asymchem. On behalf of the Board of Directors, I am pleased to present the achievements of 2024 and the exciting prospects for our future.

In 2024, the global geopolitical and economic landscape remained complex and volatile, with innovation in drug research and development ("**R&D**") still undergoing a phase of adjustment, and both China domestic and international capital markets continuing to fluctuate. Within the one-way trajectory of time, we have deepened our commitment to the Contract Development and Manufacturing Organization ("**CDMO**") industry, striving to extend the meaning of "**D**" (Development) across multiple dimensions to better "Define" Asymchem's new journey and ongoing sustainable development.

This year, we built a "Dam" to maintain our competitive advantage in small molecule CDMO business. By advancing various technological platforms, developing and applying innovative technologies and strategies in pharmaceutical process development, high-throughput screening ("**HTS**"), synthetic route innovation, continuous chemistry, photochemistry and electrochemistry, kinetics and mechanism studies, and pressure reactions, we continuously broke through advanced process capabilities. We focused on strengthening green chemistry to reduce costs and improve efficiency, all while mitigate process risks and enhance safety. The expansion of these capabilities continues to solidify the moat of our small molecule CDMO business.

Following the conclusion of record-breaking commercial orders during the pandemic, Asymchem has embarked on a new journey in 2024, entering a stage of steady progress. Excluding the impact of large orders, our year-on-year growth rate stands at 8.28%, with our small molecule CDMO business maintaining a strong profitability level. It is particularly noteworthy that our small molecule CDMO business has nearly absorbed the additional resources allocated for large orders, and we expect to continue seeing brighter momentum moving forward.

This year, we accelerated the development of our emerging business towards a promising "Dawn". Despite challenges such as slow recovery in biopharmaceutical financing, continued sluggish China domestic markets, and some of our emerging businesses still being in the capacity ramp-up phase, the Company has remained focused on internal capabilities while continuously expanding market depth and breadth. The markets for peptides, antibody-drug conjugates ("**ADCs**"), and small nucleic acids have remained active, and with ongoing project deliveries and a growing number of overseas projects, our emerging business demonstrated a recovery growth trend in the fourth quarter based on the backlogs and orders execution.

Our forward-looking investments in peptide synthesis and purification technologies, as well as peptide post-processing capabilities, have shown strong competitive advantages. Additionally, we have achieved fully automated, large-scale peptide production with solid-phase synthesis capacity exceeding 20,000 liters, and we plan to further increase capacity. The current good manufacture practices ("**cGMP**") pre-filled syringe and cartridge workshop offer comprehensive, one-stop services for multiple peptide drug projects. Our integrated, one-stop antibody drug conjugate R&D and manufacturing service platform continues to evolve, with our full set of chemical, manufacturing and control ("**CMC**") services from investigational new drug ("**IND**") to biologics licensing application ("**BLA**") being showcased in several domestic and international customer orders. The oligonucleotide business continues to advance, with significant growth in order volume compared to last year.

This year, we continued to "Deepen" our advanced manufacturing technical capabilities. Technological innovation has been the key to our sustained progress and the secret to establishing Asymchem's brand image in the competitive market. As global "advanced manufacturing" enters an "upgraded version", Asymchem's forward-looking investments in "continuous reaction technologies" and "synthetic biology technologies" have become buzzwords in the pharmaceutical and fine chemical industries, with widespread global adoption. We have increased R&D investments in continuous reaction technologies, pushing for further innovation in chemical processes and equipment, which has driven greater market demand and recognition for continuous processes. We continue to explore project opportunities across a full product line, ensuring that orders are executed and delivered, with projects spanning pharmaceuticals and more. We have successfully implemented full continuous process packages for multiple projects in the kiloton and ten-thousand-ton scale, offering our customers a comprehensive "service + product" solution.

In synthetic biology innovation, we have enhanced our enzyme engineering platform and upgraded our microbial cell engineering technology platform, achieving significant breakthroughs. Our enzyme library includes over 3,000 commonly used enzymes and more than 300,000 mutants, with high-throughput enzyme screening efficiency reaching over 5,000 items per day. We have several expression element libraries for chassis cells such as E. coli and yeast, and multiple enzyme technologies have been applied to multinational pharmaceutical companies' synthesis processes. We achieved the highest microbial synthesis yield of Rhodiola rosea glycosides using E. coli, with fermentation indicators and product quality reaching international-leading levels. Our immobilized enzyme continuous reaction technology has been successfully applied in the production of ton-scale products, with capacity improvements up to approximately 1,500 times compared to traditional enzyme catalysis and enzyme usage reduced by over 70%, significantly decreasing waste.

CHAIRPERSON'S STATEMENT

This year, we once again "Developed" the expansion of the boundaries of our global strategy. Year 2024 marked a pivotal moment for the Company's new global footprint. In May, we achieved a production facility in Sandwich, United Kingdom. The technical R&D and production teams in both China and the UK have seamlessly integrated and aligned, officially commencing operations in early August. This facility now provides integrated, one-stop R&D and manufacturing services for global partners in chemical small molecule drugs. This milestone follows the establishment of our R&D center in Boston, further reinforcing our global strategy. The Sandwich site, with its capabilities in rapid drug synthesis route design, high-throughput screening, mature chemical process and analytical development, and production and operations management, has consistently maintained international top-tier standards. Our leading continuous reaction technologies, synthetic biology technologies, and other green advanced manufacturing technologies will be introduced according to the plan, and emerging fields such as peptides and small nucleic acids will soon be incorporated at the Sandwich site, enabling efficient drug R&D and manufacturing across multiple domains. Moving forward, we will continue to strengthen Asymchem's global supply chain through production capacity expansion across multiple locations to expedite the market entry of global partners' drugs.

This year, we express our heartfelt thanks and admiration for the "Dedication" of our engineering team. Talent is always the cornerstone of Asymchem's sustained innovation and growth. Exploring cutting-edge technologies and maintaining core technical reserves is the secret to our vitality and success. Numerous high-level project deliveries have garnered praise from both international and China domestic clients. This is the trail of our engineering team, who relentlessly pursue their mission, and the collective efforts of all Asymchem staff over the past 26 years. The foundation of our engineering culture has been continuously evolved, providing us the courage and confidence to move forward. In the face of uncontrollable external factors, our R&D and production "talents" have become the most reliable engine for our development. Together, we will continue to explore the never-ending innovation journey in the healthcare industry.

Over the years, the trend of specialization in the international pharmaceutical industry has remained unchanged, and the global biopharmaceutical and technology exploration has never stopped. The humanity's pursuit of life and health has reached unprecedented heights. On behalf of all Asymchem employees, I would like to express my sincere gratitude to each of our esteemed customers, partners, shareholders, and stakeholders for your unwavering trust and support. Looking forward to 2025 and beyond, we firmly believe in our commitment to our mission and strategy, continuously improving our Environmental, Social and Governance ("**ESG**") framework, striving to create maximum value for shareholders, and working diligently to become the favorable trusted and preferred partner in the global healthcare industry.

Yours faithfully,

Dr. Hao HONG
Chairperson, Executive Director and Chief Executive Officer
Tianjin, the PRC
28 March 2025

FINANCIAL HIGHLIGHTS

Revenue for the year ended 31 December 2024 (the "**Reporting Period**") was approximately RMB5,804,657 thousand, representing a decrease of 25.40% from approximately RMB7,781,436 thousand for the year ended 31 December 2023 (the "**Corresponding Period**").

Gross profit margin for the Reporting Period was approximately 41.03%, representing a decrease of 9.86 percentage points from 50.89% for the Corresponding Period.

Net profit attributable to shareholders of the parent for the Reporting Period amounted to approximately RMB948,950 thousand, representing a decrease of 58.17% from approximately RMB2,268,811 thousand for the Corresponding Period.

Non-IFRS adjusted net profit attributable to shareholders of the parent for the Reporting Period amounted to approximately RMB803,069 thousand, representing a decrease of 65.12% from approximately RMB2,302,089 thousand for the Corresponding Period.

The Board proposed the 2024 profit distribution plan of the Company (the "**2024 Profit Distribution Plan**") as follows: a dividend of RMB1.10 (tax inclusive) per ordinary Share for the year ended 31 December 2024, with the total amount of the proposed final dividend amounting to approximately RMB390,367,340.00 (tax inclusive). The proposed 2024 Profit Distribution Plan is subject to the approval of the Shareholders at the AGM.

	For the year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000 (except percentages)				
Results of Operations:					
Revenue	3,136,724	4,632,121	10,230,186	7,781,436	**5,804,657**
Gross profit	1,453,224	2,049,725	4,832,588	3,959,636	**2,381,710**
Profit for the year	719,703	1,069,256	3,294,631	2,250,820	**935,756**
Net profit attributable to shareholders of the parent	719,742	1,069,274	3,301,635	2,268,811	**948,950**
Profitability:					
Gross profit margin	46.33%	44.25%	47.24%	50.89%	**41.03%**
Net profit margin attributable to shareholders of parent	22.95%	23.08%	32.27%	29.16%	**16.35%**
Non-IFRS					
Adjusted net profit attributable to shareholders of the parent (Note 1)	790,242	1,122,997	2,998,806	2,302,089	**803,069**
Adjusted net profit margin attributable to shareholders of the parent (Note 1)	25.2%	24.2%	29.31%	29.58%	**13.83%**
Earnings per share (RMB):					
– Basic	3.09	3.15	9.02	6.26	**2.69**
– Diluted	3.07	3.13	9.00	6.26	**2.69**

FINANCIAL HIGHLIGHTS

	As at 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000 (except percentages)				
Total assets	7,182,650	15,156,297	18,239,273	19,767,159	**19,288,556**
Total liabilities	1,192,900	2,546,285	2,544,270	2,257,180	**2,425,984**
Total equity	5,989,750	12,610,012	15,695,003	17,509,979	**16,862,572**
Equity attributable to owners of the parent	5,989,789	12,610,012	15,647,428	17,479,717	**16,845,384**
Cash and bank balances	2,124,615	6,234,457	5,289,594	7,109,987	**5,789,408**
Gearing ratio (Note 2)	16.61%	16.80%	13.95%	11.42%	**12.58%**

Note 1: Please refer to "Management Discussion and Analysis Overview – II. Financial Overview – (XXII) Adjusted Non-IFRS Measures".
Note 2: Gearing ratio is calculated by dividing total liabilities by total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In 2024, the Company comprehensively implemented the business principle of "deepening cooperation with major clients, expanding into small and medium-sized customer segments, advancing market presence in Europe, and enhancing cost efficiency and efficacy." This involved upgrading the management and operational systems to ensure order delivery capabilities, reinforcing relationships with key clients, and actively pursuing growth opportunities in international and domestic markets. By leveraging iterative technological advancements, we successfully promoted the advantages of small molecule drug CDMO services, expanded into chemical macromolecule CDMO, drug product services, clinical research services, biological macromolecule CDMO, new technology exporting and synthetic biology technology. During the Reporting Period, the Company's small molecule CDMO business has effectively absorbed the resources surplus resulting from the ending of large orders, and its profitability has returned to the historical level. The chemical macromolecule CDMO business has shown a positive trend in areas such as peptides, nucleic acids, and ADCs. In the fourth quarter of 2024, revenue from this business segment accounted for more than 45% of the total annual revenue of this business segment. The Company continues to intensify its efforts in business expansion, with a 20% year-on-year increase in new orders signed in 2024. Particularly, orders from customers in the U.S. and European markets grew at a faster pace than the overall order growth, and the order backlog continuous to remain an upward trend. As of the date of this annual report, the Company has secured a total order backlog of US$1,052 million, marking a year-on-year increase of over 20%, in addition to the recognized orders revenue during the Reporting Period, laying a solid foundation for the steady operation of the Company.

During the Reporting Period, the Company achieved a total revenue of RMB5,804.66 million, decreasing by 25.40%, with an increase of 8.28% year-on-year excluding large orders. In the small molecule CDMO business, revenue reached RMB4,570.73 million, which increased by 9.23% year-on-year excluding large orders. Additionally, the emerging business segment contributed RMB1,226.37 million in revenue, experiencing a year-on-year increase of 4.80%. Among this, overseas expansion was actively progressing, with revenue from overseas customers reaching RMB246.01 million, rising by 15.41% year-on-year; the revenue from domestic customers was RMB980.37 million, with a slight increase of 2.44% year-on-year. The slow growth in domestic revenue was mainly attributed to the slower-than-expected recovery in the domestic biotech financing.

In the fourth quarter of 2024, the Company experienced a year-on-year increase of 15.83% and a quarter-on-quarter increase of 19.37% in revenue. The net profit attributable to the shareholders of the parent company was RMB238.62 million, representing a quarter-on-quarter growth of 12.99%. The net profit attributable to shareholders of the parent company for the Reporting Period was RMB948.95 million, representing a year-on-year decrease of 58.17%. The primary reasons were as follows: i) the large orders delivered in the same period last year generated higher profits, with no corresponding income this year; ii) emerging businesses were in the ramp-up phase, resulting in relatively low capacity utilization, while the domestic market is highly competitive, leading to lower gross margins for emerging businesses; iii) after the UK Sandwich site was put into operation in the second half of 2024 in a ramming up stage, and the Boston R&D center has not yet completed the ramp up process; iv) the Company continued to maintain investment in advanced technology R&D and the cultivation of new businesses, leading to higher R&D expenses.

The Company is accelerating its global expansion with its first R&D center and pilot production base in Europe now in operation. The Company has demonstrated steady organic revenue growth and positive trends, underscoring the operational strength and progress, as well as the growing visibility of internal organic revenue growth and a solid global customer base. Looking ahead, we are committed to further scaling the Company to new heights, even as large orders conclude.

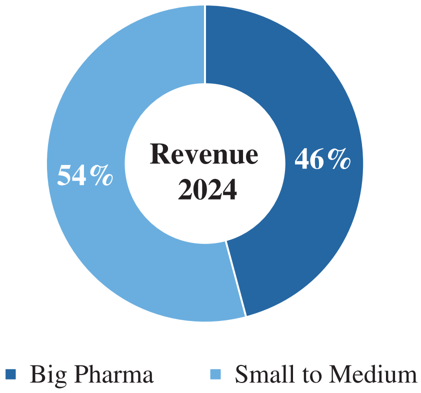
Market Expansion and Diversified Customer Base

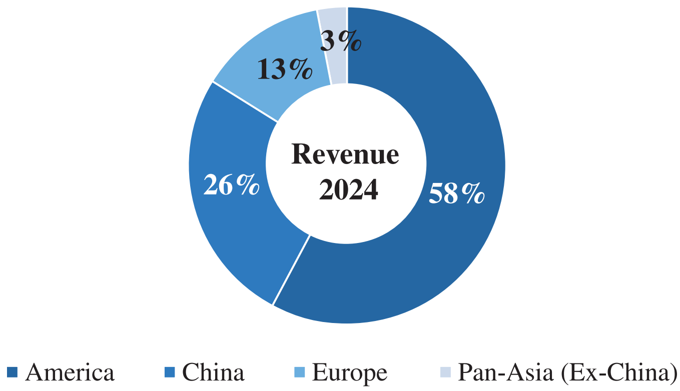
Market expansion remains one of the Company's key focuses, and accelerated progress has been achieved in the market sector. In 2024, the Company expanded over 200 CDMO customers and continued to grow its service's customer base.

Adhering to the principle of "deepening cooperation with major clients", the Company gradually extended its service chain. During the Reporting Period, revenue from big pharmaceutical ("**Big Pharma**") companies was RMB2,690.61 million, representing a 46.06% decrease compared to the same period last year, primarily attributed to the completion of large orders at the end of the third quarter in 2023. Excluding the impact of large orders, the year-on-year increase was 4.78%

Upholding "expanding into small and medium-sized customer segments", the Company reserves potential projects. In 2024, despite fluctuations in biotech funding trends, we achieved revenue of RMB3,114.04 million from the small to medium-sized companies, reflecting a 11.50% increase as compared to 2023.

The Company accelerated its global expansion, and our first R&D and pilot base in Europe commenced operation. During the Reporting Period, our overseas business generated a total annual revenue of RMB4,284.75 million. While this represents a 32.46% decrease compared to the same period last year, the drop was attributed to the conclusion of large orders. Excluding large orders, our overseas revenue manifested a growth of 9.20% compared to the same period last year. Notably, the revenue derived from the U.S. customers reached RMB3,370.91 million, showing a year-on-year growth of 18.41% compared to the same period last year excluding large orders. The European market experienced a breakthrough in revenue, with a substantial growth of 101.33% compared to 2023. The Company's revenue from domestic customers was RMB1,519.91 million, experiencing a year-on-year increase of 5.75%.





i. Small Molecule CDMO Business

The global small molecule CDMO business features a broad market with low industry concentration and a sustained increase in industry penetration. The growing incidence of chronic diseases and aging population trend propels the demand for innovative small molecule drugs. The pharmaceutical industry's focus on developing novel, more effective targeted therapies has resulted in increased product pipelines and the need for innovative drug delivery methods. Simultaneously, per the Frost & Sullivan analysis, while small and mid-sized pharmaceutical companies account for over 70% of drugs in the R&D pipeline, they often require the external expertise to bring their clinical pipeline to market. The trend of global small molecule CDMO demand shifting to emerging markets, particularly to China, accelerated during the global public health issue and is likely to continue in the coming years.

During the Reporting Period, despite facing many industry challenges, our Company has relied on the continuously optimized R&D platform, industry-leading operation system and excellent delivery track record to increase revenue scale and global market share, while maintaining stable development in the small molecule CDMO business. As of 31 December 2024, the small molecule CDMO business achieved 504 projects with an increase of 18.31% compared to 2023. In 2024, revenue amounted to RMB4,570.73 million, with a gross profit margin of 46.39%. Excluding large orders, revenue of small molecules CDMO business experienced a year-on-year increase of 9.23%. The Company's small molecule CDMO business has effectively absorbed the resource surplus resulting from the completion of large orders, bringing profit levels back to a historically strong position.

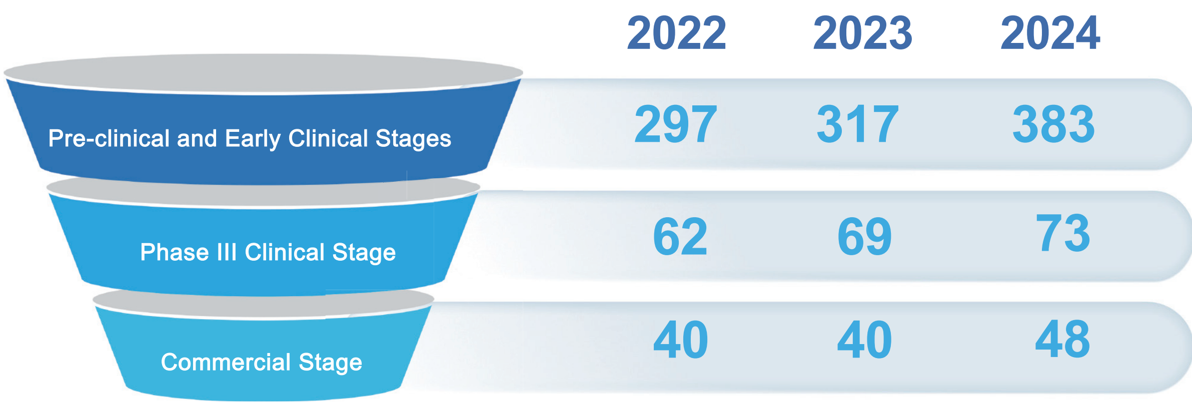
Positioning Firmly in Commercialization Projects as the Backbone to Continues Revenue Growth

As of 31 December 2024, the Company successfully progressed 48 small molecule commercialization projects resulting in recognized revenue of RMB2,803.95 million. This ongoing good performance largely attributed to the Company's effective measures to improve efficiency and control costs, thereby balancing capacity utilization after the conclusion of large orders.

The Company has continued to execute its existing industry-leading small molecule commercialization projects while simultaneously accelerating the onboarding of new projects. With a strong track record in project delivery, the Company is well-positioned to foster deeper collaboration with numerous international and domestic clients in the field of commercialization projects.

Promote Reserves of Clinical Projects to Strengthen the Broader Project Funnels Ensuring Long-term Growth

As of 31 December 2024, the Company had a total of 456 clinical stage projects of small molecule CDMO business, which is 70 more projects compared to last year, including 73 clinical phase III, and 383 pre-clinical and early clinical stage projects. The recognized revenue from clinical projects reached RMB1,766.78 million with a year-on-year increase of 17.97%. In order to secure mandates for commercial stage projects later and build customer relationships, clinical stage CDMO has been an important part of our Company's growth strategy, providing services in process development and optimization, analytical services, and scale-up manufacturing. Our Company has put more effort in its early-stage project development, adhering to the funnel effect, laying the foundation for long-term growth.



Spot on the Potential Therapeutics to Reinforce the Growth Visibility

The Company strategically reserves potential bulk projects, and clinical phase III projects served by the Company involved several popular targets and promising novel targets, securing project reserves for the continued commercialization orders of bulk drugs. We are actively involved in the development of leading projects in obesity field such as GLP-1, and we recognize the emerging and recently approved obesity treatment pipelines and associated advances in drug delivery technologies and rising fundings, may provide clinical trial landscape of the growing market scale of anti-obesity drug candidates. According to the current small molecule clinical stage orders on hand, it is expected that 12 projects will reach the process performance qualification ("**PPQ**") stage by 2025, which has established a sufficient reserve of commercial orders, providing strong support for long-term and steady performance growth.

Adhere to the Guideline of Strengthening Key Clients and Expanding Customer Diversity in Various Regional Markets

We have upheld a customer-centric business philosophy and have a diverse, high-quality, and loyal customer base. Rather than just an outsourced service provider, we are regarded as a reliable partner by our customers. Our primary focus lies in serving pharmaceutical and Biotech Companies with headquarters located in the United States, Europe, China, etc. Notably, our clientele includes a large group of renowned multinational pharmaceutical companies. For the regional market expansion, the U.S. and Europe market kept a positive growth with the in-depth cooperation with existing customers being continuously improved and new customers being developed in an orderly manner. With the service projects gradually entering the late and commercialization stage, our revenue has grown rapidly.

Moving forward, our approach involves: i) deepening our services vertically to encompass new projects for existing multinational pharmaceutical companies while continuing ongoing commercial projects; ii) proactively re-establishing communication and collaboration with dormant clients who may have shifted their focus toward pipeline concentration rather than small molecule CDMO business, particularly those interested in licensing new novel target pipelines in small molecules; iii) expanding and diversifying our customer base of multinational pharmaceutical companies; and iv) leveraging on our extensive experience in serving multinational pharmaceutical companies, we will also collaborate with leading biotech companies and a wide range of small and medium-sized global pharmaceutical companies.

ii. Emerging Business

Throughout the Reporting Period, these emerging business lines generated RMB1,226.37 million in revenue, representing a 4.80% increase compared to the same period ended 31 December 2023. The gross profit margin was 21.18%, and some businesses were still in the capacity ramp-up phase. As capacity utilization continues to improve, gross profit margin in the second half of 2024 has exhibited a positive trend. As of the date of this annual report, it is expected that the PPQ of emerging business will reach 13, forming a sufficient reserve of commercial orders.

Chemical Macromolecule CDMO Business

The peptide business is developing swiftly. During the Reporting Period, revenue from chemical macromolecule CDMO business (including peptide, oligonucleotide, toxin linker and lipid) grew by 15.66% year-on-year, with a notable quarter-on-quarter increase of over 200%. In 2024, the Company completed 227 projects and enlarged the client pool for 61 new clients. As of the date of this annual report, the order backlog has risen by over 130%, with overseas orders accounting for over 260%. The Company participated in multiple global polypeptide projects in obesity from the early stage to the late stage, assisted several small nucleic acid and ADC customers in licensing-out deals, and continued to serve overseas customers. We continuously expanded projects in the middle and later stages of various sectors and expected over 10 PPQ projects in 2025. We supported a major domestic client in smoothly passing the first GLP-1 peptide project's dynamic verification, laying the foundation for delivery of the first commercial peptide project in 2025. We advanced in the construction of delivery capacity, continuously strengthened technological reserves, and developed and reserved multiple peptide and small nucleic acid synthesis technology platforms, including enzyme-linked platforms. These platforms complement each other to address issues in different types of synthesis technologies and have made technological reserves in various types of purification and separation techniques.

Drug Product CDMO Business

During the Reporting Period, the revenue slightly declined due to the domestic investment and financing environment and intensified market competition. In 2024, the drug product CDMO business made steady progress, with nearly 200 projects successfully delivered and more projects expected in the later stage. The Company completed 5 pre-approval inspection ("**PAI**") and added 6 new NDA projects, currently serving 27 NDA stage projects, along with 1 new commercialized project. As of the date of this annual report, the order backlog has increased by approximately 30% year-on-year. In addition to the traditional small molecule drug products, the number of oligonucleotide projects was doubled with multiple oral peptides, topical peptides, and topical nucleic acid projects achieving clinical stage delivery. The Company had continued to advance the accumulation of new formulation technologies, including complex formulations, new molecular type drug products, and delivery technologies.

Clinical Research Service (CRO) Business

During the Reporting Period, affected by environmental factors, revenue from CRO business decreased slightly year-on-year. The Company successfully undertook 197 new projects and maintained ongoing in-depth exploration in rare diseases. The Company strengthened its established expertise in oncology, immunology, infectious diseases, orthopedics, respiratory system, hematology and gynecology. At the same time, new breakthroughs have been achieved in metabolism, digestion, dermatology, ophthalmology, urology and genesiology. In terms of data intelligence, the Company applied a full-process intelligent pharmacovigilance platform to over 10 innovative drug projects, along with the establishment of clinical trial project management and laboratory management platforms.

During the Reporting Period, we continued to implement our "One-stop Integrated Development Services" Grand Strategy, seamlessly connecting CMC, non-clinical, and clinical services to support customers in new drug research and development. We successfully secured 5 implied China IND approvals. Our overseas business continued to grow with 12 new overseas application and clinical services orders. In addition, we initiated 2 U.S. IND registration and application projects for cell therapy, with 1 project successfully approved. We also contributed to 4 implied FDA IND approvals for our customers and facilitated 17 projects in obtaining implied China IND approvals. Furthermore, we assisted 1 Phase III oncology project, IDMC, in passing European Medicines Agency ("**EMA**") review. As of 31 December 2024, the Company was conducting 269 clinical research projects, including 94 phase II and later-stage projects.

Biological Macromolecule CDMO

In 2024, biological macromolecule CDMO achieved a year-on-year revenue increase of 17.36%. Regarding project delivery and orders, the Company added 15 ADC IND projects and 3 BLA projects, further expanding the ADC project pipeline and laying a solid foundation for future business. The Company assisted various customers' clinical projects in license-out, showcasing its international service capabilities. As of the date of this annual report, biological macromolecule CDMO hold almost 60 orders (including IND, clinical and several BLA stage projects) in hand, with ADC projects taking up for over 60% of the total orders, increasing by 56% year-on-year. In 2024, the Company undertook several overseas orders, demonstrating its leadership in the ADC field and its global service capabilities.

Adhering to the rigorous quality control system and incorporating the characteristics of biological macromolecule drugs, the Company established a comprehensive international biological quality control system. In February 2024, the Company passed the EU QP audit and received the GMP compliance statement. Throughout the year, the Company also underwent dozens of customers' and third-party audits, with no significant findings, further strengthening its excellent reputation for quality control. These achievements have established a solid foundation for the Company's future sustainable development.

Export of New Technologies

2024 marked a year for CFCT to build its foundation and forged ahead. While promoting market expansion, we focused on ensuring the implementation and delivery of orders, technological innovation and upgrading, service capability extension and management system upgrading and optimization. During the Reporting Period, CFCT engaged with approximately 150 customers across medicine, pesticides, materials and other fine chemical fields, and undertook nearly 20 new technology output projects, with new customers' contribution accounting for 80% out of the total orders.

During the period of industry adjustment, CFCT continued to upgrade and optimize its management and operation system, focusing on enhancing service capabilities by improving efficiency, and provides customers with a comprehensive "service + product" solution. Additionally, the Company continued to explore innovative cooperation business models. On one hand, CFCT deployed a full product line and established collaborative relationships with target customers and their upstream and downstream partners to explore project opportunities deeply. On the other hand, CFCT further offered innovative service models during the implementation phase, delivering customers a full-process cycle service of "R&D + design+ manufacturing + installation".

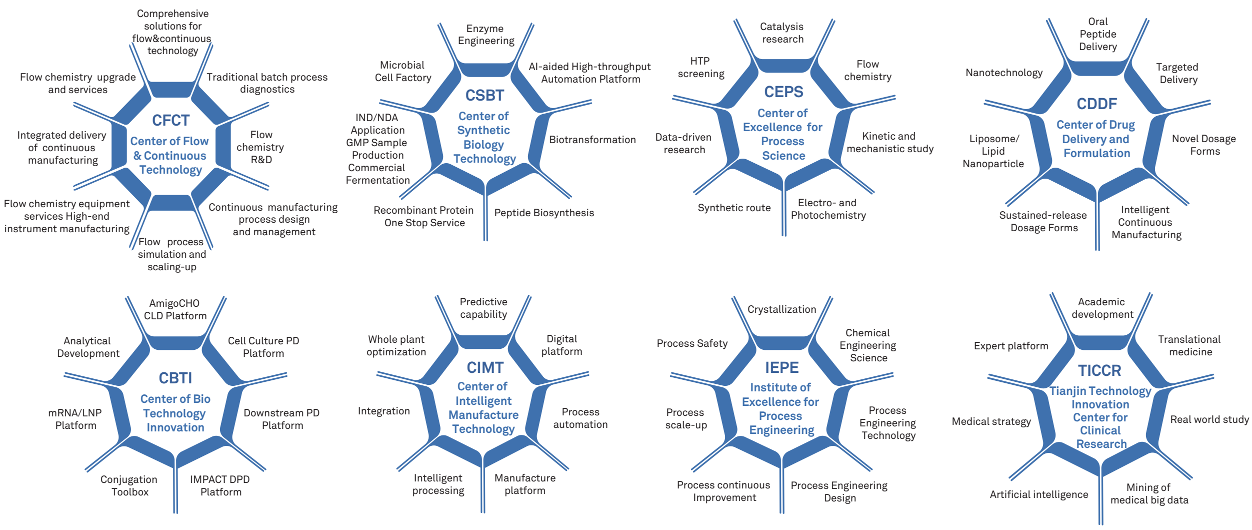
Synthetic Biology Technology

In 2024, synthetic biology technology has generated an increased revenue of 33.54% year-on-year growth, with 80% revenue resulting from overseas customers. Synthetic biology technology engaged with nearly 100 new customers and collaborated with several MNC to pioneer early stage technical pathways for enzyme engineering.

Multiple enzyme technologies have been utilized in the pharmaceutical synthesis processes internationally renowned multinational pharmaceutical companies. Immobilized enzyme continuous reaction technology has successfully been applied in the production of multiple ton-scale products. Compared to batch reactions, this technology elevates production capacity up to 1,500 times and saving the amount of enzyme by over 70%. These technologies reduce the three wastes and offer significant advantages in terms of cost and yield compared to traditional chemical methods.

iii. R&D Platform Construction

As a technology driven company, our key success lies in seamlessly integrating cutting-edge technologies and their industrial application, continuously strengthening our technological competitiveness, and solidifying our leading position in the CDMO industry. Our R&D activities are primarily relying on our inhouse eight innovative R&D platforms, namely the Center of Flow and Continuous Technology ("**CFCT**"), the Center of Synthetic Biology Technology ("**CSBT**"), the Center of Excellence for Process Science ("**CEPS**"), the Center of Drug Delivery and Formulation ("**CDDF**"), the Center of Biological Technology and Innovation ("**CBTI**"), the Center for Intelligent Manufacture Technology ("**CIMT**"), the Institute of Excellence for Process Engineering ("**IEPE**") and the Technology Innovation Center for Clinical Research ("**TICCR**"). Our process development team provides customized solutions for our customers using technologies and know-how developed by the first four R&D platforms.



With a strategic emphasis on the "development" component of CDMO services, Asymchem has been focusing on developing a top-tier technology platform and is among the CDMO companies that contribute the most to R&D per Frost & Sullivan. As at the end of the Reporting Period, our Group has obtained a total of 487 authorized patents both domestically and internationally, including 383 patents in China and 104 patents in other jurisdictions such as the United States, the European Union, Japan, South Korea, and India. Among these, 159 are in the field of synthetic biology and 183 in the continuous flow technology, respectively. Especially for the latter, our Company was one of the earliest companies to apply continuous manufacturing in drug production and is also one of the few that can apply the technology at the ton-level instead of gram-level. The applications of these patents simplified procedures, reduced processing duration and raw material cost and gave Asymchem a strong competitive edge. This continued focus on R&D has made Asymchem one of the few companies that can provide a one-stop solution platform.

Our research papers on new technologies have been published multiple times in the most authoritative scientific journals in the field of natural sciences such as Nature, as well as other important journals in the industry including Journal of the American Chemical Society, Angewandte Chemie (Germany Applied Chemistry), Journal of Organic Chemistry, Organic Letters, and other leading international journals. By the end of the Reporting Period, a total of 47 papers have been published, among which 14 have impact factors exceeding 10. Asymchem published a cover paper in the prestigious academic journal Chemistry Europe - "Continuous Synthesis of Polythylene Alycol Oligomer Sulfate Esters via Multi Stage Cascade Continuous Stirred Tank Reactors ("**CSTR**")". This technological achievement was developed by the Center of Excellence for Process Science ("**CEPS**"), marking another significant advancement for Asymchem in the field of continuous synthesis.

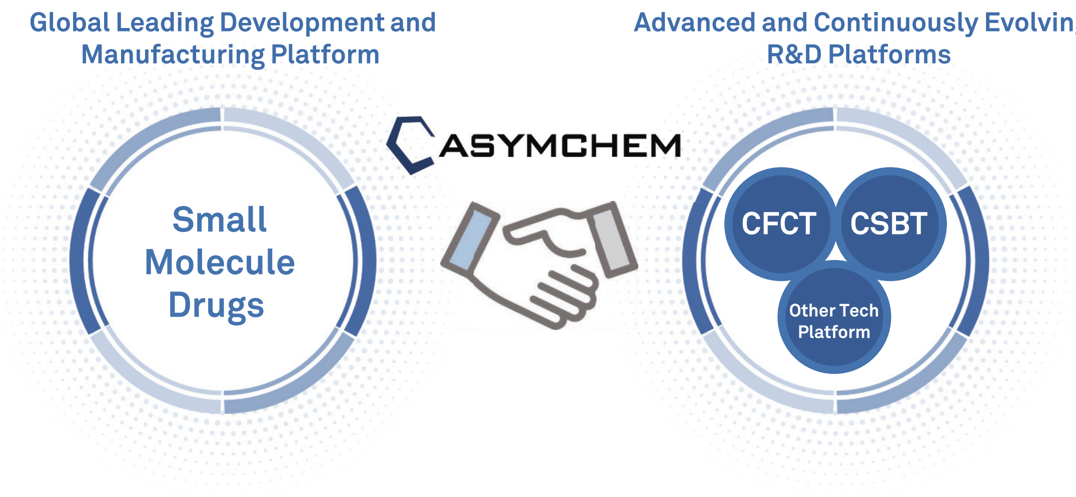
For the year ended 31 December 2024, our R&D expenses was RMB614.49 million, representing 10.59% of our total revenue. As we anticipate future revenue growth, we also plan to allocate a proportional increase in our R&D expenses.

Center of Flow and Continuous Technology ("CFCT")

CFCT's mission is to penetrate each of our business segments with our self-developed continuous flow technology. In terms of technological innovation and upgrading, CFCT has focused our efforts on technological innovation as the core. During the Reporting Period, CFCT filed 54 new patent applications, with 44 patents granted, covering both process development and hardware design, thereby driving the enhancement of order reserve by technologies. By deeply integrating fluidized chemistry, analog simulation and laser 3D printing technology, we actively advanced the innovation and upgrading of continuous reaction technology, achieving comprehensive breakthroughs in multi-phase hybrid strengthening technology. Continuous liquid-liquid heterogeneous reaction technology has been fully adopted while breakthroughs have been made in continuous gas-liquid micro-mixing technology, with other new continuous flow technologies are steadily progressing. Relying on data analysis and mining technology, we have continued to promote the depth and breadth of continuous reaction technology applications, laying the foundation for its transformation of continuous reactions towards intelligence and efficiency.

Center of Synthetic Biology Technology ("CSBT")

Relying on strong R&D capabilities and over a decade of technological accumulation, the enzyme engineering platform continued to evolve. Building upon the original enzyme engineering integration technology platform including enzyme screening, development, evolution, immobilization, enzyme fermentation production and process scaling, our CSBT platform has significantly reduced the synthetic transportation cycle and minimized IP leakage risks associated with the third parties. We have successfully developed a high-throughput automated platform for cell-free protein synthesis enzyme evolution, which increased the weekly throughput of enzyme evolution mutants' construction and screening from hundreds to tens of thousands. The time for a single round of enzyme evolution has been shortened from over 2 weeks with traditional technologies to 3 to 5 days, improving performance by 50 times within 1 month. With AI-assisted technology, our high-throughput, intelligent and automated enzyme evolution technology platform has elevated Asymchem's enzyme development capabilities to new level. In addition, the immobilized enzyme continuous reaction technology has been successfully applied in the production of multiple ton-scale products. Compared to the traditional enzyme catalytic technology, this technology elevates production capacity up to 1,500 times and cuts the enzyme consumption by over 70%, significantly minimized three wastes.



Center of Excellence for Process Science ("CEPS")

The Center of Excellence for Process Science ("**CEPS**") is dedicated to exploring and integrating advanced technology platforms, developing and applying innovative technologies and solutions to promote greening, efficiency, and cost-effectiveness of pharmaceutical process development. By mitigating process risks and improving safety factors, CEPS helps clients achieve cost reduction, efficiency improvement, and sustainable development goals while ensuring compliance. Currently, it has established seven core functional modules, including HTS, synthetic route innovation, continuous chemistry, photochemistry and electrochemistry, kinetics and mechanism research, and pressure reactions, covering diverse needs across the full pharmaceutical process development chain.

As of the end of the Reporting Period, CEPS has accumulatively participated in approximately 400 pivotal R&D projects and provided more than 200 competitive technical quotations. CEPS has undertaken over 30 projects focused on developing and applying continuous hydrogenation technology, with 4 projects achieving commercial production, including NDA verification and tonne-scale commercial manufacturing. Additionally, more than 20 photoelectric application orders have been completed, enhancing the application scenarios for green pharmaceutical technology. Leveraging the Liquid Phase Peptide Synthesis technology platform, CEPS has successfully developed and implemented a fully continuous liquid-phase process for 18-peptide production. CEPS has also built several short peptide molecular libraries utilizing continuous liquid-phase technology, advancing new synthesis process for peptide active pharmaceutical ingredients ("**API**") and enabling better quality and cost control. Furthermore, the scope of high-throughput design of experiments ("**HTP-DOE**") application continuous to expand, delivering exceptional results in enzyme and pressure reaction fields. HTP-DOE has been integrated into multiple projects, accumulating valuable experience in process development for new material products.

Center of Drug Delivery and Formulation ("CDDF")

The Center of Drug Delivery and Formulation ("**CDDF**") is dedicated to the in-depth development of innovative drug delivery technologies and building robust technology platforms. Specifically, the fluidic control development and production system offered the benefits of efficient development and stable scalable process stability, greatly reducing drug development and production costs while being suitable for various advanced and complex formulation types of drug products. In addition, we achieved the delivery of multiple drug products, including liposomes, nucleic acid LNPs, and nanocrystals (precipitation method), providing a broader range of drug product solutions for our customers.

Center of Biological Technology and Innovation ("CBTI")

CBTI is responsible for the scientific development, process research and development, technology platform construction, and supply chain optimization related to biologics (antibodies, fusion proteins, etc.) and advanced therapies. The focus is on iterating the ADC project process, creating a dual antibody/dual antibody ADC, site-specific conjugation ADC process development platform, and continuously expanding process development toolbox capabilities. While meeting the internal development needs of Asymchem, it aims to provide customers with higher quality research and technical services, and to provide endogenous power for the Company's long-term development.

In 2024, the number of patent applications and published papers of CBTI reached a new record in 2024. The self-developed Amigo CHO™ cell line platform, conjugated drug Toolbox platform, cell culture process technology platform, toxin-linker molecule design platform, protein purification technology platform and IMPACT™ drug product development platform, etc., have been constantly upgraded to provide comprehensive and high-quality solutions for global customers.

Center for Intelligent Manufacture Technology ("CIMT")

The Center for Intelligent Manufacture Technology ("**CIMT**") is dedicated to building an intelligent manufacturing technology platform, promoting the smart upgrade of research, development and production, and empowering the Company's digital transformation. CIMT concentrates on three key areas: intelligent manufacturing and advanced automation control research, intelligent laboratory application technology research and the construction and promotion of digitalized plant. Leveraging the completed pilot-scale experimental platform and AI analysis algorithm models, CIMT supports the application of Process Analytical Technology ("**PAT**") technology and intelligent equipment in projects, further advancing automated operations, digital management and intelligent control.

During the Reporting Period, CMIT leveraged its pilot-scale experimental platform to upgrade the AI model for unit operations such as temperature control, pressure control and dosing across multiple projects. These solutions have improved production efficiency and the accuracy of production process control. Through its self-developed spectral data modeling and analysis tools, CIMT has expanded the application range and improved the accuracy of online spectral equipment, successfully applying this technology in production projects such as continuous immobilized enzyme reaction and realizing feedback control through PAT and automation. Additionally, CIMT supported the digital upgrade of the Company's production and utility system, enabling statistical analysis of production batch data through equipment data acquisition and the construction of a big data platform. This provided big data and AI model algorithm support for capacity optimization decisions, process control and optimization, enhancing the intelligent control of production.

Institute of Excellence for Process Engineering ("IEPE")

As the backbone of the Company's core R&D and process engineering technical support, institute of Excellence for Process Engineering ("**IEPE**") is composed of three sections: process safety, crystallization engineering and chemical science. IEPE is dedicated to the R&D of process scale-up, engineering optimization and technology transfer for API production projects, to ensure the safety and stability of scale-up process and safeguard the entire production process. Adhering to the "First Principles" R&D approach, our team thoroughly integrates cutting-edge principles and advanced tools such as chemical engineering science, process model, fluid dynamics analogy, and statistical science, conducts in-depth research on thermodynamics, kinetics, and transfer process of operations, and establishes a scientific and comprehensive system for engineering R&D and evaluation methodology. Leveraging a mature R&D system and advanced technical capabilities, our team has accumulated extensive experience in small molecule project engineering scale-up and successfully assisted multiple commercial process validations and API projects to achieve efficient scale-up production. IEPE has also showcased exceptional expertise in chemical macromolecule projects, accurately executing process scale-up and optimization for specific unit operations, including solid phase synthesis, tangential flow filtration (**"TFF"**), freeze-drying, and crystallization precipitation. In technology R&D and program development, IEPE focuses on sustainable development to provide engineering scale-up and evaluation services for continuous reaction and biocatalysis projects. Through a series of innovative initiatives, our team has significantly enhanced production efficiency, substantially reduced production costs, effectively minimized "three wastes" and accelerated the promotion of new technology applications.

In the future, IEPE will further advance the application and development of new technologies in process engineering. The Company will strive to create a seamless transition from R&D to production, ensure successful commercialization of process scale-up, promote continuous optimization and iterative calculation in production technologies, and inject strong momentum into Asymchem's technology driven high-quality development.

Technology Innovation Center for Clinical Research ("TICCR")

The Technology Innovation Center for Clinical Research ("**TICCR**") is focused on advancing internationalization and professional development while enhancing the unique competitiveness of Clin-nov Medical under the technology and academic leading CARO model, including: i) attracting high-end international talents to enhance the comprehensive clinical trials service capabilities, particularly in cutting-edge research technical services; ii) collaborating with experts across various disease fields nationwide to build academic influence; iii) in terms of data intelligence, applying a full-process intelligent pharmacovigilance platform to over 10 innovative drug projects, along with the establishment of clinical trial project management and laboratory management platforms.

The eight technology centers are dedicated to cultivating cutting-edge technologies and spearheading technical innovation, in order to offer robust technical support for the Company's new strategic direction and expansion.

iv. Investments and Constructions of Capacity Expansion

We possess advanced manufacturing sites which were built from the ground up to stringent standards. As of 31 December 2024, we had multiple R&D centres, manufacturing sites, production facilities and branches/offices across China, the United States, the United Kingdom, and other regions, and secured the first research and manufacturing site in Europe. The following map illustrates the locations of our manufacturing sites, as well as our offices across China, the United States and the United Kingdom.

In the small molecule CDMO business segment, the continuous reaction plant area experienced a remarkable year-on-year growth in the past, accompanied by a reasonable percentage increase in the number of continuous equipment units. This significant expansion of continuous reaction capabilities plays a vital role in enhancing the Company's production efficiency and facilitating capacity release. In the following period, we will actively absorb newly added productions from the past three years, minimize raw material waste, reduce the operation cost, and boost gross profits.

2024 is the key year for the Company's accelerated global strategy. During the Reporting Period, we had successfully obtained the former Pfizer research and active pharmaceutical ingredients ("**API**") pilot production facility located in Sandwich, Kent U.K. (the "**Sandwich Site**"). Its drug synthesis route rapid design, HTS and DoE experimental design, mature process and analytical development capabilities, as well as production and operational management capabilities, are at the world-class level. Building on its strengths in process R&D analysis, production plant equipment, a talent team with an average of over 15 years of professional experience, and comprehensive drug R&D technologies, the site has undergone a comprehensive upgrade. Integrating with the Company's quality system and operational management system, the capabilities of the site have been optimized and officially began operation in early August 2024.

After commencing operations, the Sandwich Site achieved multiple orders for analysis, process development and kilo production. Additionally, the pilot plant began receiving production orders in the fourth quarter of 2024. As of the date of this annual report, several production orders have been successfully progressing. Several major clients from Europe and the U.S. have visited the site and placed inquires and orders, which covered not only small molecule CDMO business but also multiple fields such as peptides, biocatalysis, etc.

Based on the clients' R&D and production needs, the Sandwich Site is further expanding and strengthening its technical platform capabilities and business scope on the foundation of its world-class HTS ability. Meanwhile, the Company is promoting the implementation of the Group's innovative technology platform at the Sandwich Site. Continuous flow reaction equipment and technology platform development capabilities have already been successfully injected into the laboratory development process before the announcement was disclosed. Green advanced manufacturing technologies, including synthetic biology and enzyme catalysis technologies, are also in preparation and planning. The Company will further expand into peptides, nucleic acids, and other areas to efficiently empower drug R&D and production across more fields, meeting the broader drug R&D and production needs of global partners.

The operation of the Sandwich Site is a milestone in the Company's overseas capacity layout. The Company will utilize this as a foundation to further promote the commercial production capacity expansion overseas, accelerate the promotion and application of the new technologies to serve more clients, and form a new global supply network for Asymchem, offering efficient, flexible and high quality CDMO one-stop integrated solutions for more partners.

In terms of the emerging services business segment, significant progress was made in the chemical macromolecule project. During the Reporting Period, we generally completed the construction of our solid-phase polypeptide synthesis capacity as planned. The total solid-phase peptide synthesis capacity expanded to approximately 21,000L by the end of 2024 and is projected to reach 30,000L in the second half of 2025. Furthermore, we expedited the construction of high potency capacity. An additional Occupational Exposure Band 5 (“**OEB5**”) plant and R&D building will be added in 2025 to meet the escalating demand for toxin-linker projects in later stage.

The construction of new drug product capacity accelerated. The construction of pre-filled syringes and pen syringes production and β-lactam solid drug product was initiated and will be put into production successively in 2025, offering more comprehensive production services to a wider range of customers.

The newly operational CFCT equipment test workshop features nearly 1,000 square meters testing areas and comprehensive supporting facilities, enabling multiple sets of continuous equipment for design verification and performance testing. This further strengthens capabilities in process development, project undertaking, technological innovation and delivery.

To enhance our synthetic biology technology, the construction of 500L GMP fermentation workshop and 5,000L GMP workshop has been completed, and they are currently undergoing testing and validation. The new capacities are expected to be officially put into use in the first quarter of 2025. The overall production capacity exceeds 20,000L, meeting the production requirements for a various range of biological products simultaneously, including enzymes, recombinant proteins, peptides and biobased small molecules.

The Company advanced the construction of conjugate drugs commercialization capacity. As of the date of this annual report, the biological pharmaceutical CDMO R&D and commercial production site in Fengxian, Shanghai has been put into use, providing global partners with CDMO development and manufacture services for biological drugs, including antibodies and nanobody drug conjugates (“**NDCs**”).

We generally expand and build our development and manufacturing facilities in anticipation of increased demand arising from new customer engagements and strategic plans. For more details, please refer to the chapter “Use of Net Proceeds from the Issuance of Securities” in this annual report. We are strategically focusing on further expanding our overseas capacity in the small molecule business segment. Recognizing the growing global demand for our services, we aim to strengthen our presence in international markets by establishing production facilities abroad or through the acquisition of a suitable production base. This approach will enable us to effectively cater to the needs of our core overseas client base and enhance our competitiveness on a global scale. By leveraging our expertise, advanced technologies, and efficient processes, we are committed to providing high-quality small molecule CDMO solutions to customers worldwide. Through overseas capacity expansion, we aim to optimize our supply chain, shorten lead times, and improve overall operational efficiency. This strategic initiative aligns with our commitment to delivering exceptional services to our clients while solidifying our position as a leader in the small molecule CDMO industry.

v. Cultivation of Our Team of Talents

An effective talent management strategy is required to succeed in the highly competitive and rapidly evolving pharmaceutical industry. As a leading CDMO company, we recognize the importance of cultivating and retaining a diverse pool of professionals with multi-disciplinary expertise. Our global team possesses advanced technical knowledge, strong execution capabilities, and a customer-centric culture, which enables us to help our clients overcome complex process development and manufacturing challenges through teamwork and collaboration. We attract and cultivate talent globally by offering a collaborative work environment, cutting-edge projects, a reasonable competitive remuneration package, and a community-driven career development platform.

In 2024, to achieve our goals, we implemented a tailored talent strategy for each of our key business segments. We offered internal training programs to equip our employees with the latest technology advancements, industry know-how, and regulatory developments. We inspired our employees to develop a strong sense of ownership and encouraged them to work on industry-defining and landmark projects. Moreover, we offered competitive compensation and compelling career development opportunities to motivate and retain our high-quality talent base.

The Company firmly upholds and adheres to the strategy of talent introduction by optimizing various employment mechanisms such as talent selection, training, utilization, evaluation, incentive, and retention. We established talent management systems for small molecule CDMO business and strategic emerging business and accelerated the introduction of talents including business leaders and key technical positions in emerging business segments. In 2024, we recruited 245 experts, including 78 Ph.D., 31 senior executives and above, and 136 returnees and personnel with working backgrounds in overseas pharmaceutical companies. As of 31 December 2024, our total workforce comprised 9,595 employees (including senior management and excluding interns, individuals with disabilities and rehired retirees, etc.), with around 78% possessing an undergraduate degree and/or above, and 24% possessing a master's degree/Ph.D. and/or above. Additionally, the R&D and analyst team consisted of 4,653 employees, accounting for approximately 48.49% of the total workforce, with 96.78% holding at least an undergraduate degree. Among them, 1,539 had a master's degree and 274 held a Ph.D.. Notably, the proportion of senior researchers with a master's degree and Ph.D. diploma within the R&D team increased by approximately 2% year-on-year. We believe that our employees are the valuable wealth of the Company, and we serve as the platform for employees to showcase their talents and realize their values.

In terms of talent risk management, we have established the *Values and Code of Conduct* at the Company level integrating a *Supply Chain Code of Conduct* to ensure compliance and monitor business development comprehensively, as well as provide fundamental principles and guidelines for employees to align their actions with the Company's value. The *Diversity, Equity and Inclusion Policy* established for employees undergoes periodic reviews and updates as the Company grows, aiming to safeguard the fundamental rights and interests of our employees.

vi. Social Responsibility and Sustainable Development

As a listed company with social responsibility, Asymchem stays committed to offering quality products and professional services to its partners. The Company, in strict accordance with the provisions of relevant laws and regulations and in light of its particular conditions, undertakes the responsibilities to Shareholders, partners, employees, society and other stakeholders, giving back to society through practical action and fostering a harmonious environment for development, to achieve the ultimate goal of sustainable development.

Under the Asymchem sustainability model, there are four major elements for synergy: customer empowerment, civic responsibility, construction of community, and protection of the earth. As a leading CDMO service provider in China, we are committed to global pharmaceutical technology innovation and commercial application. We are whole-heartedly dedicated to providing customers with quality products and professional services, and actively fulfill and assume responsibility for our employees, shareholders, investors, and other stakeholders. While maximizing economic benefits, we pursue the collaborative development of social benefits and environmental protection, in order to achieve sustainable development. We are highly focused on protecting the interests of our shareholders, customers, all employees, suppliers, and other interest groups and stakeholders. We have perfected our corporate governance structure, internal control system, and the platform to interact with investors, to assure all Shareholders of fairness, promptness, justice, transparency, and openness.

In our daily operations, we are committed to our customer-centric approach, providing our customers with high-quality services through continuous development of technologies and processes. In terms of employee rights and interests, we comply with all material respects with the PRC Company Law, Labor Contract Law and other laws and regulations, and have formed a management philosophy that "there will be no quality products without satisfactory employees", showing that we care about the health, safety, and satisfaction of our employees. At the same time, we maintain good interaction with suppliers, especially suppliers with long-term cooperative relationships. We fully understand that most of our overseas clients have established comprehensive environmental, social and governance ("**ESG**") management objectives, which will be communicated to Asymchem. In particular, overseas customers have put forward clear ESG expectations for supply chain companies. As part of the supply chain, we strive for the best efforts to balance the requirements while operating the business to maximize the mutual benefit. During the Reporting Period, we have updated and disclosed the *Supplier ESG Management Policy* and the *Supply Chain Code of Conduct*.

We have established "Teda-Asymchem Scholarship" in several colleges and universities to support students' academic studies and research, showing our concern for the growth of young students and encouragement to them. Particularly, we have set up special scholarships for financially disadvantaged students across many universities and colleges. We have also instituted fellowships for outstanding achievements in drug synthesis in some universities and colleges and sponsored various academic conferences and symposiums.

For more details regarding social responsibility and sustainable development information, please refer to the 2024 ESG Report to be published in April 2025.

II. FINANCIAL REVIEW

In 2024, the Company realized revenue of RMB5,804.66 million, representing an increase of 8.28% compared to the same period last year excluding large orders. The gross profit margin in 2024 was 41.03%, down by 9.86 percentage points or 1.68 percentage points excluding large orders from the same period last year. The adjusted net profit attributable to shareholders of the parent amounted to RMB803.07 million, representing a decrease of 65.12% as compared with 2023. During the Reporting Period, the small molecule CDMO business generated revenue of RMB4,570.73 million, a year-on-year increase of 9.23% excluding large orders. Revenue from the emerging business was RMB1,226.37 million in 2024, a decrease of 4.80% from the same period last year. Domestic revenue reached RMB1,519.91 million in 2024, showing an increase of 5.75% from the same period last year. The Company continued to invest in the R&D platform, with an expenditure of RMB614.49 million in 2024, a decrease of 13.19% from 2023, accounting for 10.59% of the total revenue.

i. Revenue

During the Reporting Period, the Group's revenue by product categories was as follows:

	2024		2023		Change ratio
	RMB'000	**Proportion**	RMB'000	Proportion	%
Commercial stage CDMO solutions	**2,803,949**	**48.31%**	5,107,487	65.64%	(45.10)
Clinical and pre-clinical stage CDMO solutions	**1,766,779**	**30.44%**	1,497,658	19.25%	17.97
Emerging business	**1,226,374**	**21.13%**	1,170,199	15.04%	4.80
Total revenue from principal business	**5,797,102**	**99.87%**	7,775,344	99.92%	(25.44)
Other businesses	**7,555**	**0.13%**	6,092	0.08%	24.02
Total revenue	**5,804,657**	**100.00%**	7,781,436	100.00%	(25.40)

During the Reporting Period, the Company had 48 commercialization projects for which the revenue has been recognized, achieving revenue of RMB2,803.95 million, representing a year-on-year decrease of 45.10%. If the large orders are excluded, the other revenue represented a year-on-year increase of 4.35%. The Company's R&D, production, analysis, supply chain management, quality and other departments and teams achieved seamless cooperation and worked in coordination to fully satisfy the needs of customers for pharmaceutical supply, further enhancing the level of fine management and the advantages of the platform system. The Company continuously developed key processes and technologies for green pharmaceuticals and increased the use of new technologies and intelligent equipment to continuously enhance its competitive advantage in the commercialization of small molecule CDMOs. Many industry-leading commercialization projects were continuously implemented, and the Company's good track record in delivery will further drive deeper collaboration with numerous domestic and international clients on commercial projects.

During the Reporting Period, the Company had a total of 456 clinical stage projects for which the revenue has been recognized, including 383 pre-clinical and early clinical projects and 73 clinical phase III projects, achieving revenue of RMB1,766.78 million, representing a year-on-year increase of 17.97%. The Company has put more effort into its early-stage project development, laying the foundation for long-term growth. The Company strategically reserves potential bulk projects, and the clinical phase III projects served by the Company involved many popular targets or major drug targets, securing project reserves for the continued acquisition of bulk commercial orders of drugs.

Leveraging our competitive advantages accumulated in the small molecule CDMO segment, the Company accelerated the construction of its talent team and capabilities, promoted the fast development of new business such as chemical macromolecule CDMO, drug products, export of new technology, synthetic biology technology, clinical research services, biological macromolecule CDMO and other strategic emerging segments. During the Reporting Period, the strategic emerging segments recorded revenue of RMB1,226.37 million, representing a year-on-year increase of 4.80%. With the enhancement of service capacity in emerging business, certain business segments achieved breakthroughs in overseas orders.

During the Reporting Period, the Company's revenue by countries or regions where our customer operates was as follows:

	2024 RMB'000	Proportion	2023 RMB'000	Proportion	Change ratio %
Domestic (China)	**1,512,353**	**26.05%**	1,431,182	18.39%	5.67
Foreign countries (including North America, Europe, and Asia Pacific except China)	**4,284,749**	**73.82%**	6,344,162	81.53%	(32.46)
Total revenue from principal business	**5,797,102**	**99.87%**	7,775,344	99.92%	(25.44)
Domestic revenue from other businesses	**7,555**	**0.13%**	6,092	0.08%	24.02
Total revenue	**5,804,657**	**100.00%**	7,781,436	100.00%	(25.40)

Our revenue in domestic (China) market from principal business increased by 5.67% compared with the same period last year. Our revenue in foreign countries (including North America, Europe and Pan-Asia ex China) reached RMB4,284.75 million in 2024, representing a decrease of 32.46% from the same period of 2023, or a year-on-year increase of 9.20% after excluding large orders. The Group is prioritizing market development, and its market business has shown positive progress. During the Reporting Period, revenue from American customers amounted to RMB3,370.91 million, and if the large orders are excluded, the other revenue represented a year-on-year increase of 18.41%; revenue from Asia Pacific (except China) customers amounted to RMB178.37 million, representing a year-on-year decrease of 74.93% due to the macroeconomics and currency volatility; revenue from European customers amounted to RMB735.46 million, representing a year-on-year increase of 101.33%.

ii. Cost of Sales and Services

Our costs of sales and services include costs of raw materials, direct personnel costs, manufacturing expenses and other related expenditures. Raw materials costs cover direct and indirect materials required for production. Manufacturing expenses include depreciation of plant and equipment, energy costs, testing and release expenses, among others. The category of "Others" includes transportation and insurance costs directly linked to sales, as well as associated taxes and fees. In 2024, our cost of sales and services was RMB3,422.95 million, representing a decrease of 10.44% from 2023, primarily attribute to revenue decline compared to the same period last year.

During the Reporting Period, the Company's cost by revenue type was as follows:

	2024 RMB'000	2023 RMB'000	Change ratio %
Commercial stage CDMO solutions	1,350,899	2,041,368	(33.82)
Clinical and pre-clinical stage CDMO solutions	1,099,403	893,098	23.10
Emerging business	966,663	881,727	9.63
Total cost of principal business	3,416,965	3,816,193	(10.46)
Other business costs	5,982	5,607	6.69
Total operating cost	3,422,947	3,821,800	(10.44)

iii. Gross Profit and Gross Profit Margin

During the Reporting Period, the Company's gross profit margin of principal business by product categories was as follows:

	2024 %	2023 %	Change %
Commercial stage CDMO solutions	51.82	60.03	(8.21)
Clinical and pre-clinical stage CDMO solutions	37.77	40.37	(2.60)
Emerging business	21.18	24.65	(3.47)
Total gross profit margin of principal business	41.06	50.92	(9.86)

During the Reporting Period, the Group's revenue of principal business decreased by 25.44% and the cost decreased by 10.46%, leading to the decrease of principal business gross profit margin by 9.86 percentage points compared with the same period last year. This was mainly attributed to the conclusion of the large orders. Excluding large orders, gross profit margin of the Company in 2024 decreased slightly by 1.68 percentage points compared with the same period last year.

The overall revenue gross profit margin for our Company was 41.06% in 2024. Similarly, the gross profit margin for small molecule CDMO clinical projects stood at 37.77%, reflecting an increase of 2.60 percentage points compared to last year, while the gross profit margin for small molecule CDMO commercialized projects stood at 51.82%, reflecting a decrease of 8.21 percentage points compared to last year.

During the Reporting Period, the Company's gross profit margin of principal business by countries or regions where our customer operates was as follows:

	2024 %	2023 %	Change %
Domestic (China)	19.90	22.50	(2.60)
Foreign countries (including North America, Europe, and Asia Pacific except China)	48.52	57.33	(8.81)
Total gross profit margin of principal business	41.06	50.92	(9.86)

Notes:

(1) Our gross profit margin of principal business from domestic (China) in 2024 was 19.90%, which decreased by 2.60 percentage points compared with the same period last year.

(2) Our gross profit margin of principal business from foreign countries (including North America, Europe and Pan-Asia ex China) in 2024 was 48.52%, with a decrease of 8.81 percentage points compared to the same period last year, mainly due to the conclusion of large orders.

iv. Other Income and Gains

The increase in other income and gains from RMB409.85 million in 2023 to RMB480.72 million in 2024 was primarily attributed to the increase in exchange gain and interest income.

v. Selling and Marketing Expenses

In 2024, our sales expenses were RMB243.39 million, demonstrating an increase of 23.91% from the same period last year, mainly due to the increase in the number of sales staff of the Group in the current period compared to the same period last year, as the Group expanded in size. This year, the Company actively cultivated overseas markets and customers, while expanding emerging business sectors, and enhancing domestic and foreign promotional and publicity efforts. Our overall sales activities increased compared with the same period last year.

vi. Administrative Expenses

Our administrative expenses in 2024 were RMB861.42 million, which increased by 5.11% compared with RMB819.58 million for the same period last year.

vii. R&D Expenses

Our R&D expenses amounted to RMB614.49 million in 2024, decreasing by 13.19% compared with the same period last year. The decrease is primarily attributed to the decrease in revenue, but the proportion of R&D investment to revenue increased from 9.10% in 2023 to 10.59% in 2024.

viii. Impairment Loss on financial and contract assets

The Group recorded an impairment provision for credit losses on financial assets measured and recognized using the expected credit loss approach. In 2024, the reversal of our impairment losses amounted to approximately RMB11.67 million, compared with the recognition amounted to RMB9.90 million in 2023, mainly attributed to the decrease in trade receivables.

ix. Finance Costs

Our finance costs primarily consist of interest expenses on bank borrowings and interest expenses on lease liabilities. In 2024, our finance costs totaled RMB9.51 million, increasing by 60.77% compared with RMB5.91 million for the same period last year. The increase was mainly attributed to the recognition of newly added right-of-use assets this year.

x. Income Tax Expense

Our income tax expense amounted to RMB136.63 million in 2024, reflecting a decrease of 55.40%. This reduction aligns with the Group's profit decline trend and is primarily attributed to the decrease in revenue.

xi. Net Profit and Net Profit Margin

Our net profit decreased by 58.43% from RMB2,250.82 million in 2023 to RMB935.76 million in 2024. In 2024, the net profit attributable to shareholders of the listed company amounted to RMB948.95 million, representing a decrease of 58.17% as compared with RMB2,268.81 million in 2023. In 2024, the net profit margin attributable to shareholders of the listed company was 16.35%, representing a decrease of 12.81 percentage points as compared with 29.16% for 2023.

xii. Basic and Diluted Earnings per Share

Our basic earnings per share decreased from RMB6.26 in 2023 to RMB2.69 in 2024. Our diluted earnings per share decreased from RMB6.26 in 2023 to RMB2.69 in 2024. The decrease in basic and diluted earnings per share was mainly due to the decrease in net profit.

xiii. Liquidity and Financial Resources/Cash and Bank Balances

During the Reporting Period, the Group's operations and investments were supported by our internal resources. The cash and bank balances of the Group, mainly denominated in RMB, as at 31 December 2024 decreased by RMB1,320.58 million or 18.57% from 31 December 2023, mainly due to the cash outflow used for share repurchase in 2024. We believe the Group has sufficient liquidity to meet the requirements of its daily liquidity management and capital expenditure, and to control internal operating cash flows.

As of 31 December 2024, we had bank borrowings of RMB0.00 million (as at 31 December 2023: approximately RMB12.23 million).

xiv. Analysis of Assets and Liabilities

	2024 RMB'000	2023 RMB'000	Change ratio %	Reason
Current Assets				
Inventories	**1,193,346**	945,347	26.23	Primarily due to the fluctuations resulting from continuous delivery of orders.
Trade receivables	**1,836,887**	2,010,989	(8.66)	As a result of the recovery of accounts receivable.
Prepayments, deposits and other receivables	**586,795**	296,573	97.86	Primarily attributed to the due date of time deposits.
Non-Current Assets				
Property, Plant and Equipment	**5,939,832**	5,366,081	10.69	Primarily resulting from the construction of research and development equipment and plant infrastructure for operation.
Deferred tax assets	**248,353**	213,215	16.48	Primarily attributed to the increase in deferred tax assets recognized for deductible losses.
Prepayments, deposits and other receivables	**482,409**	688,479	(29.93)	Primarily attributed to the due date of time deposits.
Current Liabilities				
Other payables and accruals	**1,166,097**	1,275,184	(8.55)	Primarily to the the decrease in the liability for restricted Share repurchase.
Tax Payable	**50,177**	31,235	60.64	Primarily due to the time difference of advance tax payment.
Interest-bearing bank and other borrowings	**–**	12,228	(100.00)	There were no interest-bearing bank borrowings which are recognized by notes receivable discounted with recourses as at the end of the year.
Non-Current Liabilities				
Deferred income	**298,622**	232,599	28.38	Including grants received during the Reporting Period.
Deferred tax liabilities	**134,703**	117,292	14.84	Mainly recorded in respect of taxable temporary differences existing in the accelerated depreciation of fixed assets.

xv. Investment Analysis & Income Analysis of Long-term Equity Investment Under Equity Method

Financial assets at fair value through profit or loss (current portion and non-current portion)

Financial assets at fair value through profit or loss mainly consisted of short-term and low-risk wealth management products purchased from banks and investment in Sany Zhongzhi (Tianjin) Venture Capital Center (L.P.) and Sany Zhongzhi Phase II (Tianjin) Venture Capital Center (L.P.). The Group's financial assets at fair value through profit or loss among current and non-current assets decreased from RMB2,036.26 million as of 31 December 2023 to RMB1,697.57 million as of 31 December 2024, mainly due to the decrease in the purchase of short-term and low-risk wealth management products from the banks.

Income from long-term equity investment under equity method

During the Reporting Period, the income from long-term equity investment under equity method amounted to RMB24.86 million, compared with the loss of RMB2.17 million in 2023. This increase was mainly driven by the changes in net assets of Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("**Haihe Asymchem Fund**") (天津海河凱萊英生物醫藥產業創新投資基金(有限合夥)), in which the Group has invested, multiplied by the Group's shareholding ratio during the Reporting Period.

The Group's major joint venture, Haihe Asymchem Fund, primarily invests in the commercialization projects of the innovative field of biological medicine in the clinical stage. It is accounted for using the equity method and is strategically important to the Group's operations. The Group's other joint venture, Yugen Medtech, serves as a platform for scientific research CRO technology services, integrating innovative drug druggability research, pre-clinical and clinical stage systematic evaluation and registration services. It is also accounted for using the equity method and is strategically significant to the Group's operations. The Group's joint venture, Tianjin Haihe Asymchem Medical and Health Industry Investment Fund Partnership Enterprise (Limited Partnership) ("**Haihe Asymchem Medical and Health Fund**") (天津海河凱萊英醫療健康產業投資基金合夥企業(有限合夥)), primarily invests in the innovative biopharmaceutical industry. It is accounted for using the equity method and is strategically important to the Group's operations.

xvi. Goodwill

Goodwill with net carrying amount of approximately RMB146.18 million as at 31 December 2024, (as at 31 December 2023: approximately RMB146.18 million) is acquired through the Group's acquisition of Tianjin GoalGen Biotechnology Co., Ltd. and Beijing Improve-Quality Technology Co., Ltd. Management of the Group performed impairment reviews of goodwill annually or more frequently if events or changes in circumstances indicated a potential impairment. The recoverable amounts of the cash-generating units to which the goodwill relates were determined based on the value in use. These calculations required the use of estimates and professional judgements, and the management of the Group involved an external valuer in these calculations. The Group has conducted impairment assessment on goodwill and no signs of impairment have been found.

xvii. Pledge of Assets

As at 31 December 2024, the net book value of buildings, land and equipment pledged by the Group was nil (as at 31 December 2023: nil), and the pledged deposits amounted to approximately RMB61.67 million (as at 31 December 2023: approximately RMB8.96 million).

xviii. Funding and Treasury Policies

The Group's finance department is responsible for the funding and treasury policies with regard to the overall business operation of the Group. The Company expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates. The Group continues to seek improvements in the return on equity and assets while maintaining prudent funding and treasury policies.

xix. Capital Expenditure

During the Reporting Period, the Group's capital expenditure on property, plant and equipment, land use rights and other intangible assets amounted to approximately RMB1,130.01 million (In 2023: approximately RMB1,241.61 million).

xx. Capital Commitments

As at 31 December 2024, the Group had capital commitments of approximately RMB414.68 million (as at 31 December 2023: approximately RMB552.01 million), all of which were used for the purchase of property, plant and equipment.

xxi. Contingent Liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities and guarantees that would have a material impact on the financial position or operations of the Group.

xxii. Subsequent Events

Please refer to the paragraph "REPORT OF THE BOARD OF DIRECTORS – Significant Events After the Year Ended 31 December 2024" of this annual report for the details.

xxiii. Gearing Ratio

As at 31 December 2024, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 12.58% (as at 31 December 2023: 11.42%).

xxiv. Adjusted Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group has provided adjusted net profit attributable to shareholders of the parent and other data as additional financial measures, which are not required by or presented in accordance with IFRS. The Group believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends. The Group's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's core business.

These non-IFRS financial measures, which the Group's management considers widely accepted and adopted in the industry, are provided to supplement the financial information prepared in accordance with IFRS. It is important to note that the presentation of these non-IFRS financial measures is not intended to be viewed in isolation or as a replacement for the IFRS-compliant financial information. Shareholders of the Group and potential investors should not solely rely on the adjusted results but should consider them in conjunction with the results reported under IFRS. Furthermore, these non-IFRS financial measures may not be directly comparable to similar measures used by other companies in the industry.

Additional data is provided below to reconcile adjusted net profit attributable to shareholders of the parent and adjusted net profit margin attributable to shareholders of the parent.

	2024 RMB'000 (except percentage)	2023 RMB'000 (except percentage)
Net profit attributable to the shareholders of the listed companies	**948,950**	2,268,811
Add: equity incentive amortization expense	**15,414**	53,912
Gain or loss on exchange rate fluctuations	**(142,267)**	(14,762)
Income tax effect	**(19,028)**	(5,872)
Adjusted net profit attributable to shareholders of the listed company	**803,069**	2,302,089
Adjusted net profit margin attributable to shareholders of the listed company	**13.83%**	29.60%

Notes:

In order to better reflect the key results of the Group's current business and operations, the adjusted net profit is based on the net profit attributable to shareholders of the parent, and adjusted for the following matters:

(1) share-based compensation expense;

(2) foreign exchange gains or losses, primarily generated from revaluation of the assets and liabilities denominated in foreign currencies and the fair value change of foreign currency forward contracts, which the management believes is irrelevant to the Group's core business;

(3) the calculation of the adjusted net profit margin attributable to shareholders of the parent is based on the above net profit attributable to shareholders of the parent.

xxv. Foreign Exchange Risk

The majority of our revenues are derived from sales denominated in USD, while most of our service and operating costs and expenses are denominated in Renminbi, and our financial data is presented in Renminbi. Consequently, when the Renminbi strengthens against the USD, our margins come under pressure, potentially limiting our ability to price our service contracts, especially those with our U.S. customers, in currencies other than the USD.

The Group managed the foreign exchange risk by conducting regular reviews of the Group's net foreign exchange exposures and would consider the use of foreign exchange contracts to mitigate foreign exchange risk.

xxvi. Cash Flows

During the Reporting Period, the Group's net cash flows operating activities amounted to RMB1,254.34 million, representing a decrease of RMB2,295.39 million as compared to the Corresponding Period of last year, mainly due to the decrease in our revenue and profit in 2024.

During the Reporting Period, the Group's net cash flows used in investing activities amounted to RMB1,184.33 million, representing a decrease of RMB1,506.90 million as compared to the Corresponding Period of last year. The decrease was mainly due to the decrease in the purchase amount and frequency of wealth management products during the Reporting Period.

During the Reporting Period, the Group's net cash flows used in financing activities amounted to RMB1,928.19 million, as compared to RMB542.03 million for the net cash flows from financing activities of the Corresponding Period of last year. The change was mainly due to the cash outflow for share repurchase in 2024.

xxvii. Capital Structure

Total equity attributable to Shareholders amounted to approximately RMB16,862.57 million as at 31 December 2024, as compared to approximately RMB17,509.98 million as at 31 December 2023.

III. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any significant acquisition or disposal of subsidiaries, associates and joint ventures of the Company. As of 31 December 2024, the Group didn't hold any investment (including any investment in an investee company with a value of 5 percent or more of the Group's total assets as of 31 December 2024).

IV. EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2024, the Group had 9,595 employees (including senior management and excluding intern, individuals with disabilities and rehired retirees, etc.), whose salaries and allowances were determined based on their performance, experience and the prevailing market remuneration. We have invested in continuing education and training programs for all employees, which encompass a leadership development program and a structured three-stage training program consisting of orientation training, probation period basic skills training and on-the-job training skills enhancement training. In response to multiple business demands, we have also tailor-made specific personnel training programs for targeted departments. These initiatives form a dedicated talent development framework aimed at cultivating specific talents within our management team and other employees to continuously elevate their skills and knowledge.

The Company is dedicated to developing a comprehensive and market-competitive compensation system for all employees, with a particular focus on key positions. We have established a multi-dimensional compensation structure comprising fixed salaries, performance-based bonuses, diverse welfare benefits and long-term incentives. We have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident funds, while providing diversified cash and non-cash benefits, such as supplementary commercial insurance, annual health check-ups and holiday benefits for our employees.

The Company has also adopted the 2020 Restricted A Share Incentive Scheme and 2022 Employee Share Ownership Plan. For further details, please refer to the section headed "—A Share Incentive Schemes" and "—Employee Share Ownership Plan" in this annual report.

During the Reporting Period, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

V. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of the date of this annual report, the Company did not have any existing plan for material investments or acquisition of capital assets.

VI. OUTLOOK AND PROSPECT

i. Core Advantages

Asymchem is a leading, technology-driven CDMO providing comprehensive solutions and services throughout the drug development and manufacturing process. Our Company's industry experience covers more than two decades in small molecule drug development and manufacturing and has become an integral part of the global value chain for innovative drugs. With extensive know-how and advanced technologies, the Company has collaborated with diversified largest global pharmaceutical companies and has become the leading small molecule CDMO in China.

Drawing on our extensive industry knowledge, well-established R&D platforms, manufacturing capabilities, and stellar reputation with customers, we have enhanced our CDMO offerings to encompass cutting-edge drug modalities. These include peptides, oligonucleotides, monoclonal antibodies ("mAbs") and antibody-drug conjugates ("**ADCs**"). Furthermore, we have expanded our service portfolio to encompass chemical macromolecule CDMO solutions, drug product solutions, biosynthesis solutions, and clinical CRO solutions, collectively referred to as our Emerging Services. Our vision is to become a reliable partner for the global pharmaceutical industry providing superior one-stop CDMO services and solutions throughout the full lifecycle of drugs from their development to commercialization.

Leveraging our management team's global vision, intensive strategy, and local expertise, Asymchem is well positioned to capture the growing trend of global CDMO outsourcing to China, with its technological leadership and extensive know-how, established long-term relationships with global leading biopharma/biotech companies, as well as service capability expansion into new modalities and service types. During the past years for the outbreak of public healthcare emergency, the recent commercial contracts with a leading global pharma company have further validated our leading services and delivery capabilities, resulting in elevating the Company to the next level.

- **We have continued to develop as a technology driven CDMO providing comprehensive solutions with strong revenue growth performance of the flagship services through our small molecule and emerging business services.** Asymchem has amassed decades of experience and solidified its position in the small molecule business. Our collaborations with international multinational pharmaceutical companies have grown stronger. The gradual resumption of international business travel enables more clients to witness our capabilities firsthand, while an increasing number of advanced projects, including APIs verification initiatives, are successfully being implemented. We have effectively addressed external apprehensions regarding the partnerships between multinational pharmaceutical firms and Asymchem through tangible outcomes. Moreover, the enhancement of research and development production efficiency for small molecules, driven by collective efforts, coupled with ongoing cost reductions, ensures our sustained competitiveness. Serving as the foundational business of Asymchem, the prospects for small molecule CDMO remain promising with ample space for further growth.

  We strive to further advance our market leadership in the small molecule CDMO market through our established reputation, advanced R&D platforms, robust manufacturing capabilities and high-quality customer services to diversified multinational pharmaceutical companies and leading biotechnology companies across different jurisdictions. Derived from the six business lines of the emerging services segment, we spotted on peptide and oligonucleotide in chemical macromolecules, captured the blooming of biological macromolecules through integration service of ADC, various conjugated drugs, and payload linkers, and advanced the export of continuous flow technology and synthetic biology technology. The two flagship technologies have evolved from individual components into full-fledged technological platforms. We can now offer external technology output, enabling partners from diverse fields to leverage our cutting-edge technological achievements to address their own pain points, leading to notable enhancements in efficiency and safety while significantly reducing costs. By leveraging the deep industry insights, we will continue to push forward the three business lines as the priorities among emerging services, which we believe will drive the diauxic growth curve of the Company through the number of blockbuster drugs and several drug candidates of our other innovative projects which hold great promise to become blockbuster drugs in the future.

- **We have laid the groundwork for revenue growth and a broad project funnel through strong customer retention and expanding customer base.** Our Company has successfully retained its top global pharma companies' client base, which are favorable diversified multinational pharmaceutical companies, through a cooperative relationship of more than ten consecutive years which demonstrate very strong customer loyalty. We have established partnerships with 16 out of the top 20 global pharmaceutical companies and have been providing continuous service to 8 of these companies for over a decade. Besides large pharmaceutical clients, our Company is also gaining traction in small to midsize pharmaceutical companies and leading biotechnology companies by upholding a customer-centric business philosophy. The robust and expanding customer base enables us to maintain an extensive pipeline of projects at various stages, creating a broad funnel to sustain a steady stream of small molecules business segments and increment of emerging services. Our commercial stage projects and later stage clinical project continue to increase, which substantially improved the stability and predictability of our revenue growth.

- **We have continued to focus on advancing and evolving eight R&D platforms for technology leadership based on our customer-focused innovation root.** With a strategic emphasis on the "development" component of CDMO, our Company has been focusing on developing a top-tier technology platform and is among the CDMO companies that contribute the most to R&D per Frost & Sullivan Analysis. Our Company was one of the earliest CDMOs to apply continuous flow technology in drug production and is also one of the few that can apply the technology at the ton-level instead of gram-level, leading to simplified procedures, reduced processing duration and raw material costs, improved yield and safety, and ultimately delivered cost efficiency for clients. As of the end of 2024, certain numbers of the middle and later stage clinical projects and commercial stage projects of the Company applied key technologies for green pharmaceuticals, including but not limited to continuous flow technology and synthetic biology technology, generating favorable economic benefits and efficiency. CBTI enhanced internal R&D, strengthened forward-looking capabilities, and streamlined process development. This continued focus on R&D has enabled Asymchem to maintain its competitive edge and technology leadership in small molecule CDMO sector while advancing the development of emerging businesses. Meanwhile, promoting the export of green technologies i.e. continuous flow technology and synthetic biology technology to external clients allows Asymchem to enhance the industrial image, drive industrial trends, and elevate to a higher level of revenue streams through technologies rather than customized manufacturing.

- **We have enriched our first-class operational and quality management capabilities meeting the stringent requirements of clients and global industry standards and have built a decent industry reputation.** Our extensive technical know-how in process development makes us a preferred choice for large customers. We can expediently solve a variety of complex process challenges in the scale-up production of innovative drugs, accelerating the clinical development process and providing high-quality enhancement of yield and stable production during the commercial stage. Based on years of large-scale manufacturing experience, we have established a comprehensive, rigorous Current Good Manufacture Practices ("**cGMP**") quality system and a first-class environmental, health, and safety ("**EHS**") and quality assurance ("**QA**") system. In the past, we have an outstanding track record of ESH and EA system compliance and further extensive improvement and development on the rapid upgrading of supplier requirements from several clients i.e. multiple pharmaceutical companies through their individual ESG standards.

- **We have further enhanced our fully integrated platform from different aspects including talent introduction and capacity expansion.** In 2024, while keeping cost-effective and cost-efficient as one of our core principles, we continuously strengthened talent recruitment and cultivation, and constantly improved the employment mechanisms, accelerating the embracing talents including key technical personnel in emerging business segments and senior executive talents with professional working backgrounds and extensive experience in overseas pharmaceutical companies. In addition, we accelerated the construction of multiple production capacity expansion projects, including but not limited to the peptide commercial production, achieving a commercialized solid-phase synthesis capacity exceeding 20,000L to meet the growing demand for peptide production, prioritized the development of the exclusive production workshop for multiple pilot-to-commercialization production lines for oligonucleotide, initiated commercial production capacity renovation and expansion in biological macromolecules CDMO business. As of 31 December 2024, we had multiple manufacturing sites and branches/offices across China, the United States, the United Kingdom, and Japan.

- **We have maintained a stable, visionary, experienced senior executive management team who have long-term industry and operation experience with a sophisticated corporate governance sense, supported by talented and dedicated employees.** Our Company is led by the founder, Chairperson, and CEO Dr. Hao Hong and a group of senior executives with an average of more than 20 years of profound experience in their respective fields. The management team is also very stable with multiple members joined during the early days of the Company and several others who have been at the Company for over 10 years. Combined with the diversified talent pool and employees with a global vision, advanced technical knowledge, sturdy execution capabilities, and a strong sense of ownership, it is likely to continue driving the Company's growth.

- **We have maintained a healthy financial position with a long-term cash runway which provides flexibility for further development and overseas expansion.** After the completion of the global offering of the Company, having been successfully dual listed on the Main Board of the Hong Kong Stock Exchange, we have more than RMB5.79 billion cash and cash equivalents on hand. Our healthy financial positions and consistently efficient capital allocation provide us with flexibility on the long-term strategy i.e. rolling out our global footprint through overseas capacities, dual stock markets employees share schemes, and share buyback, etc.

ii. Long-term Development Strategy

We aim to build and solidify Asymchem as a premium global CDMO brand and establish an advanced manufacturing technology platform by executing the following long-term strategies:

Continue to invest in R&D and reinforce the "technology-driven" efforts

As a current global provider of CDMO solutions integrated within an innovative technological framework, our Company is dedicated to driving technological innovation and global pharmaceutical process commercialization. We have embraced a business development philosophy centered on "international standards, industrial advantages, technology-driven, and environmental sustainability." Technological innovation has always been the cornerstone of our operations, and we have successfully developed several internationally recognized patented technologies applied in commercial manufacturing, establishing ourselves as a respected leader in outsourced integrated pharmaceutical services. Ultimately, we aim to accumulate advanced technologies and establish an advanced manufacturing technology platform.

Continue to strengthen our service capabilities and advance our leadership position for small molecule CDMO solutions

We will continue to optimize and upgrade our backbone – small molecule CDMO solutions to maintain and advance our leadership position. Pressing demand from pharmaceutical and biotechnology companies to improve R&D efficiency, accelerate commercial launch and enhance product competitiveness continue to increase their reliance on outsourcing to comprehensive CDMO platforms. In the highly fragmented small molecule CDMO industry, we believe that companies that possess competitive strengths in technology, operational and cost efficiency and can seamlessly meet customer demand will set themselves apart from competitors and acquire a larger market share. To capture the massive opportunity for consolidation, we will continue to strengthen our process development capabilities and develop leading technical expertise and industry know-how.

Deepen our relationship with existing customers and broaden our customer base globally

We firmly believe in proactive preparation, calculated risk-taking, and leveraging our accumulated strengths for rapid growth. Our ongoing efforts are focused not only on exploring cutting-edge technologies, effectively implementing them in large-scale production, improving target management approaches for research and production, but also on continually enhancing customer cooperation. Additionally, we are actively expanding our market presence among small and medium-sized innovative drug companies through various channels, while optimizing our operational management system to better align with their unique characteristics, aiming to broaden the scope of our services.

Accelerate our expansion into new drug modalities and emerging businesses

Drawing on the competitive strengths of our small molecule CDMO business, we are proactively diversifying into fields such as chemical macromolecules, drug product services, continuous flow technology export, synthetic biology, clinical research services and biological macromolecule CDMO. These strategic imperatives not only cultivate fresh avenues for growth but also play a pivotal role in shaping a fully integrated closed-loop industrial chain.

Enrich our service offerings & capacities and expand our global footprint

To grow our customer base and broaden our service capabilities, we intend to actively pursue investments that can enrich our service offerings and expand our global footprint. We have set strategic overseas capacity expansion as a key strategy in our next stage of development. This involves enhancing collaboration with customers, particularly in the commercial production of APIs for multinational corporations and addressing potential risks and concerns through self-construction and acquisitions to drive the development and expansion of overseas production capacity.

Continue to attract, retain and incentivize talent

Our dedicated talent base is crucial to our ability to provide consistent high-quality services to customers. We will continue to attract, retain, and incentivize qualified employees to fulfill our vision and capture the growth opportunities in the global pharmaceutical industry. We have implemented a tailored talent strategy for each of our key business segments. We have established internal training programs to equip our employees with the latest technology advancements, industry know-how and regulatory developments. We will continue to implement a "hire well, manage little" code and inspire our employees to develop a strong sense of ownership. In addition, we will motivate and retain our high-quality talent base by offering them opportunities to work on industry-defining and landmark projects, and by offering competitive compensation and compelling career development opportunities.

iii. 2025 Strategy Highlights

In 2025, despite the complex and volatile international landscape and the slow recovery of financing for small and medium-sized pharmaceutical companies both domestically and abroad, Artificial Intelligence ("**AI**") technology has accelerated the development of innovative drugs, bringing new opportunities and challenges to domestic CDMO companies, including Asymchem. After the conclusion of large orders, the Company has effectively managed the increase in resources caused by these orders. Following years of rapid growth, the Company now faces an urgent need to upgrade its management system to drive cost reduction and efficiency improvements. At the same time, the Company must expedite the expansion of overseas production capacity and deepen cooperation with overseas clients, especially multinational pharmaceutical companies. Although challenges persist, the industry as a whole has gradually emerged from its most difficult period. The mark has been significantly boosted by the growth potential of GLP-1 drugs, and the ongoing activity of drug categories such as ADC and small nucleic acids has also brought fresh opportunities to the industry. Moreover, the trend of specialized division of labor in the global pharmaceutical industry remains unchanged. In the face of both challenges and opportunities, the Company will focus on the following key initiatives in 2025.

Accelerating Overseas Expansion: Expanding global footprint in production capacities

As a leading Chinese CDMO company that was originally established in the United States early on and later built its own production capacities upon returning to China, Asymchem has been seeking suitable production capacities or bases outside of China in previous years to maintain robust production support. In 2024, we successfully obtained our first R&D and pilot production base in Europe. In 2025, we aim to acquire commercial production capacity of chemical small molecules and large molecules' APIs in Europe, or by investing in building our own for self-construction, to strengthen overseas laboratories and commercial production bases. This will expand our advantageous business areas, extend our service radius, and deepen cooperation with overseas customers, especially multinational pharmaceutical companies. Meanwhile, we will expedite the Boston R&D center to drive the expansion of American Biotech clients. We anticipate utilizing this as a lever to broaden our service areas and customer base, further attract domestic and international orders, continuously penetrate into the international market, accelerate our global footprint, and thereby further ensure future growth certainty and increase order visibility.

Optimizing Profitability: Reinforcing backbone business and overall operation

Adhering to years of leading professional accumulation and profound experience in the small molecule CDMO industry, Asymchem will i) consistently prioritize to steadily increase the gross profit margin of small molecule CDMO business, strictly control production costs by improving efficiency and management optimization, further reduce raw material costs through technological research and development; ii) under the premise of prioritizing development, reasonably control the various costs of emerging businesses, especially the growth of fixed costs; iii) rigorously control unnecessary administrative expenses to optimize the overall profitability of the company.

Building Capability: Advancing emerging services offerings

We will vigorously accelerate the development of Emerging Services, striving to significantly enhance delivery capability and swiftly expand overseas markets. We will i) enhance management and operational systems, allocate resources synergistically, focus on delivering emerging business projects and capability building; ii) expedite the rapid establishment of commercial production capacity for small nucleic acids, peptides, and ADCs, and achieve further breakthroughs in commercial project undertakings; iii) leverage recent technological accumulation and performance records, synergize with the Company's accumulated customer resources and reputation, accelerate the exploration of overseas markets for emerging businesses; iv) further enhance the design and manufacturing of continuous flow reaction equipment, vigorously promote the application of continuous flow technology in multiple fields and strengthen the cooperation model with clients for the output of continuous flow reaction technology.

Technology Driven: Strengthen R&D platform capabilities

We will i) maintain a substantial commitment to research and development investment, establish an iteratively evolving research and development platform, create cross-department collaboration models for processes, engineering, and equipment, fortify process synthesis route design and optimization using state-of-the-art research and development methodologies to facilitate order fulfillment; ii) continually bolster the development of synthetic biology technology platforms, advocate for the integration of these platforms across different sectors, and cultivate manufacturing capabilities for synthetic biology products; iii) prioritize research and application in intelligent technology, digital platform construction, etc., leveraging advanced control methods to drive the advancement of intelligent manufacturing technology and the implementation of intelligent production in factories.

Operational Excellence: Enhancing Efficiency and Cost-effectiveness through System Upgrades

Looking back over the past decade, Asymchem has been able to seize opportunities every few years, undertaking and seamlessly completing high-quality orders with substantial amounts. The conclusion of large orders and the rapid development of AI in the healthcare industry present both new challenges and opportunities for the Company. We will consistently enhance the organizational and procedural development of operational management systems to drive continuous improvements in management efficiency. Additionally, we will reinforce the cultivation of corporate culture, emphasizing a people-centric approach to recruitment, further developing management talent, refining incentive structures, enhancing productivity, fostering unity, and boosting overall staff effectiveness. Additionally, we will retain a focus on excelling in the implementation of management digitization and digital transformation.

iv. Potential Risk Factors and Solutions

The Company is a global industry-leading CDMO enterprise, specializing in the technological innovation and commercialization of global pharmaceutical processes. It also serves as a one-stop provider of drug development and manufacturing services for large and medium-sized pharmaceutical and biotechnology companies both domestically and internationally. Potential risks that the company may encounter include issues related to the withdrawal or large-scale recall of major innovative drugs, operational challenges during clinical project stages, life cycle turnover, lower than anticipated market sales of key innovative drugs, failure to pass ongoing review by international drug regulatory authorities, loss of essential technical personnel, environmental protection and safety in production, as well as international trade disputes and exchange rate fluctuations.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. DIRECTORS

The Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth information about our Directors.

Name	Age	Position	Date of first appointment
Executive Directors			
Dr. Hao Hong	69	Founder, Chairperson of the Board, Executive Director and Chief Executive Officer	Appointed as the Chairperson of the Board and the General Manager on 18 July 2011 and re-designated as Chief Executive Officer on 19 January 2022
Ms. Yang Rui (楊蕊)	48	Executive Director and Co-Chief Executive Officer	Appointed as a Director and a Deputy General Manager on 18 July 2011 and as a Co-chief Executive Officer on 19 January 2022
Mr. Zhang Da (張達)	44	Executive Director, Chief Financial Officer and Chief Operating Officer	Appointed as the Chief Financial Officer on 7 August 2018, as a Deputy General Manager on 4 April 2019, as a Director on 18 April 2019, re-designated as Chief Financial Officer on 19 January 2022 and appointed as the Chief Operating Officer concurrently on 8 March 2024
Mr. Hong Liang (洪亮)	51	Executive Director and Executive Vice President	Appointed as a Director on 18 July 2011, as a Deputy General Manager on 31 October 2017 and re-designated as Executive Vice President on 19 January 2022
Non-executive Directors			
Dr. Ye Song	64	Non-executive Director	Appointed as a Director on 18 July 2011
Ms. Zhang Ting (張婷)	39	Non-executive Director	Appointed as a Director on 9 February 2021
Independent Non-executive Directors			
Dr. Sun Xuejiao (孫雪嬌)	42	Independent Non-executive Director	Appointed as an independent non-executive Director on 18 October 2023
Dr. Hou Xinyi (侯欣一)	65	Independent Non-executive Director	Appointed as an independent non-executive Director on 29 February 2024
Mr. Lee, Kar Chung Felix (李家聰)	43	Independent Non-executive Directors	Appointed as an independent non-executive Director on 16 June 2021

Note:

(1) Mr. Wang Qingsong has tendered his resignation as independent non-executive Director of the Company on 5 February 2024 with effective from 29 February 2024 due to his personal reasons to focus on other commitments.

Dr. Hao Hong, aged 69, is currently the Chairperson, the executive Director and the chief executive officer of the Company. Dr. Hao Hong is responsible for the formulation of the strategic direction, business plans and major operational decisions and direct day-to-day management of our brands, sales and daily operation of the Group.

Prior to founding Asymchem Laboratories, Incorporated ("**ALAB**"), a controlling Shareholder of the Company, in November 1995, Dr. Hao Hong has served at North Carolina State University (北卡州立大學) as a post-doctoral research associate and was mainly responsible for conducting scientific research. Dr. Hao Hong founded Chirachem Laboratories (Tianjin) Co., Ltd. (天津凱萊英精細有機化工有限公司, the predecessor of the Company) in October 1998 and was appointed as the Chairperson of the board and the general manager.

Dr. Hao Hong obtained a bachelor's degree of medicine from Sichuan Medical College (四川醫學院, currently known as West China Hospital of Sichuan University (四川大學華西醫院)) in March 1982 and a master's degree of medicine from the China Capital Medical University (中國首都醫科大學) in June 1985. He also obtained a doctorate degree of medicinal chemistry from the Chinese Academy of Medical Sciences (中國醫學科學院) in October 1988.

Dr. Hao Hong is the spouse of Dr. Ye Song (a non-executive Director), the uncle of Mr. Hong Liang (an executive Director and executive vice president).

Ms. Yang Rui (楊蕊), aged 48, is currently the executive Director and the co-chief executive officer of the Company. Ms. Yang Rui is responsible for the operational decisions and direct day-to-day management of the strategic emerging business segments of the Group.

Ms. Yang Rui joined the Company in April 1999 and successively served several managerial positions in the administration office, import and export department and accounting department, as a deputy general manager and as the executive deputy general manager. Ms. Yang Rui concurrently serves as a director or the Chairperson of the board of directors of several subsidiaries of the Company. Ms. Yang Rui has been serving as a director of Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Ms. Yang Rui obtained a bachelor's degree of engineering from Tianjin Institute of Light Industry (天津輕工業學院), currently known as Tianjin University of Science & Technology (天津科技大學)) in July 1999 and a master's degree of EMBA from Peking University in July 2013. She was selected into Tianjin New Entrepreneur Training Project (天津市新型企業家培養工程).

Mr. Zhang Da (張達), aged 44, is currently the executive Director, the chief financial officer and the chief operating officer of the Company. Mr. Zhang Da is responsible for our financial operation, financing and investment activities, and the operation management and business strategy of the Group.

Prior to joining the Company, Mr. Zhang Da joined China Securities Regulatory Commission ("**CSRC**") in July 2006 and served for 8 years. Mr. Zhang Da later served as a director, a deputy general manager and the secretary to the board in Beijing Youyuan Online Technology Company Limited (北京友緣在線網絡科技股份有限公司) from December 2014 to May 2018. He has been concurrently serving as an independent director of Hunan Nucien Pharmaceutical Co., Ltd. (湖南南新製藥股份有限公司) since April 2018 and a director of Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Mr. Zhang Da obtained a bachelor's degree of engineering from Tianjin University (天津大學) in June 2003 and a master's degree of economics from the Financial Research Institute of The People's Bank of China (中國人民銀行金融研究所) in October 2006.

Mr. Hong Liang (洪亮), aged 51, is currently the executive Director and the executive vice president of the Company. Mr. Hong Liang is responsible for the major operational decisions and direct day-to-day management of the Group.

Mr. Hong Liang joined the Group in October 1998 and successively served as the director of the production department and a deputy general manager of the engineering equipment department of the Company and a deputy general manager of the engineering equipment department, the general manager and the Chairperson of the board of directors of Asymchem Laboratories, a wholly-owned subsidiary of the Company. Mr. Hong Liang concurrently serves as a director or the general manager of several subsidiaries of the Company.

Mr. Hong Liang obtained an associate's degree of clinical medicine from Jilin Medical School (吉林醫學院) in July 1996.

Mr. Hong Liang is the nephew of Dr. Hao Hong, the founder, Chairperson of the Board, executive Director, and chief executive officer of the Company.

Dr. Ye Song, aged 64, is currently the non-executive Director of the Company. Dr. Ye Song is responsible for advising on our business plans, major decisions, and investment activities.

Dr. Ye Song joined ALAB, a controlling Shareholder of the Company, since it was founded in November 1995 and successively served as a deputy general manager, the general manager, a director and the chief financial officer of ALAB. Dr. Ye Song concurrently serves as a director and/or chief financial officer of several subsidiaries of the Company and has been serving as a director of Tianjin Qingya Tourism Information Consulting Co., Ltd. (天津青亞旅遊信息諮詢有限公司) since March 2017.

Dr. Ye Song obtained a bachelor's degree of science from Peking University in July 1983, a master's degree of science from Peking University in July 1986 and a PhD's degree from North Carolina State University in May 1999.

Dr. Ye Song is the spouse of Dr. Hao Hong, the founder, Chairperson of the Board, executive Director and chief executive officer of the Company.

Ms. Zhang Ting (張婷), aged 39, is currently the non-executive Director of the Company. Ms. Zhang Ting is responsible for advising on our business plans, major decisions and investment activities and is currently in charge of the Company's operation management office, PCO management, procurement management and other related matters within the Company.

Ms. Zhang Ting joined the group in March 2008 and successively served as a clerk and deputy director of the department of project management and the executive deputy general manager assistant of Asymchem Laboratories, a wholly-owned subsidiary of the Company. She then served as the head of the audit department, the executive deputy general assistant and deputy general manager of the operation management office. Ms. Zhang Ting concurrently serves as a supervisor of several subsidiaries of the Company. Ms. Zhang Ting obtained a bachelor's degree of science from Hubei University (湖北大學) in June 2008.

Dr. Sun Xuejiao (孫雪嬌), aged 42, a Chinese national with no overseas residence, was appointed as an independent non-executive Director on 18 October 2023 of the Company. Since January 2023, Dr. Sun Xuejiao has served as an independent director of Tianjin Bo'Aosi Biotechnology Co., Ltd. From July 2023, she has also been an independent director of Bohai Securities Co., Ltd.

Since July 2012, Dr. Sun Xuejiao has held various positions at the School of Accounting, Tianjin University of Finance and Economics, including assistant, lecturer, associate professor, and professor. Her main research focuses on corporate taxation and financial and accounting issues in capital markets. She has led multiple research projects supported by the National Natural Science Foundation of China, China Postdoctoral Science Foundation, and Tianjin Social Science Fund. She has also led a sub-project of the National Torch Program. She was selected as a second-tier innovative talent in Tianjin's 131 Innovative Talents Program and has received the third prize for excellent social science achievements in both Tianjin and Fujian provinces.

Dr. Sun Xuejiao obtained a Ph.D. in Accounting from Xiamen University and is a registered accountant in China (non-practicing member). From June 2013 to June 2016, she worked as a postdoctoral researcher at Tianjin Haitai Technology Investment Management Co., Ltd. She is currently a professor at the School of Accounting, Tianjin University of Finance and Economics.

Dr. Hou Xinyi (侯欣一), aged 65, born in 1960, is a member of the Chinese Peasants and Workers Democratic Party (中國農工民主黨), a juris doctor and a professor of law. He owns Chinese nationality with no right of abode abroad. From September 1983 to May 2000, he worked as a lecturer at Northwest University of Political Science and Law (西北政法大學). From May 2000 to September 2016, he served as a professor and doctoral advisor at the law school of Nankai University (南開大學). From September 2016 to February 2024, he served as a professor and doctoral advisor at the law school of Tianjin University of Finance and Economics (天津財經大學). Since February 2024, Dr. Hou has been a professor and doctoral advisor at the Shandong University School of Law (山東大學法學院).

Dr. Hou's main research direction is Chinese legal history. He has profound knowledge in the fields of traditional Chinese civil law, China's modern and contemporary judicial systems, and the legal history of the Communist Party of China. He had presided over and completed a number of projects such as the National Social Science Fund projects, the social science projects of the Ministry of Justice of the People's Republic of China (the "**PRC**") (中華人民共和國司法部), the social science projects of the Ministry of Education of the PRC (中國教育部), and the scientific research projects of the Supreme People's Court of the PRC (中國最高人民法院). He also published many individual academic works and dozens of academic papers, and won Tianjin Social Science Excellent Achievement Award (天津市社會科學優秀成果獎) and Teaching and Scientific Research Achievement Award from the Ministry of Justice (司法部教學科研成果獎) several times. From October 2013 to October 2023, he served as the executive Chairperson of the China Institute of Legal History (中國法律史學會). From 2007 to 2023, he served as the deputy Chairperson of the Committee of Tianjin Municipality of the Chinese Peasants and Workers Democratic Party (農工民主黨天津市委員會). From 2008 to 2018, he served as a member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Dr. Hou currently serves as a special prosecutor (特約檢察員) of the Supreme People's Procuratorate of the PRC (中國最高人民檢察院).

Since May 2020, Dr. Hou has been an independent director of Vcanbio Cell Gene Engineering Co., Ltd. (中源協和細胞基因工程股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600645. SH)). Since October 2022, Dr. Hou has been an independent director of Tianjin Troila Information Technology Co., Ltd. (天津卓朗信息科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600225.SH).

Mr. Lee, Kar Chung Felix (李家聰), aged 43, is currently an independent non-executive Director of the Company. Mr. Lee, Kar Chung Felix is responsible for supervising and providing independent judgement to the Board.

Mr. Lee, Kar Chung Felix is currently a senior vice president of Chow Tai Fook Enterprises Limited ("**CTFE**") with responsibilities in making investments in the healthcare sector in Asia and globally since September 2014 and a director of Healthcare Ventures Holdings Limited, a wholly owned subsidiary of CTFE. Mr. Lee is a non-executive director of UMP Healthcare Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 722) from November 2023 and served as its executive director from September 2014 to September 2023. Mr. Lee served as an independent non-executive director of China Resources Medical Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1515, formerly known as Phoenix Healthcare Group Co., Ltd.) from August 2015 to June 2023. Mr. Lee also worked at the ClouDr Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 9955) as a non-executive director from July 2022 to June 2024. He has approximately 20 years of experience in law and finance. He served as a solicitor with the law firm Freshfields Bruckhaus Deringer from January 2005 to February 2008, an analyst in the investment banking department of UBS AG, Hong Kong branch from March 2008 to January 2009. He then joined Deutsche Bank AG, Hong Kong branch and last held the position of director in the Corporate Finance Division, where he worked from January 2009 to August 2014.

Mr. Lee obtained a bachelor's degree of laws from the London School of Economics and Political Sciences and a postgraduate certificate in Laws from the University of Hong Kong in July 2003 and June 2004, respectively. He is a solicitor of the High Court of Hong Kong since September 2007 and a solicitor (non-practicing) in the Senior Courts of England and Wales since February 2013. Mr. Lee is also a Vice Chairperson of the China Committee, the Hong Kong General Chamber of Commerce.

II. SUPERVISORS

Our board of supervisors consists of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. The following table sets forth the information about our Supervisors.

Name	Age	Position	Date of first appointment
Ms. Zhi Xinxin (智欣欣)	44	Shareholder representative Supervisor and Chairperson of the Board of Supervisors	18 July 2011
Ms. Hou Jingyi (侯靖藝)	41	Employee representative Supervisor	24 January 2021
Ms. Di Shanshan (狄姍姍)	38	Shareholder representative Supervisor	31 October 2017

Ms. Zhi Xinxin (智欣欣), aged 44, is currently a shareholder representative Supervisor and the Chairperson of board of supervisors of the Company and is responsible for overseeing our operations and financial activities.

Ms. Zhi Xinxin joined the Group in July 2003 and successively served as a clerk of the comprehensive office and a deputy director of human resource department in Asymchem Laboratories, a wholly-owned subsidiary of the Company.

Ms. Zhi Xinxin obtained an associate's degree of arts in general studies from Southwest Missouri State University in July 2003.

Ms. Hou Jingyi (侯靖藝), aged 41, is currently an employee representative Supervisor of the Company and is responsible for overseeing our operations and financial activities.

Ms. Hou Jingyi joined the Group in July 2007 and successively served as a general manager assistant, a director of the comprehensive office and a director of human resources department in Asymchem Laboratories (Fuxin), a wholly-owned subsidiary of the Company, from July 2007 to November 2020 and a director of the comprehensive office and a director of human resources department in Jilin Asymchem Laboratories, a wholly-owned subsidiary of the Company, from June 2015 to November 2020. Ms. Hou Jingyi currently serves as a director of human resources department in Asymchem Laboratories, a wholly-owned subsidiary of the Company since November 2020.

Ms. Hou Jingyi obtained a bachelor's degree of engineering from Liaoning Petrochemical University (遼寧石油化工大學) in July 2007.

Ms. Di Shanshan (狄姍姍), aged 38, is currently a shareholder representative Supervisor of the Company and is responsible for overseeing our operations and financial activities.

Ms. Di Shanshan joined the Group in August 2012 and successively served as a clerk, a deputy manager and manager of the administration office of Asymchem Laboratories, a wholly-owned subsidiary of the Company.

Ms. Di Shanshan obtained a bachelor's degree of pharmaceutical engineering from Hebei University of Technology (河北工業大學) in July 2009 and a master's degree of pharmaceutical engineering from Sichuan University (四川大學) in June 2012.

III. SENIOR MANAGEMENT

The following table sets forth the information about our senior management.

Name	Age	Position	Date of first appointment
Dr. Hao Hong	69	Founder, Chairperson of the Board, Executive Director and Chief Executive Officer	Appointed as the Chairperson of the Board and the General Manager on 18 July 2011 and re-designated as Chief Executive Officer on 19 January 2022
Ms. Yang Rui (楊蕊)	48	Executive Director and Co-Chief Executive Officer	Appointed as a Director and a Deputy General Manager on 18 July 2011 and as a Co-Chief Executive Officer on 19 January 2022
Mr. Zhang Da (張達)	44	Executive Director, Chief Financial Officer and Chief Operating Officer	Appointed as the Chief Financial Officer on 7 August 2018, as a Deputy General Manager on 4 April 2019, as a Director on 18 April 2019, re-designated as Chief Financial Officer on 19 January 2022 and appointed as the Chief Operating Officer concurrently on 8 March 2024
Mr. Hong Liang (洪亮)	51	Executive Director and Executive Vice President	Appointed as a Director on 18 July 2011, as a Deputy General Manager on 31 October 2017 and re-designated as Executive Vice President on 19 January 2022
Mr. Chen Chaoyong (陳朝勇)	44	Executive Vice President	Appointed as a Deputy General Manager on 31 October 2017 and re-designated as Executive Vice President on 19 January 2022
Mr. Jiang Yingwei (姜英偉)	49	Executive Vice President	Appointed as a Deputy General Manager on 23 June 2020 and re-designated as Executive Vice President on 19 January 2022
Dr. Zhou Yan (周炎)	45	Senior Vice president	Appointed as a Deputy General Manager on 31 October 2017 and re-designated as Senior Vice President on 19 January 2022
Mr. Xu Xiangke (徐向科)	45	Vice president	Appointed as a Deputy General Manager and Secretary to the Board on 18 July 2011 and re-designated as Vice President on 19 January 2022

Notes:

(1) Dr. James Randolph Gage resigned from his position as Chief Scientific Officer due to retirement. He will no longer hold any role within the Company but will continue to provide technical guidance and support to the Company as a consultant. For further details, please refer to the relevant announcement of the Company dated 20 December 2024.

(2) Dr. Xiao Yi retired from this position. He will no longer hold any role within the Company. For further details, please refer to the relevant announcement of the Company dated 7 March 2025.

For the biographical details of Dr. Hao Hong, Ms. Yang Rui, Mr. Zhang Da and Mr. Hong Liang, please refer to the section headed "－Directors."

Mr. Chen Chaoyong (陳朝勇), aged 44, is currently an Executive Vice President of the Company and is responsible for the overall management of project commercial development and production.

Mr. Chen Chaoyong joined the Group in July 2003 and successively served as the research and development ("**R&D**") supervisor and deputy general manager of the Company. He currently serves as the general manager of Jilin Asymchem Laboratories, the Chairperson of Asymchem Laboratories (Fuxin) and the executive director of Jilin Asymchem Pharmaceuticals Co., Ltd. (吉林凱萊英製藥有限公司), all of which are subsidiaries of the Company.

Mr. Chen Chaoyong obtained a bachelor's degree of science from Sichuan University (四川大學) in July 2003.

Mr. Jiang Yingwei (姜英偉), aged 49, is currently an Executive Vice President of the Company and is responsible for the overall management, organization and coordination, supervision and evaluation of the Group's human resources. Mr. Jiang Yingwei is also responsible for coordinating the overall construction, comprehensive coordination and service safeguard of the Group's administrative logistics system.

Prior to joining the Company in January 2020, Mr. Jiang Yingwei served in Beijing Alliance PKU Management Consultants Ltd. (北京北大縱橫管理諮詢有限責任公司) from July 2008 to July 2014. He participated in the founding of Peking University Entrepreneurship Training Camp in August 2014 and has been working at there since then and served as the co-founder and general manager of the Jiangsu Base of Peking University Entrepreneurship Training Camp from June 2015 to December 2019. Mr. Jiang Yingwei served as a supervisor of Yanyuan Alumni (Beijing) Technology Development Co., Ltd. (燕園校友(北京)科技發展有限公司) from February 2016 to July 2021.

Mr. Jiang Yingwei obtained a bachelor's degree of engineering from North China School of Engineering (華北工學院, currently known as North University of China (中北大學)) in June 1999 and a master's degree of MBA from Guanghua School of Management, Peking University in July 2008.

Dr. Zhou Yan (周炎), aged 45, is currently a Senior Vice President of the Company and is responsible for the overall management of the Company's quality system.

Dr. Zhou Yan joined the Group in July 2007 and successively served as a senior researcher, a R&D supervisor and a senior R&D supervisor of Asymchem Life Science, a wholly-owned subsidiary of the Company. In addition, he is currently deputy general manager of several subsidiaries of the Company.

Dr. Zhou Yan obtained a bachelor's degree of science from Central China Normal University (華中師範大學) in June 2002 and a doctor's degree of science from Wuhan University (武漢大學) in June 2007.

Mr. Xu Xiangke (徐向科), aged 45, is currently a Vice President of the Company and is responsible for managing day-to-day work of the Board and corporate governance matters.

Mr. Xu Xiangke has extensive experience in corporate securities affairs, government affairs and public utilities. Mr. Xu Xiangke joined the Company in July 2003 and served successively as the director of the general manager secretariat and the director of the public affairs department of the Company. Mr. Xu Xiangke has served as a deputy general manager and the director of the public affairs department of Asymchem Life Science from June 2008 to December 2011, a wholly-owned subsidiary of the Company and has been serving as a supervisor of Jilin Asymchem Laboratories, a wholly-owned subsidiary of the Company, since March 2015. Other than positions in the Group, he also serves as a supervisor of Haiyingchuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Mr. Xu Xiangke obtained a bachelor's degree of engineering from Inner Mongolia Agricultural University (內蒙古農業大學) in July 2003 and has completed all the requirements prescribed by Shanghai Advanced Institute of Finance (上海高級金融學院) for the degree of EMBA in December 2018.

REPORT OF THE BOARD OF DIRECTORS

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

I. PRINCIPAL BUSINESS

Asymchem is a globally renowned, technology driven comprehensive CDMO service provider. By offering end-to-end CMC services and efficient, high-quality R&D and manufacturing solutions to both domestic and international pharmaceutical and biotech companies, we expedite the clinical research and commercialization of cutting-edge drugs. With years of industrial experience, coupled with deep industry insights and a stellar reputation among clients, we have solidified our position as the top tier within the global innovative drug industry chain. As a preferred partner for the pharmaceutical companies worldwide, we continue to expand our expertise in small molecule drug CDMO while diversifying our offerings to establish a professional, all-encompassing service platform. On 18 November 2016, our A Shares were listed on the Shenzhen Stock Exchange with stock code of 002821. On 10 December 2021, our H shares were listed on the Main Board of the Hong Kong Stock Exchange with stock code of 6821.

The business and details of the Company's principal subsidiaries are set out in note 1 to the financial statements. An analysis of the Group's revenue for the year by principal business is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the financial statements.

II. BUSINESS REVIEW

Discussion and analysis of the Group's business in accordance with Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in the following sections of this annual report, which form an integral part of this Report of the Board of Directors:

- Chairperson's Statement (pages 4 to 6)
- Business Review (pages 9 to 27)
- Financial Highlights (pages 7 to 8) and Financial Review (pages 27 to 37)
- Potential Risk Factors and Solutions (page 45)
- Financial Risk Management Objectives and Policies (note 41 to financial statements)
- Events After the Reporting Period (page 87 and note 42 to financial statements)

III. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environmental protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and also encouraged staff to be environmentally friendly at work by consuming electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. During the Reporting Period, the Group formulated and published *Environmental Management Policy* to explore and develop high-quality development approach and actively implement the concept of green operation. For further details of the Group's environmental policies and performance, please refer to the "2024 Environmental, Social and Governance Report" of the Company, which was published separately.

IV. RESULTS OF OPERATIONS

The consolidated results of the Group for the Reporting Period are set out on pages 122 to 129 of this annual report.

Financial Summary

The Company's shares were listed on Shenzhen Stock Exchange on 18 November 2016 and the H shares were listed on the Hong Kong Stock Exchange on 10 December 2021. A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial information and financial statements, is set out on pages 7 to 8 of this annual report.

V. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

VI. RESERVES AND DISTRIBUTABLE RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 126 to 127 of this annual report. Details of movements in the reserves of the Company during the Reporting Period are set out in note 32 to the financial statements.

As of 31 December 2024, the Company's distributable reserves, calculated in accordance with PRC rules and regulations, were RMB1,142.92 million.

VII.SHARE CAPITAL

Details of the movements in share capital of the Group during the Reporting Period are set out in note 30 to the financial statements.

VIII. SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), subject to the minimum public float of the Company being the highest of (a) 7.0% of the total issued share capital of the Company, or (b) such higher percentage of H Shares held by the public immediately after the completion of the Global Offering as a result of the issue of H Shares upon the exercise of the Over-allotment Option, and the minimum percentage of H Shares of the Company from time to time not subject to lock-up (i.e. free float) being the highest of (a) 7.0% of the total issued share capital of the Company, or (b) such increased percentage of free float H Shareholders as a result of the issue of H Shares upon the exercise of the Over-allotment Option immediately following the completion of the Global Offering. Based on the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the prescribed minimum public float and free float required by the Hong Kong Stock Exchange during the Reporting Period and as at the date of this annual report.

IX. PRE-EMPTIVE RIGHTS

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

X. TAX INCENTIVES AND EXEMPTIONS FOR HOLDERS OF LISTED SECURITIES

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

XI. PROFIT DISTRIBUTION

i. The Company's Profit Distribution Policy

The Company has adopted a dividend policy, which provides the principles and guidelines in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

In recommending or declaring dividends, the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth as well as its shareholder value. Details of the dividend policy of the Company is set out in the section headed "Corporate Governance Report – Dividend Policy" of this annual report.

Regarding the declaration and payment of dividends, the Board considers the results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), market conditions, the Company's strategy and projection for business, the Company's contractual restrictions and obligations, taxation, regulatory restrictions, cash requirements and availability and any other factors that the Board may consider relevant.

ii. 2024 Profit Distribution Plan

The Board proposed the following 2024 Profit Distribution Plan: distribute a dividend of RMB11.00 per 10 ordinary Shares (tax inclusive) (2023: RMB18.00 per 10 ordinary Shares (tax inclusive)) to the Shareholders as at the record date for determining Shareholders' entitlements to the 2024 Profit Distribution Plan. Based on a total of 360,595,400 Shares in issue as at 28 March 2025 and excluding 5,716,000 Shares repurchased by means of centralized price bidding, the total amount of the proposed final dividend is approximately RMB390,367,340.00 (tax inclusive) (2023: RMB641,939,094.00 (tax inclusive)).

The 2024 Profit Distribution Plan is subject to the approval of the Shareholders at the AGM and the above profit distribution is expected to be paid to the eligible Shareholders no later than two months after the AGM.

Information on the closure period of the register of members of the Company in relation to the proposed 2024 Profit Distribution Plan and the record date for determining entitlements to the 2024 Profit Distribution Plan will be announced in due course.

The Board is not aware of any Shareholder who has waived or agreed to waive any dividends.

iii. Taxation

A Shareholders

According to the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85) (《財政部、國家税務總局、證監會關於實施上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税[2012]85 號)) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税[2015]101 號)), for the relevant individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements above.

According to Article 26.2 of the PRC Enterprise Income Tax Law, dividends, bonuses, and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of the PRC Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the PRC Enterprise Income Tax Law include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the PRC Enterprise Income Tax Law and its implementation rules, dividend income obtained by non-resident enterprises, which do not have organs or establishments in China or though having organs or establishments in China but income is not related to such organs or establishments, dividend income obtained by shareholders shall be levied at a preferential enterprise income tax rate of 10%.

H Shareholders

Pursuant to the Circular of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家税務總局關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897 號)), the Company is required to withhold and pay enterprise income tax at a rate of 10% on behalf of shareholders of non-resident enterprises whose names appear on the register of shareholders of H shares of the Company when distributing dividends to them.

According to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 20) 《關於個人所得稅若干政策問題的通知》(財稅字[1994]020 號)) promulgated by the Ministry of Finance and the State Administration of Taxation, dividends and bonus income received by foreign individuals from foreign-invested enterprises are exempted from individual income tax for the time being.

Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling the Company's Shares.

XII.A SHARE INCENTIVE SCHEMES

Pursuant to Administrative Measures for the Equity Incentives of Listed Companies 《上市公司股權激勵管理辦法》 issued by the CSRC, as amended and supplemented from time to time, the Company may adopt various equity incentive schemes at the same time provided that the aggregate number of A Shares involved in equity incentive schemes within any validity period shall not exceed 10% of the Company's total share capital.

As of 31 December 2024, the Company had one effective A Share Incentive Schemes, namely the 2020 Restricted A Share Incentive Scheme, which were adopted and approved by the Shareholders' meetings held on 9 July 2020. On 21 June 2024, the Company decided to (i) terminate the implementation of the 2021 A Share Incentive Plan, and (ii) repurchase and cancel the 1,753,010 restricted A Shares granted under the 2021 A Share Incentive Plan at the price of RMB130.14 per Share, with the Shareholders' approval obtained on 19 July 2024. For further details, please refer to the relevant announcements of the Company dated 21 June 2024 and 19 July 2024, and the circular of the Company dated 28 June 2024.

i. Terms of each A Share Incentive Schemes

The terms of each of the A Share Incentive Schemes are substantially similar and are summarized below.

Purpose

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

Type of Awards

The A Share Incentive Schemes provide for awards of restricted A Shares (the "**Awards**").

Administration

The Shareholders' meeting is the highest authority of the A Share Incentive Schemes. The Board is the managing authority of the A Share Incentive Schemes. The board of Supervisors of the Company (the "**Board of Supervisors**") and independent non-executive Directors are the supervising authorities of the A Share Incentive Schemes.

Scope of Participants

The Directors, senior or mid-level management and key technical employees of the Company (excluding independent non-executive Directors, Supervisors, Shareholders that hold more than 5% of the Company's Shares and the controlling Shareholders (as defined in the Listing Rules) and their spouses, parents, and children) (the "**Participants**").

Source of Shares

The Shares underlying the A Share Incentive Schemes shall be ordinary A Shares.

Maximum Number of Shares

A total of 1,425,200 and 246,400 restricted A Shares under the initial grant and reserved grant of 2020 Restricted A Share Incentive Scheme were granted to the Participants as of the date of this annual report. The maximum number of Shares involved with the Awards to be granted to an eligible employee under all effective A Share Incentive Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of Shares involved with all effective A Share Incentive Schemes shall not exceed 10% of the total outstanding share capital of the Company.

Validity Period of the A Share Incentive Schemes

Subject to the termination provisions under the A Share Incentive Schemes, the A Share Incentive Schemes shall be valid and effective commencing on the date that the Awards are granted (the "**Initial Grant**") to when such Awards are no longer under any lock-ups, fully exercised or cancelled. The term of validity underlying the outstanding A Share Incentive Schemes shall not exceed 60 months. The remaining life of the 2020 Restricted A Share Incentive Scheme was approximately 4 months as of the date of this annual report, subject to the unlocking of the last batch of the Restricted A Shares.

Date of Grant

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

Grant and Exercise of Awards

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

Grant Price and the Basis of Determining the Grant Price

Subject to adjustments according to the terms of the A Share Incentive Schemes, the grant price of the Restricted A Shares under the A Share Incentive Schemes shall be RMB117.07 per Share and RMB149.88 per Share for the initial grant and reserved grant, respectively, under the 2020 Restricted A Share Incentive Scheme.

The grant price of the Restricted A Shares under the 2020 Restricted A Share Incentive Scheme should be no lower than the par value of the A Shares and the higher of:

(1) 50% of the average trading price of the Company's A Shares on the trading day immediately preceding the date of the announcement of the grants, being RMB117.07 per Share for the initial grant and RMB149.88 per Share for the reserved grant; 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 of the grants, being RMB110.21 per Share for the initial grant and RMB145.26 per Share for the reserved grant.

The grant prices were determined in accordance with the pricing methods above under the relevant provisions of the A Share Incentive Schemes. They were also determined with a view to stabilize talents and effectively incentivize the Participants, taking into consideration the level of difficulty of the performance targets which the Participants must achieve for the restricted A Shares to be unlocked.

Amendment or Termination of the A Share Incentive Scheme

Any amendment or termination of the A Share Incentive Schemes shall be submitted to the Board and Shareholders for consideration. The Board of Supervisors shall express its relevant views and the Company's legal adviser shall provide professional advice to the Board whether such adjustment is fair and reasonable and in compliance with the A Share Incentive Schemes and the relevant laws and regulations. Any amendment that results in early exercise or unlocking or lowers the exercise price or grant price is prohibited.

ii. Restricted A Shares Granted

As of 31 December 2024, a total of 1,812,650 outstanding restricted A Shares, were granted to 273 eligible Participants under the A Share Incentive Schemes other than certain restricted A Shares repurchased and cancelled by the Company due to resignation of certain Participants. The following table sets forth the restricted A Shares held by relevant Participants under the A Share Incentive Schemes as at 31 December 2024:

Category of grantee	Date of grant	Grant price (RMB per Share)	Number of outstanding Awards as of 1 January 2024	Granted during the Reporting Period	Unlocked during the Reporting Period (2)	Cancelled/ lapsed during the Reporting Period	Number of outstanding Awards as of 31 December 2024	Lock-up period
Senior Management								See Note (3)
Jiang Yingwei (under the initial grant under the 2020 Restricted A Share Incentive Scheme)	9 September 2020	80.46	75,600	–	75,600	–	–	
Members of senior or mid-level management (excluding senior management) and key technical employee of the Company (totalling 413 staffs) (1)								
Participants under the initial grant under the 2020 Restricted A Share Incentive Scheme (214 staffs)	9 September 2020	80.46	311,430	–	297,570	13,440	420	
Participants under the reserved grant under the 2020 Restricted A Share Incentive Scheme (35 staffs)	9 February 2021	104.26	87,360	–	–	28,140	59,220	
Total	N/A	N/A	2,369,668	–	373,170	183,848	1,812,650	

Notes:

(1) None of the Participants is an independent non-executive Director, a Supervisor, a Shareholder that holds more than 5% of the Shares, a controlling Shareholder or his/her spouse, parents, or child.

(2) The weighted average closing price of the A Shares immediately before the date of unlocking during the Reporting Period was RMB79.40 per A Share.

(3) The lock-up periods for the Awards underlying the A Share Incentive Schemes are 12 months, 24 months and 36 months, respectively. All the above-mentioned lock-up periods commence from the date on which the Awards were registered (the "**Registration Date**"). During the lock-up period, the Awards shall not be transferred, used as guarantee or repayment of debt.

The unlocking periods (each, an "**Unlocking Period**") in relation to the Restricted A Shares granted under the Initial Grant are set out below.

Unlocking Period of the A Share Incentive Schemes (other than the special Awards granted under the 2021 Restricted A Share Incentive Scheme):

	Unlocking Period	Proportion of unlocking
First Unlocking Period	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	40%
Second Unlocking Period	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	30%
Third Unlocking Period	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	30%

For details of the restricted A Shares repurchased and cancelled during the Reporting Period, please refer to the section headed "- Purchase, Sale or Redemption of the Listed Securities of the Company".

XIII. EMPLOYEE SHARE OWNERSHIP PLAN

The Company's 2022 Employee Share Ownership Plan (the "**2022 ESOP**") was approved and adopted at the Shareholders' meeting held on 16 December 2022. The 2022 ESOP, which is discretionary, does not involve the granting of options to the Company to issue new shares or any other new securities, or constitute a stock option plan within the meaning of Chapter 17 of the Listing Rules.

The purpose of the 2022 ESOP is to establish and improve the benefit sharing mechanism of employees and Shareholders, improve the corporate governance level of the Company, enhance the cohesion of employees and the competitiveness of the Company, mobilize the enthusiasm and creativity of employees, and promote the long-term, sustainable, and healthy development of the Company. The participants of the 2022 ESOP are Directors (excluding independent non-executive Directors), senior management or core technology (business) personnel of the Company. The total number of participants shall not exceed 608, including four Directors (excluding independent non-executive Directors) and six senior management personnel. The final participants will be determined according to the actual payments of the 2022 ESOP.

The size of the underlying Shares involved in the 2022 ESOP shall not exceed 4,454,800 A Shares. The maximum number of Shares under the 2022 ESOP together with all other effective share incentive schemes of the Company granted to an eligible employee shall not exceed 1% of the total outstanding share capital of the Company. The source of the underlying Shares involved in the 2022 ESOP is the A Shares repurchased by the Company from the secondary market through the special account for share repurchase. The average repurchase price of the underlying Shares under the 2022 ESOP was approximately RMB152.9 per Share. The 2022 ESOP is funded through the legal compensation of the Company's employees, self-raised funds and other means permitted by laws and regulations. The Company does not provide financial assistance such as advance fund, guarantee, loan, or other financial support to the participants in any way. The 2022 ESOP does not involve leveraged funds, and there is no third-party arrangement to provide incentives, subsidies, or guarantees for employees to participate in the 2022 ESOP. The total amount of funds raised by the 2022 ESOP shall not exceed RMB155,918,000.00, which shall be subscribed and held by units of RMB1.00 per unit. The maximum number of units held by the 2022 ESOP shall not exceed 155,918,000.00 units. On 22 May 2023, the 2022 ESOP had gone through the relevant procedures of the registration of the transfer of the A Shares held by the Company's special account for Share repurchase at the price of RMB35.00 per Share through non-transaction transfer and other ways permitted by laws and regulations. For further details, please refer to the relevant announcements of the Company dated 17 November 2022 and 16 December 2022, and the circular of the Company dated 28 November 2022. The initial duration period of the 2022 ESOP is 54 months commencing from the date when the Company announces that the last batch of the underlying A Shares has been transferred to the 2022 ESOP (the "**Starting Date**"), the remaining life of which was 31 months as of the date of this annual report, subject to early termination under the relevant provisions of the 2022 ESOP.

As of 31 December 2024, a total of 93,025,800 outstanding units, representing 4,429,800 underlying restricted A Shares, were granted to 588 participants under the 2022 ESOP. Set out below are the details of the movements of the outstanding units granted under the 2022 ESOP throughout the Reporting Period:

Name/Category of participants	Number of units outstanding as of 1 January 2024	Granted during the Reporting Period	Unlocked during the Reporting Period	Cancelled/ lapsed during the Reporting Period [2]	Number of units outstanding as of 31 December 2024	Lock-up period
Directors and Senior Management:						See Note [1]
Ms. Yang Rui	5,250,000	–	–	2,100,000	3,150,000	
Mr. Zhang Da	7,000,000	–	–	2,800,000	4,200,000	
Dr. HU XINHUI	9,800,000	–	–	3,920,000	5,880,000	
Mr. Hong Liang	5,250,000	–	–	2,100,000	3,150,000	
Mr. Chen Chaoyong	5,250,000	–	–	2,100,000	3,150,000	
Mr. Jiang Yingwei	4,200,000	–	–	1,680,000	2,520,000	
Dr. Xiao Yi	700,000	–	–	280,000	420,000	
Dr. Zhou Yan	2,800,000	–	–	1,120,000	1,680,000	
Mr. Xu Xiangke	2,800,000	–	–	1,120,000	1,680,000	
Mr. Zhang Ting	1,750,000	–	–	700,000	1,050,000	
Core technical (business) personnel (totalling 578 staffs)	110,243,000	–	–	44,097,200	66,145,800	
Total	155,043,000	–	–	62,017,200	93,025,800	

Notes:

(1) The lock-up period of the 2022 ESOP is as follows:

(a) the lock-up period of the first batch of the underlying Shares, accounting for 40% of the total underlying Shares of the 2022 ESOP, shall be 12 months commencing from the Starting Date;

(b) the lock-up period of the second batch of the underlying Shares, accounting for 30% of the total underlying Shares of the 2022 ESOP, shall be 24 months commencing from the Starting Date; and

(c) the lock-up period of the third batch of the underlying Shares, accounting for 30% of the total underlying Shares of the 2022 ESOP, shall be 36 months commencing from the Starting Date.

The participants of the 2022 ESOP have also undertaken the following additional lock-up period voluntarily:

(a) all the holders of the units have voluntarily undertaken not to allocate the interests of the underlying Shares in any form, which have satisfied the above unlocking conditions, within three months from the date of expiry of the lock-up period of each batch;

(b) on the basis of the arithmetic average of the closing market value of the Company for the 20 trading days prior to the approval of the Employee Share Ownership Plan by the Board, namely RMB54.889 billion, if the growth rate of such arithmetic average of the closing market value of the Company for the 20 trading days before the expiry of the additional three-month lock-up period following the expiry of the lock-up period of each batch is less than 45%, 55% and 65%, respectively, then the corresponding batch of the underlying Shares shall be locked up within another three months after the expiry of the additional lock-up period; and

(c) upon the expiry of the additional lock-up period and prior to the expiry of the 2022 ESOP, the 2022 ESOP shall decide whether to dispose of the underlying A Shares and handle all disposals satisfying the unlocking conditions with each batch in accordance with the arrangements of the 2022 ESOP and the prevailing market conditions.

(2) Pursuant to the relevant provisions of the 2022 ESOP, the lock-up period of the first batch of the underlying Shares expired on 23 May 2024 without satisfying the target performances. A total of 1,771,920 Shares scheduled to be unlocked upon satisfying the unlocking conditions with the first batch, accounting for 40% of the total number of underlying Shares in the 2022 ESOP, shall not be unlocked. For further details, please refer to the relevant announcement of the Company dated 24 May 2024.

No restricted A Shares or units were granted during the Reporting Period. Accordingly, the number of Shares that may be issued in respect of awards and options granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue (excluding treasury shares) for the Reporting Period was not applicable. For more details, please refer to the sections headed "– A Share Incentive Schemes" and "– Employee Share Ownership Plan" in this annual report.

XIV. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

i. A Share Repurchase

Pursuant to the repurchase plan approved by the Shareholders on 29 February 2024, the Company is in the process of repurchasing part of the A Shares with self-owned funds through centralized price bidding which will be used to implement the employee share ownership plan or the share incentive scheme of the Company and cancellation and reduction of the registered capital. The number of repurchased A Shares used to implement the employee share ownership plan or the share incentive scheme is no more than 60% of the total number of repurchased A Shares, and the number of repurchased A Shares used for cancellation and reduction of the registered capital is not less than 40% of the total number of repurchased A Shares. Such repurchase was financed entirely with the Company's self-owned funds, ensuring that the transaction price did not surpass the stipulated maximum limit of RMB157.00 per Share (inclusive) as outlined in the repurchase plan. For more details, please refer to the relevant announcements of the Company dated 31 January 2024 and 29 February 2024, and the circular of the Company dated 6 February 2024.

In light of the 2023 annual distribution of dividends, the Company adjusted such maximum repurchase price of the A Shares to RMB155.27 per Share accordingly pursuant to the requirements of the CSRC and the Shenzhen Stock Exchange, with effective from 28 June 2024 (ex-rights and ex-dividend date). For further details, please refer to the relevant announcement of the Company dated 27 June 2024.

As of 18 February 2025, the aforementioned A Share repurchase had been completed. The implementation period for the A Share repurchase was from 7 March 2024 to 18 February 2025. The Company had successfully accumulatively repurchased 12,300,701 A shares, representing 3.6161% of the Company's total A Share capital, through the centralized competitive bidding process on the Shenzhen Stock Exchange. The repurchase prices ranged from a minimum of RMB71.65 to a maximum of RMB102.00 per Share, utilizing a total of RMB999,644,601.56 in funds (excluding commissions and additional fees). The operation was conducted in full compliance with applicable laws and regulations, aligning with the predetermined repurchase strategy. Following the review and confirmation by the Shenzhen Branch of the China Securities Depository and Clearing Co., Ltd., the cancellation of the Company's repurchased A Shares was completed on 26 February 2025. For further details, please refer to the relevant announcements of the Company dated 18 February 2025 and 27 February 2025.

Set forth below is a monthly breakdown of repurchases of Shares made during the Reporting Period.

Month	Number of Shares repurchased	Highest price paid for such repurchase (RMB)	Lowest price paid for such repurchase (RMB)	Aggregate price paid for such repurchase (RMB)
March 2024	1,762,508 A Shares	130.14	80.46	177,322,101.56
April 2024	5,319,709 A Shares	86.29	75.53	423,627,998.01
May 2024	3,003,112 A Shares	85.79	75.73	244,230,377.15
June 2024	2,399,220 A Shares	75.17	71.65	176,994,121.70
August 2024	1,753,430 A Shares	128.34	78.66	225,014,340.60

ii. Repurchase and Cancellation of Certain Restricted A Shares Granted Under the 2020 A Share Incentive Scheme and 2021 A Share Incentive Scheme

As certain participants of the A Share Incentive Scheme resigned, on 22 December 2023, the Board considered and approved the repurchase and cancellation of 1,260 restricted A Shares under the reserved grant of 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB104.26 per A Share and the repurchase and cancellation of 100,520 restricted A Shares under the initial grant of the 2021 Restricted A Share Incentive Scheme at a repurchase price of RMB130.14 per A Share, respectively. All funds required for such repurchase and cancellation (i.e. RMB13,213,040.40) are derived from our internal funds. On 22 January 2024, the first extraordinary general meeting of 2024, the first A Shares class meeting of 2024 and the first H Shares class meeting of 2024 considered and approved such repurchase and cancellation of restricted A Shares. Such repurchase and cancellation of restricted A Shares will not have any material impact on the operating results or financial conditions of the Company. For further details, please refer to the relevant announcements of the Company dated 22 December 2023 and 22 January 2024, and the circular of the Company dated 2 January 2024. The above repurchase and cancellation of restricted A Shares had been completed as of 26 March 2024. For further details, please refer to the relevant announcement of the Company dated 26 March 2024.

As certain participants of the A Share Incentive Scheme resigned, on 15 March 2024, the Board considered and approved the repurchase and cancellation of a total of 420 restricted A Shares under the initial grant of the 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB80.46 per A Share. All funds required for such repurchase and cancellation (i.e. RMB33,793.20) are derived from our internal funds. On 19 July 2024, the third extraordinary general meeting of 2024, the fourth A Shares class meeting of 2024 and the fourth H Shares class meeting of 2024 considered and approved such repurchase and cancellation of restricted A Shares. For details, please refer to the relevant announcements of the Company dated 15 March 2024 and 19 July 2024, and the circular of the Company dated 28 June 2024. The above repurchase and cancellation of restricted A Shares had been completed as of 14 August 2024. For further details, please refer to the relevant announcement of the Company dated 14 August 2024.

As certain participants of the A Share Incentive Scheme resigned, on 16 August 2024, the Board considered and approved the repurchase and cancellation of 1,680 restricted A Shares under the reserved grant of 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB102.46 per A Share. All funds required for such repurchase and cancellation (i.e. RMB172,132.80) are derived from our internal funds. On 3 April 2025, the first extraordinary general meeting of 2025, the first A Shares class meeting of 2024 and the first H Shares class meeting of 2025 will consider such repurchase and cancellation of restricted A Shares. Such repurchase and cancellation of restricted A Shares will not have any material impact on the operating results or financial conditions of the Company. For further details, please refer to the relevant announcements of the Company dated 16 August 2024 and the circular of the Company dated 18 March 2025.

iii. Termination of the Implementation of the 2021 A Share Incentive Scheme and the Repurchase and Cancellation of Restricted A Shares

On 21 June 2024, the Board approved to terminate the 2021 Restricted A Share Incentive Plan. A total of 1,753,010 restricted A Shares under the initial grant of the 2021 Restricted A Share Incentive Scheme held by 245 eligible participants were proposed to be repurchased and cancelled. The repurchase price of the restricted A Shares under the initial grant of the 2021 A Share Incentive Scheme had been adjusted to RMB128.34 per restricted A Share according to the 2022 and 2023 Profit Distribution Plan of the Company as considered and approved at the 2022 and 2023 Annual General Meeting dated 9 June 2023 and 6 June 2024, respectively. The total amount of the funds to be used for such repurchase and cancellation, after the aforementioned adjustments, is RMB224,981,303.40, which will be derived from the Company's internal funds. On 19 July 2024, the "Proposal on the Termination of the Implementation of the 2021 A Share Incentive Scheme and the Repurchase and Cancellation of Restricted A Shares" was considered and approved at the third extraordinary general meeting of 2024, the fourth A Shares class meeting of 2024 and the fourth H Shares class meeting of 2024. For further details, please refer to the relevant announcements of the Company dated 21 June 2024 and 19 July 2024, and the circular of the Company dated 28 June 2024. The above repurchase and cancellation of restricted A Shares had been completed as of 14 August 2024. For further details, please refer to the relevant announcement of the Company dated 14 August 2024.

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As of 31 December 2024, the Company held 12,838,703 treasury Shares which will be used to implement the employee share ownership plans or share incentive schemes of the Company and cancellation and reduction of the registered capital.

XV. USE OF NET PROCEEDS FROM THE ISSUANCE OF SECURITIES

i. Use of Net Proceeds from the Global Offering

The net proceeds from the Global Offering (after deducting the underwriting fees and related listing expenses) (the "**Global Offering Proceeds**") amounted to approximately HKD7,318.07 million (1), and the balance of unutilized Global Offering Proceeds of approximately HKD1,563.73 million as of 31 December 2024.

The Global Offering Proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus, except for the changes the Company made to the main purposes of several projects in January 2024. The table below sets out the planned applications of the Global Offering Proceeds and actual usage up to 31 December 2024:

Use of Global Offering Proceeds		Allocation of Global Offering Proceeds (HKD million)	Allocation of Global Offering Proceeds (RMB million)	Unutilized amount (as of 1 January 2024) (HKD million)	Utilized amount during the Reporting Period (HKD million)	Utilized amount (up to 31 December 2024) (HKD million)	Unutilized amount (as at 31 December 2024) (HKD million)	Expected timeline for utilizing the remaining allocated Global Offering Proceeds
To further enhance the manufacturing capacity and capabilities of our small molecule CDMO solutions	20%	1,463.61	1,195.82	1,097.71	498.28	864.18	599.43	
– To construct comprehensive small molecule R&D and manufacturing site and to purchase relevant equipment and machinery	15%	1,097.71	896.86	1,097.71	498.28	498.28	599.43	In or before December 2025
– To upgrade the equipment and machinery and expand the capacity of our existing manufacturing sites in Tianjin and Dunhua	5%	365.90	298.96	–	–	365.90	–	N/A
To strengthen our Emerging Services and expand our service offerings	35%	2,561.32	2,092.68	365.90	331.87	2,527.29	34.03	
– To construct a R&D and manufacturing facility for oligonucleotides and polypeptides in Tianjin and invest in R&D and manufacturing facilities for recombinant DNA products (including mAb) and ADC	20%	1,463.61	1,195.82	–	–	1,463.61	–	N/A
– To improve our capabilities related to our biosynthesis solutions and drug products solutions	10%	731.81	597.91	–	–	731.81	–	N/A

Use of Global Offering Proceeds		Allocation of Global Offering Proceeds (HKD million)	Allocation of Global Offering Proceeds (RMB million)	Unutilized amount (as of 1 January 2024) (HKD million)	Utilized amount during the Reporting Period (HKD million)	Utilized amount (up to 31 December 2024) (HKD million)	Unutilized amount (as at 31 December 2024) (HKD million)	Expected timeline for utilizing the remaining allocated Global Offering Proceeds
– To improve our capabilities related to our biosynthesis solutions and drug products solutions and construct a R&D and manufacturing facility in Tianjin for oligonucleotides and polypeptides	5%	365.90	298.95	365.90	331.87	331.87	34.03	In or before December 2025
To invest in R&D initiatives and maintain our technology leadership	20%	1,463.61	1,195.82	–	–	1,463.61	–	
– To upgrade our flow and continuous technology platform	10%	731.81	597.91	–	–	731.81	–	N/A
– To fund the R&D initiatives led by our Center of Biosynthesis Technology (CBST)	10%	731.80	597.91	–	–	731.80	–	N/A
To strategically set up foreign subsidiaries, engage in overseas investments to further expand production capacities, enhance overseas sales centers, and acquire equity interests in target companies	15%	1,097.71	896.86	1,097.71	167.44	167.44	930.27	In or before December 2025
For working capital and general corporate purposes	10%	731.81	597.91	–	–	731.81	–	N/A
	100%	7,318.06	5,979.09	2,561.32	997.59	5,754.33	1,563.73	

Note:

(1) The total Global Offering Proceeds included approximately HKD6,844.28 million from the Global Offering in December 2021 and HKD473.79 million from the partial exercise of over-allotment option in January 2022 as disclosed in the announcement of the Company dated 2 January 2022.

ii. Changes in Part of the Uses of Global Offering Proceeds

In light of market conditions and the Company's business needs, the Board proposed with the Shareholders' approval obtained on 22 January 2024 the below changes in part of the uses of the Global Offering Proceeds.

Original proposed main purposes	Proposed main purposes after the changes	Proportion	Amount of the allocated Global Offering Proceeds (RMB million)
To construct phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang, and purchase relevant equipment and machinery (the "**Zhenjiang Project**")	To construct comprehensive small molecule R&D and manufacturing site and to purchase relevant equipment and machinery	15%	896.86
To build up our capabilities related to advanced therapy medicinal products (the "**ATMP Project**")	To improve our capabilities related to our biosynthesis solutions and drug products solutions and construct a R&D and manufacturing facility in Tianjin for oligonucleotides and polypeptides	5%	298.95
To selectively pursue strategic investments and acquisitions (the "**Strategic Investments and Acquisitions Project**")	To strategically set up foreign subsidiaries, engage in overseas investments to further expand production capacities, enhance overseas sales centers, and acquire equity interests in target companies	15%	896.86

Reasons For Changes

The Change to the Zhenjiang Project

During the early stage of implementing the Zhenjiang Project, the Company came to note that the geological conditions of the potential site could not meet the construction requirements of this project. After a comprehensive assessment of our overall development strategy, the Company proposed to redirect the Global Offering Proceeds initially allocated to the Zhenjiang Project to the construction of a comprehensive small molecule R&D and manufacturing site and the purchase of relevant equipment and machinery. The aforesaid proposed change will significantly enhance the R&D capabilities of our small molecule CDMO business, solidify our market share and provide a robust foundation for the Company's long-term and stable growth.

The Change to the ATMP Project

Our biomacromolecule business segment introduced several external investors in March 2022, aiming to leverage a high-level, one-stop specialized R&D service to tap into the rapidly growing domestic and international CDMO market for advanced therapy medicinal products. This has supplemented our funding source for the biomacromolecule business segment. To efficiently utilize the Global Offering Proceeds, the Company proposed to redirect the Global Offering Proceeds initially allocated to the ATMP Project to the improvement of our capabilities related to our biosynthesis solutions and drug products solutions and the construction of an R&D and manufacturing facility in Tianjin for oligonucleotides and polypeptides. The aforesaid proposed change will further elevate our existing integrated R&D and production service capabilities to a higher level and a larger scale.

The Change to the Strategic Investments and Acquisitions Project

The Company proposed to redirect the Global Offering Proceeds initially allocated to the Strategic Investments and Acquisitions Project to strategically set up foreign subsidiaries, engaging in overseas investments to further expand production capacities, enhancing overseas sales centers, and acquiring equity interests in target companies. The aforesaid proposed change is rooted in the Company's existing overseas framework, aiming to continuously deepen the expansion into international markets and generate effective synergy with the existing platform.

For more details on the changes in part of the use of the Global Offering Proceeds, please refer to the announcements of the Company dated 22 December 2023 and 22 January 2024, and the circular of the Company dated 2 January 2024.

iii. Use of Net Proceeds from A Share Non-Public Offering

The Company issued 10,178,731 A Shares with an offering price of RMB227.00 per Share to designated investors in September 2020 and raised net proceeds (the "**A Share Non-Public Offering Proceeds**") of RMB2,274,960,656.06 (net of expenses related to the A Share Non-Public Offering). The following table sets out the projects funded by the A Share Non-Public Offering Proceeds and the use of the A Share Non-Public Offering Proceeds for such projects as of 31 December 2024:

Project name	Investment amount proposed to be funded by the A Share Non-Public Offering Proceeds (RMB0'000)	Accumulated investment amount as of 31 December 2024 (RMB0'000)	Expected timeline to fully utilize the allocated A Share Non-Public Offering Proceeds
Expansion Project of One-stop Service Platform for Innovative Drugs of Asymchem Life Science (Tianjin) Co., Ltd.	2,204.63	2,204.63	N/A
Construction Project of R&D and Production Platform for Biological Macromolecule Innovative Drugs and Preparations	6,551.69	6,551.69	N/A
Biomedical R&D and Production Integration Base Project of Asymchem Pharmacy (Jiangsu) Co., Ltd.	60,000.00	6,021.28	On or before 30 June 2026
Chemical Macromolecule Project of Asymchem Life Science (Tianjin) Co., Ltd.	40,000.00	40,000.00	December 2023
Key Green Technology Development and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd.	13,257.10	13,257.10	June 2024
To supplement working capital	66,057.20	66,057.20	N/A
Pharmaceutical R&D Center Project of Asymchem Life Science (Jiangsu) Co., Ltd.	20,000.00	9,021.25	On or before 30 June 2026
High-end Formulation Pilot and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd.	10,000.00	3,624.39	On or before 30 June 2026
Phase I Project of the Construction of Continuous Reaction Technology Service Platform of Asymchem Life Science (Tianjin) Co., Ltd.	10,000.00	9,997.33	On or before 30 June 2025
	228,070.62	156,734.87	

iv. Changes in Part of the Uses of A Share Non-Public Offering Proceeds

Based on the dynamics of the domestic and international small molecule CDMO industry and market, consistency with the Company's development strategy, and for the purpose of effectively improving the efficiency of the use of the A Share Non-Public Offering Proceeds, on 26 June 2024, the Board proposed, with the Shareholders' approval obtained on 19 July 2024, to reduce the investment amount of A Share Non-Public Offering Proceeds committed to be used for the Biomedical R&D and Production Integration Base Project of Asymchem Pharmacy (Jiangsu) Co., Ltd. (the "**Taixing Project**"), and extend the date of reaching expected conditions for use to 30 June 2026. The reduced amount will be used to fund the Pharmaceutical R&D Center Project of Asymchem Life Science (Jiangsu) Co., Ltd. (the "**R&D Center Project**"), the High-end Formulation Pilot and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd. (the "**Formulation Pilot and Industrialization Project**"), and the Phase I Project of the Construction of Continuous Reaction Technology Service Platform of Asymchem Life Science (Tianjin) Co., Ltd. (the "**Continuous Reaction Technology Project**") (the "**Proposed Changes**").

Project name	Investment amount proposed to be funded by the A Share Non-Public Offering Proceeds (before the Proposed Change) (RMB0'000)	Unused A Share Non-Public Offering Proceeds (before the Proposed Change) (RMB0'000)	Investment amount proposed to be funded by the A Share Non-Public Offering Proceeds (after the Proposed Change (RMB0'000)	Expected timeline to fully utilize the allocated A Share Non-Public Offering Proceeds
The Taixing Project	100,000.00	5,153.57	60,000.00	on or before 30 June 2026
The R&D Center Project	–	–	20,000.00	on or before 30 June 2026
The Formulation Pilot and Industrialization Project	–	–	10,000.00	on or before 30 June 2026
The Continuous Reaction Technology Project	–	–	10,000.00	on or before 30 June 2025

The R&D Center Project

- Project name: the Pharmaceutical R&D Center Project of Asymchem Life Science (Jiangsu) Co., Ltd.
- Project implementation entity: Asymchem Life Science (Jiangsu) Co., Ltd. (凱萊英生命科學技術(江蘇)有限公司)
- Project implementation location: Suzhou Industrial Park, Jiangsu, China
- Project construction period: 36 months
- Project investment amount: RMB300.00 million, including approximately RMB284.74 million for fixed assets investment and approximately RMB15.26 million for initial working capital. The Company intends to use RMB200.00 million of the A Share Non-Public Offering Proceeds to implement the project, with the remaining balance settled through self-financing of the Company
- Project construction: The project involves the construction of a new office and research building, within which a small molecule drug R&D center and a bio-synthesis R&D center will be established for R&D experiments

The Formulation Pilot and Industrialization Project

- Project name: High-end Formulation Pilot and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd.
- Project implementation entity: Tianjin Asymchem Biotechnology Co., Ltd. (天津凱萊英生物科技有限公司)
- Project implementation location: No. 6, Xinzhang Road, Western District of the Economic – Technological Development Area, Tianjin, China
- Project construction period: 24 months
- Project investment amount: RMB110.0 million, including approximately RMB107.8255 million for construction investment and approximately RMB2.2 million as initial working capital. The Company intends to use RMB100.0 million of the A Share Non-Public Offering Proceeds to implement the project, with the difference settled through self-financing of the Company
- Project construction content: The project involves the construction of a new three-story drug product workshop and auxiliary supporting engineering facilities; purchase of 30 sets of principal manufacturing equipment and devices and auxiliary engineering equipment

The Continuous Reaction Technology Project

- Project name: Phase I Project of the Construction of Continuous Reaction Technology Service Platform of Asymchem Life Science (Tianjin) Co., Ltd.
- Project implementation entity: Asymchem Life Science (Tianjin) Co., Ltd. (凱萊英生命科學技術(天津)有限公司)
- Project implementation location: Western District of the Economic – Technological Development Area, Tianjin, China
- Project construction period: 12 months
- Project investment amount: RMB120.0 million, including RMB108.55 million for construction investment and RMB11.45 million as initial working capital. The Company intends to use RMB100.00 million of the A Share Non-Public Offering Proceeds to implement the project, with the difference settled through self-financing of the Company.
- Project construction content: The project involves the construction of a new R&D and production workshop and auxiliary public and environmental engineering facilities; purchase of more than 600 sets of R&D and production auxiliary equipment.

For more details on the change and delay in the use of the A Share Non-Public Offering Proceeds and relevant new projects, please refer to the announcements of the Company dated 26 June 2024 and 19 July 2024, and the circular of the Company dated 28 June 2024.

The expected timeline for utilizing the remaining proceeds from the Global Offering and the A Share Non-Public Offering is set on the basis of the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to changes.

XVI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, the names of the Directors, Supervisors and senior management of the Group are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

i. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, biographical details of the Directors, Supervisors and senior management of the Group are set out in the section headed "—Biographies of Directors, Supervisors and Senior Management" in this annual report.

ii. CHANGES IN INFORMATION OF DIRECTORS

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

XVII. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

We have entered into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

XVIII. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2024, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

i. Interests in Shares or Underlying Shares of our Company

Name of Director and chief executive	Nature of interest	Class of Shares	Number of Shares interested[1]	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued Shares
Dr. Hao Hong	Beneficial owner	A Shares	14,268,699 (L)	4.19%	3.88%
	Interests of controlled corporation	A Shares	115,133,168 (L)[2]	33.85%	31.31%
Dr. Ye Song	Interests of spouse	A Shares	129,401,867 (L)[3]	38.04%	35.19%
Mr. Zhang Da	Beneficial owner	A Shares	326,000 (L)	0.10%	0.09%
Mr. Hong Liang	Beneficial owner	A Shares	20,000 (L)	0.01%	0.01%
	Interests of controlled corporation	A Shares	6,555,504 (L)[4]	1.93%	1.78%
Ms. Zhang Ting	Beneficial owner	A Shares	6,900 (L)	0.002%	0.002%

Notes:

(1) (L) represents long position and (S) represents short position.

(2) Dr. Hao Hong directly holds 71.37% equity interest in ALAB. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the Shares held by ALAB.

(3) Dr. Ye Song is the spouse of Dr. Hao Hong. By virtue of the SFO, Dr. Ye Song is deemed to be interested in the same parcel of Shares in which Dr. Hao Hong is interested.

(4) Mr. Hong Liang directly holds 43.46% equity interest in Tianjin Guorong Business Information Co., Ltd. Therefore, Mr. Hong Liang is deemed to be interested in the 6,555,504 A Shares held by Tianjin Guorong Business Information Co., Ltd.

(5) As of 31 December 2024, the number of issued shares of the Company was 367,718,103, including 27,553,260 H Shares and 340,164,843 A Shares (including treasury shares).

ii. Interest in Associated Corporations

Name of Director and chief executive	Associated Corporations	Nature of interest	Number of Shares interested [(1)]	Approximate percentage of shareholding interest
Dr. Hao Hong	Tianjin Yugen Medtech Co., Ltd. (天津有濟醫藥科技發展有限公司) ("**Yugen Medtech**")	Interests of controlled corporation	3,418,800 (L) [(2)]	9.15%
	Shanghai Asymchem Biotechnology Development Co., Ltd. ("**Asymchem Biotechnology Development**")	Beneficial owner	2,289,157 (L) [(3)]	1.00%
Ms. Yang Rui	Asymchem Biotechnology Development	Interests of controlled corporation	13,734,940 (L) [(3), (4)]	6.00%
Mr. Zhang Da	Asymchem Biotechnology Development	Interests of controlled corporation	4,578,313 (L) [(3), (4)]	2.00%

Notes:

(1) (L) denotes long position and (S) denotes short position.

(2) The Company holds 29.03% of the equity interest in Yugen Medtech, and therefore Yugen Medtech is an associated corporation of the Company. Dr. Hao Hong is a limited partner of Tianjin Tianhao Management Consulting Partnership (Limited Partnership) ("**Tianjin Tianhao**") and holds 90.70% of the limited partnership interest in Tianjin Tianhao. Yugen Medtech is a limited liability company established in the PRC with a registered capital of RMB37,369,689, of which Tianjin Tianhao contributed RMB3,418,800, representing approximately 9.15% of the registered capital of Yugen Medtech. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the limited partnership interest in Yugen Medtech held by Tianjin Tianhao.

(3) The Company holds 83.00% of the equity interest in Asymchem Biotechnology Development, and therefore Asymchem Biotechnology Development is an associated corporation of the Company. The number of shares listed above represents only the equity shares held by Dr. Hao Hong directly of the share capital of Asymchem Biotechnology Development.

(4) AsymCore Management Consulting Partnership (Limited Partnership) (凱萊同心(天津)企業管理諮詢合夥企業(有限合夥)) ("**AsymCore**") (a controlled corporation of Ms. Yang Rui) and Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("**Haihe Asymchem Fund**") (a controlled corporation of Ms. Yang Rui and Mr. Zhang Da) hold 4% and 2% of the equity interest in Asymchem Biotechnology Development, respectively. Ms. Yang Rui is the general partner of AsymCore and holds a 99% interest in it. Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is the general partner of Haihe Asymchem Fund, and Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is owned as to approximately 44.38% by Yunqi (Tianjin) Corporate Management Advisory Partnership (Limited Partnership) ("**Yunqi Management**") (雲起(天津)企業管理諮詢合夥企業(有限合夥)). Yunqi Management is owned as to 60% and 40% by Ms. Yang Rui and Mr. Zhang Da, respectively. By virtue of the SFO, Ms. Yang Rui (through AsymCore and Haihe Asymchem Fund) and Mr. Zhang Da (through Haihe Asymchem Fund) are deemed to be interested in Asymchem Biotechnology Development.

iii. Interests in debentures of associated corporations

Name of Director and chief executive	Associated Corporations	Nature of interest	Principal amount of the relevant bonds held	Approximate percentage of the total principal amount of the relevant bonds issued
Dr. Hao Hong	Yugen Medtech[1]	Interests of controlled corporation	RMB7,920,783[2], [3]	15.84%
Ms. Yang Rui	Yugen Medtech[1]	Interests of controlled corporation	RMB20,198,135[2], [4], [5]	40.40%
Mr. Zhang Da	Yugen Medtech[1]	Interests of controlled corporation	RMB20,198,135[2], [4], [5]	40.40%

Notes:

(1) The Company holds 29.03% of the equity interest in Yugen Medtech, and therefore Yugen Medtech is an associated corporation of the Company.

(2) These bonds are convertible bonds which are not freely transferable but are convertible into shares of Yugen Medtech. The aggregate principal amount of the convertible bonds is RMB50,000,000, of which (i) RMB21,881,082 was subscribed by the Company, (ii) RMB12,198,135 was subscribed by Haihe Asymchem Fund, (iii) RMB8,000,000 was subscribed by Jihang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership) ("**Jihang Tianjin**") and (iv) RMB7,920,783 was subscribed by Tianjin Tianhao. For details of the convertible bonds, please refer to the announcement of the Company dated 11 April 2023.

(3) The principal amount of the convertible bonds of RMB7,920,783 is held by Tianjin Tianhao. Dr. Hao Hong is a limited partner of Tianjin Tianhao and holds 90.70% of the limited partnership interest in Tianjin Tianhao. Yugen Medtech is a limited liability company established in the PRC with a registered capital of RMB37,369,689, of which Tianjin Tianhao contributed RMB3,418,800, representing approximately 9.15% of the registered capital of Yugen Medtech. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the bonds of Yugen Medtech held by Tianjin Tianhao.

(4) The principal amount of the convertible bonds of RMB12,198,135 is held by Haihe Asymchem Fund. Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is the general partner of Haihe Asymchem Fund, and Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is owned as to approximately 44.38% by Yunqi Management, and Yunqi Management is owned as to 60% and 40% by Ms. Yang Rui and Mr. Zhang Da, respectively. By virtue of the SFO, Ms. Yang Rui and Mr. Zhang Da (through Haihe Asymchem Fund) are deemed to be interested in the bonds of Yugen Medtech.

(5) The principal amount of the convertible bonds of RMB8,000,000 is held by Jihang Tianjin. Ms. Yang Rui and Mr. Zhang Da are interested in 56.18% and 43.70% in Jihang Tianjin, respectively. By virtue of the SFO, Ms. Yang Rui and Mr. Zhang Da (through Jihang Tianjin) are deemed to be interested in the bonds of Yugen Medtech.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2024, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

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

Name of substantial Shareholder	Nature of interest	Class of Shares	Number of Shares interested [1]	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued Shares
ALAB	Beneficial owner	A Shares	115,133,168 (L)	33.85%	31.31%
Fidelity Management & Research Company LLC	Beneficial owner	H Shares	2,328,185 (L)	8.45%	0.63%
	Interests of controlled corporation	H Shares	487,415 (L)	1.77%	0.13%
JPMorgan Asset Management (Asia Pacific) Limited	Investment manager	H Shares	3,184,300 (L)	11.56%	0.87%
Schroders PLC	Investment Manager	H Shares	3,325,500 (L)	12.07%	0.90%
Norges Bank	Beneficial owner	H Shares	1,697,100 (L)	6.16%	0.46%
Citigroup Inc.	Interests of controlled corporation	H Shares	327,098 (L)	1.19%	0.09%
	Interests of controlled corporation	H Shares	309,618 (S)	1.12%	0.08%
	Approved lending agent	H Shares	1,050,995 (P)	3.81%	0.29%

Notes:

(1) (L) represents long position, (S) represents short position, and (P) represents lending pool.

(2) As of 31 December 2024, the number of issued shares of the Company was 367,718,103, including 27,553,260 H Shares and 340,164,843 A Shares (including treasury shares).

Save as disclosed above, to the best knowledge of the Company, as at 31 December 2024, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in the respective types of capital in issue of the Company.

XX. DIRECTORS' INDEMNITIES

During the Reporting Period, the Company has in force the permitted indemnity provisions (as defined in the Hong Kong Companies Ordinance) in relation to the directors' and officers' liability insurance.

XXI. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "—A Share Incentive Schemes" in this annual report, at no time during the year ended 31 December 2024 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

XXII. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors (other than the Independent Non-executive Directors) confirmed that during the year ended 31 December 2024 and up to the date of this annual report, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

XXIII. CONNECTED TRANSACTIONS

To capitalize on the opportunities in the global and domestic innovative biopharmaceutical market and synthetic biology market, and establish a strategic business collaboration model based on "assets + capital + services", our Company proposed to invest in a specialized investment fund focusing on the innovative biopharmaceutical, synthetic biology and other industries. On 29 April 2024, Asymchem Life Science (Tianjin) Co., Ltd. (凱萊英生命科學技術(天津)有限公司) ("**Asymchem Life Science**"), a wholly-owned subsidiary of our Company, and as a limited partner of the Fund (as defined below), entered into a partnership agreement with (i) Tianjin CNCB Hengze Management Consulting Partnership (Limited Partnership) (天津信銀恒澤管理諮詢合夥企業(有限合夥)) ("**CNCB Hengze**"), as a general partner of the Fund (as defined below), (ii) Haizunchuang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership) (海尊創(天津)企業管理諮詢合夥企業(有限合夥)) ("**Haizunchuang Enterprise Management**"), as a general partner of the Fund (as defined below), (iii) Tianjin Haihe Industry Fund Partnership (Limited Partnership) (天津市海河產業基金合夥企業(有限合夥)) ("**Haihe Industry Fund**"), as a limited partner of the Fund (as defined below), and (iv) Tianjin Eco-City State-Owned Assets Management Co., Ltd. (天津生態城國有資產經營管理有限公司) ("**Tianjin Eco-City**"), as a limited partner of the Fund (as defined below), to jointly establish a fund for future investment in the innovative biopharmaceutical, synthetic biology and other industries (the "**Fund**").

Pursuant to the partnership agreement, the total capital commitment to the Fund is RMB754.0 million (the "**Total Capital Commitment**"), among which, (i) the capital to be contributed by CNCB Hengze is RMB1.0 million, being approximately 0.1% of the Total Capital Commitment; (ii) the capital to be contributed by Haizunchuang Enterprise Management is RMB3.0 million, being approximately 0.4% of the Total Capital Commitment; (iii) the capital to be contributed by Haihe Industry Fund is RMB300.0 million, being approximately 39.8% of the Total Capital Commitment; (iv) the capital to be contributed by Asymchem Life Science is RMB300.0 million, being approximately 39.8% of the Total Capital Commitment; and (v) the capital to be contributed by Tianjin Eco-City is RMB150.0 million, being approximately 19.9% of the Total Capital Commitment. By entering into the partnership agreement, the Company aims to enhance its technical capabilities, support its business expansion plans, foster sustainable and stable development, and facilitate beneficial interaction between its industrial resources and the expertise and capital of professional investment institutions.

Haizunchuang Enterprise Management, a limited partner of the Fund, was owned as to 95.0% by Tianjin Zunji Private Equity Fund Management Co., Ltd. (天津尊濟私募基金管理有限公司) ("**Tianjin Zunji**") as its general partner. Tianjin Zunji was owned as to 70.0% by Tu Zhiwei (凃智煒), the spouse of our former independent non-executive Director, Mr. Wang Qingsong. Mr. Wang Qingsong ceased to be an independent non-executive Director from 29 February 2024 (within 12 months prior to the date of the partnership agreement). As such, Haizunchuang Enterprise Management, being a 30%-controlled company of Mr. Wang Qingsong's spouse, is an associate of Mr. Wang Qingsong and therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transaction are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 30 April 2024.

On 30 September 2024, the Company entered into the equity transfer agreement with Asymchem No.1 Enterprise Management, agreeing to sell approximately 1.98% of equity interests in BioLink Pharmaceutical Technology (Shanghai) Co. (百林科醫藥科技(上海)有限公司) ("**BioLink**") held by the Company at a consideration of RMB33.00 million to Asymchem No.1 Enterprise Management (凱萊英壹號企業管理) (the "**Equity Disposal**"). Upon the completion of the equity disposal, the Company will not hold any equity interests in BioLink. The equity disposal is conducive to optimizing the Company's asset layout, focusing on the efficient development of its business. As of 30 September 2024, Asymchem No.1 Enterprise Management was managed by its general partner Haizunchuang Enterprise Management, which was in turn managed by its general partner Tianjin Zunji. Tianjin Zunji was owned as to 70.0% by Tu Zhiwei (凃智煒), the spouse of our former independent non-executive Director, Mr. Wang Qingsong. Mr. Wang Qingsong ceased to be an independent non-executive Director from 29 February 2024 (within 12 months prior to the date of the equity transfer agreement). As such, Asymchem No.1 Enterprise Management is an associate of Mr. Wang Qingsong and therefore a connected person of the Company under the Listing Rules. Accordingly, the Equity Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Equity Disposal are more than 0.1% but less than 5%, the Equity Disposal is subject to the reporting and announcement requirements but is exempt from the circular and the independent Shareholders' approval requirements. For details, please refer to the announcement of the Company dated 30 September 2024.

Save as disclosed above, the Group had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules during the Reporting Period.

XXIV. RELATED PARTY TRANSACTIONS

During the Reporting Period, the Board of Supervisors reviewed and supervised the related party transactions of the Company and concluded that the related party transactions of the Company in 2024 were conducted on a fair and mutually beneficial basis, and all relevant consideration and decision-making procedures were performed, which met the actual needs of the production and operation of both parties of the related party transactions. The pricing method of the transactions was fair, and there was no prejudice to the interests of the Company and minority Shareholders.

XXV. DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements, and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director/Supervisor or any entity connected with such Director/Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

XXVI. CONTRACTS OF SIGNIFICANCE WITH SUBSTANTIAL SHAREHOLDERS

No contract of significance was entered into or subsisted between the Company or any of its subsidiaries and a substantial Shareholder or any of its subsidiaries during the Reporting Period and no contract of significance for the provision of services to the Company or any of its subsidiaries by a substantial Shareholder or any of its subsidiaries was entered into or subsisted as at 31 December 2024.

XXVII. MANAGEMENT CONTRACTS

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

XXVIII. EQUITY-LINKED AGREEMENTS

During the Reporting Period, save as disclosed in the share incentive arrangement in the section headed "– A Share Incentive Schemes" in this annual report and note 33 to the financial statements, the Company had not entered into any equity-linked agreement.

XXIX. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Directors, Supervisors and senior management of the Group are decided by the Board with reference to the recommendations of the Remuneration and Examination Committee, having regard to the Group's operating results, individual performance, and comparable market statistics.

Details of the Directors' remuneration and remuneration of the five highest paid individuals in the Group are set out in note 9 to the financial statements in this annual report.

Details of the remuneration of the executive Directors, Supervisors and senior management of the Group are set out in note 8 to the financial statements in this annual report.

During the Reporting Period, no remuneration was paid by the Group to any of the Directors and Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors and Supervisors waived any remuneration for the year ended 31 December 2024.

Save as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2024, by the Group to or on behalf of any of the Directors.

XXX. CONVERTIBLE BONDS

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

XXXI. LOANS AND GUARANTEES

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the controlling Shareholders, or their respective connected persons.

XXXII. ON-GOING DISCLOSURE RESPONSIBILITIES UNDER THE LISTING RULES

Save as disclosed in this annual report, the Company has no other disclosure responsibilities under rules 13.20, 13.21 and 13.22 of the Listing Rules.

XXXIII. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "—A Share Incentive Schemes" in this annual report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

XXXIV. MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the revenue generated from Group's largest customer accounted for 12.81% of the Group's total revenue and the revenue generated from the Group's five largest customers accounted for 39.33% of the Group's total revenue.

During the Reporting Period, the purchases from the Group's largest supplier accounted for 4.14% of the Group's total purchases and the purchases from the Group's five largest suppliers accounted for 17.63% of the Group's total purchases.

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

XXXV. CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Company donated a total of RMB0.51 million.

XXXVI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix C1 to the Listing Rules. During the Reporting Period, the Board is of the opinion that the Company had complied with all the code provisions in the CG Code except for code provisions C.2.1 (see the paragraph headed "Corporate Governance Report – Chairperson and Chief Executive Officer" in this annual report) and B.2.2 of the CG Code (see the paragraph headed "Corporate Governance Report – Appointment and Re-Election of Directors" in this annual report) during the Reporting Period.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code and maintain a high standard of the best practices.

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

XXXVII. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company has complied with the relevant laws and regulations that have a significant impact on the Company, including the requirements under the Hong Kong Companies Ordinance, the Listing Rules, the SFO and the CG Code in relation to, among other things, information disclosure and corporate governance. None of the Group, Directors, Supervisors and senior management of the Company had been subject to any investigation or administrative penalty by the CSRC, banned from access to the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial authorities or held criminally responsible, nor were they involved in any other litigation, arbitration or administrative proceedings that would have a material adverse effect on our business, financial condition or results of operations.

XXXVIII. AUDITOR

On 19 January 2022, considering that RSM China (Special General Partnership) ("**RSM China**") has served as the domestic auditor of the Company for consecutive years and the Company's H Shares have been listed on the main board of the Hong Kong Stock Exchange, and in order to ensure independence and objectivity of auditing procedures of the Company, the Company has reached a mutual consensus with RSM China on the non-renewal of its appointment and RSM China would thereby retire as the domestic auditor of the Company.

As recommended by the Audit Committee, the Board proposed to the appointment of Ernst & Young Hua Ming LLP as the domestic auditor of the Company following the retirement of RSM China, with its term of office commencing from the date of approval of Shareholders until the conclusion of the next Annual General Meeting. This proposed change of domestic auditor was approved by the Shareholders on 11 March 2022 at the first extraordinary general meeting of 2022.

The Audit Committee proposed the consideration and approval of the re-appointment of Ernst & Young Hua Ming LLP as the domestic auditor of the Company in 2024, for the term of one year and that the Board be authorized to fix their remuneration, with its term of office commencing from the date of approval of Shareholders until the conclusion of the next Annual General Meeting. This re-appointment of domestic auditor was approved by the Shareholders on 6 June 2024 at the Annual General Meeting of 2024.

During the Reporting Period, there was no change of auditor and the consolidated financial statements for the Reporting Period have been audited by Ernst & Young, Certified Public Accountants, who is proposed for re-appointment at the AGM.

XXXIX. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2025, the Board has resolved to propose the adoption of the H Share Restricted Share Scheme and the 2025 A Share Restricted Share Scheme, and the conditional grant of Incentive Shares pursuant to the H Share Restricted Share Scheme. Such share incentive schemes was considered and approved at the first extraordinary general meeting of 2025, the first A Shares class meeting of 2025 and the first H Shares class meeting of 2025 on 3 April 2025. For further details, please refer to the relevant announcement of the Company dated 24 January 2025 and 3 April 2025 and the circular of the Company dated 18 March 2025.

On 26 February 2025, the Company completed the cancellation of 7,122,703 A Shares held in the specific repurchase securities account, representing 2.09% of the Company's total amount of A Shares and 1.94% of the Company's total Shares before the cancellation. Upon the completion of cancellation of repurchased Shares, the issued share capital of the Company had been reduced to 360,595,400 Shares, including 333,042,140 A Shares and 27,553,260 H Shares.

On 28 March 2025, the Board held a meeting to consider and approve the 2024 Profit Distribution Plan. For further details, please refer to "REPORT OF THE BOARD OF DIRECTORS – XI. Profit Distribution".

Save as disclosed above, subsequent to 31 December 2024 and up to the date of this annual report, the Group did not have any other significant events.

By order of the Board
Asymchem Laboratories (Tianjin) Co., Ltd.
Dr. Hao Hong
Chairperson of the Board, Executive Director and Chief Executive Officer

Tianjin, the PRC, 28 March 2025

CORPORATE GOVERNANCE REPORT

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

I. CORPORATE GOVERNANCE PRACTICES

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

The Company's corporate governance practices are based on the principles as set out in the CG Code in Appendix C1 to the Listing Rules.

As of the date of this annual report, the Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules and has complied with the code provisions of the CG Code, except for code provision C.2.1 (see the paragraph headed "Chairperson and Chief Executive Officer" below) and B.2.2 of the CG Code (see the paragraph headed "Appointment and Re-Election of Directors" below).

II. CORPORATE GOVERNANCE CODE COMPLIANCE

Up to the date of this annual report, the Company has complied with the code provisions as set out in the CG Code and supplementary requirements in force in material time in Appendix C1 to the Listing Rules. In the following corporate governance areas, the Company's practices have exceeded the relevant CG Code/ Listing Rules requirements by incorporating the best practice with more improvement:

Corporate Governance Areas	Details of Exceedance
Number of Independent Non-Executive Directors	The number of independent non-executive Directors represents more than one-third of the Board, which exceeded the independence requirement under the Listing Rules.
Number of Independent Non-Executive Directors in Audit Committee	The Audit Committee consists of three non-executive Directors, with independent non-executive Directors making up the majority, which met the independence requirement under the Listing Rules.
Number of Regular Board Meetings	The Company held 15 Board meetings including 4 regular Board meetings and 11 extraordinary Board meetings in this year, which exceeded the requirement under the CG Code.
Notice of the Regular Board Meetings	The dates of regular Board meetings for the following year are usually fixed in the fourth quarter of the preceding year.
Model Code Confirmation	Confirmation of Compliance with the Model Code is obtained from each Director and Executive Management personnel every half year.

Corporate Governance Areas	Details of Exceedance
Terms of Reference of all Committees	As part of the Board effectiveness, the Company published its Terms of Reference of The Audit Committee Under the Board of Directors, Terms of Reference of The Nomination Committee Under the Board of Directors, Terms of Reference of the Remuneration and Examination Committee Under the Board of Directors, and Terms of Reference of The Strategy Committee Under the Board of Directors via HKEXnews website.
Evaluation of the Effectiveness of Internal Control and Risk Management System	The Company reviews not only the effectiveness of the internal control and risk management of the Company and its subsidiaries, but also that of its key associates operating in Mainland China and overseas.
Board Diversity Policy	The Company has a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of the Board. In particular, there are four female board members, which exceeded our peers' board composition in gender diversity. In addition, the Board reviewed and updated the Board Diversity Policy on 26 July 2024. For further details, please refer to the relevant announcement of the Company dated 26 July 2024.
Values and Code of Conduct	The Company adopted the Values and Code of Conduct in 2024 which serves as a binding guidance for daily work and a supplement to the internal policies as well as the provisions in employment contracts. For further details, please refer to the announcement of the Company dated 26 July 2024.
Whistleblowing Policy	The Company adopted the Whistleblowing Policy in 2023 and is committed to maintaining high standards of business ethics and corporate governance. For the details, please refer to the Whistleblowing Policy, which is available on the HKEXnews website.
Anti-corruption and Anti-bribery Policy	The Company adopted and updated on 26 July 2024 the Anti-corruption and Anti-bribery Policy, and is committed to conducting all its business in an honest and ethical manner. For the details, please refer to the Anti-corruption and Anti-bribery Policy, which is available on the HKEXnews website.

The Company continues to monitor developments in the area of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the evolving business and regulatory environment and to meet the expectations of shareholders and stakeholders.

III. ASYMCHEM'S CULTURE

With the core values of "seriousness, rigor, and strictness" ("嚴肅、嚴謹、嚴苛"), Asymchem has been dedicated to serving the realm of innovative and breakthrough medicines, actively tackling R&D technical challenges in production to expedite our clients' product launches to market. These endeavours have contributed to promoting drug accessibility, enhancing the quality of life for patients, relieving their suffering and allowing more patients to benefit from high-quality drugs and medical solutions. Over two decades, the management philosophy of "accumulating strength for future success, staying vigilant, and be cautious" ("厚積薄發、居安思危、如履薄冰") continues to guide the Company.

Equally unchanged is the spirit of perseverance and strong execution among Asymchem's staff, serving as the enduring driving forces behind the company's development. Asymchem upholds the "people-oriented" culture and adheres to the employment principle of "leveraging talents to their fullest potential". We offer our staff with an inclusive, diversified, and safe working environment and place, and we are dedicated to the development of each employee, assisting them in achieving their professional aspirations. In terms of social responsibility, we stay committed to safeguarding employee benefits and rights, fostering a fair and inclusive working environment.

Asymchem's Vision:

Being the partner of choice to global pharmaceutical companies of all sizes providing R&D and manufacture solutions throughout the full lifecycle of innovative drug development.

Asymchem's Mission:

Collaboration for Innovation

More information about Asymchem's culture is available on Asymchem's website.

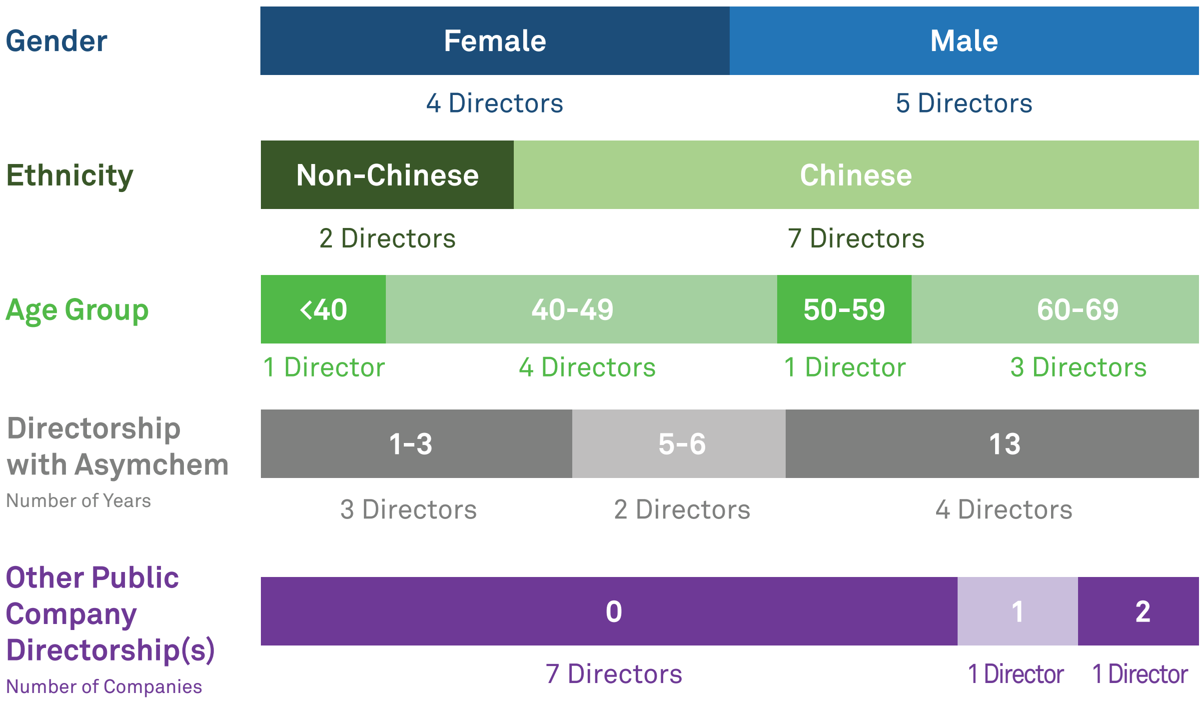
IV. THE BOARD OF DIRECTORS

The Board is accountable to the Shareholders' general meeting and is primarily responsible for the overall management and control of the Company, determining the Company's business plans and investment plans, and providing leadership and approving strategic policies and plans to enhance Shareholders' value. All Directors carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing them (including attendance at regular meetings).

i. BOARD COMPOSITION

The Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors.



Executive Directors

Dr. Hao Hong *(Chairperson and Chief Executive Officer)*
Ms. Yang Rui
Mr. Zhang Da
Mr. Hong Liang

Non-Executive Directors

Dr. Ye Song
Ms. Zhang Ting

Independent Non-executive Directors

Dr. Sun Xuejiao
Mr. Wang Qingsong[(1)]
Dr. Hou Xinyi[(2)]
Mr. Lee, Kar Chung Felix

Notes:

(1) Mr. Wang Qingsong was appointed as an independent non-executive Director of the Company on 18 April 2019 and tendered his resignation on 5 February 2024 with effective from 29 February 2024.

(2) Dr. Hou Xinyi was appointed as an independent non-executive Director of the Company on 29 February 2024.

On 27 February 2024, Dr. Hou Xinyi obtained legal advice referred to in Rule 3.09D of the Listing Rules, and confirmed that he understood his obligations as director of a listed issuer. Dr. Hou Xinyi confirmed that he had satisfied the independence criteria as stipulated in Rule 3.13 of the Listing Rules.

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

The Board members, including the independent non-executive Directors, come from a wide range of professional and educational backgrounds, including accounting, management and industry expertise, which brings to the Board a diverse and balanced mix of skills and experience that contributes to the effective development of the Group.

Name of Director	Executive leadership & strategy/ directorship or senior executive experience with other list company(ies)	Capital market expertise	International business	Healthcare Industry Knowledge	Accounting professionals/ financial management expertise	Legal Professionals/ regulatory & compliance/ risk management
Executive Directors						
Dr. Hao Hong	*	*	*	*	*	*
Ms. Yang Rui (楊蕊)	*	*	*	*	*	*
Mr. Zhang Da (張達)	*	*	*	*	*	*
Mr. Hong Liang (洪亮)	*	*	*	*	–	*
Non-Executive Directors						
Dr. Ye Song	*	*	*	*	*	*
Ms. Zhang Ting (張婷)	*	–	*	*	–	*
Independent Non-Executive Directors						
Dr. Sun Xuejiao (孫雪嬌)	*	*	–	*	*	–
Dr. Hou Xinyi (侯欣一)	*	*	–	*	–	*
Mr. Lee, Kar Chung Felix (李家聰)	*	*	*	*	*	*
Coverage (% of entire Board)	**100%**	**89%**	**78%**	**100%**	**67%**	**89%**

Save for the relationships among the Directors as set out in their respective biographies (see the section headed "Biographies of Directors, Supervisors and Senior Management"), none of the Directors has any financial, business, family, or other material/relevant relationships with each other.

V. RESPONSIBILITIES, ACCOUNTABILITIES, EFFECTIVENESS AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

Good governance emanates from an effective accountable board. At Asymchem, the Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board operates under defined terms of reference which set out matters specifically reserved for its decision. The terms of reference are publicly available on both HKEx's and the Company's website.

For effective oversight and leadership, the Board regularly reviews reports from the Chief Executive Officer and senior executives on the progress of the approved strategic plans and budgets and receives updates and advice from the Board committees an external market and industry experts and management the Company's business performance and development, regulatory landscape, ESG, risk management, and human capital management.

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

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

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

Each Director is required to disclose to the Company details of other offices held by him/her on a regular basis to ensure that he/she can devote sufficient time to discharge his/her duties as a Director of the Company.

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

The Company has maintained Directors' and senior management's liability insurance to cover any legal actions taken against the Directors and senior management arising out of corporate activities.

VI. CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code as set out in Appendix C1 to the Listing Rules, the roles of Chairperson and chief executive officer should be separate and should not be performed by the same individual.

The roles of Chairperson and Chief Executive Officer of the Group are held by Dr. Hao Hong, who is the founder of the Group. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) a decision to be made by the Board requires approval by at least a majority of the Board members and that the Board comprises three independent non-executive Directors out of nine Directors, thus the Board believes that the checks and balances on the Board are sufficient; (ii) Dr. Hao Hong and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require them (among others) to act in the best interests of the Group and make decisions for the Group accordingly; and (iii) the balance of power and authority in the operation of the Board is ensured by the experienced and high caliber individuals and professionals making up the Board, who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategy and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and chief executive levels. The Board believes that the combined role of Chairperson and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Furthermore, in view of Dr. Hao Hong's industry experience, professional background, personal profile and his crucial roles in the Company as mentioned above, and also due to his deep understanding of the Group for over 20 years, Dr. Hao Hong is the best person to identify strategic opportunities and act as the key figure of the Board. Finally, as Dr. Hao Hong is the founder of the Company, the Board believes that vesting the roles of both Chairperson and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning and communication with the Group.

The Group and the Board are committed to high standards of corporate governance. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairperson and Chief Executive Officer is necessary.

VII. INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Relevant Period, the Board at all times met the requirements of the relevant Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

The Company has maintained Directors' and senior management's liability insurance to cover any legal actions taken against the Directors and senior management arising out of corporate activities.

VIII. APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the Articles of Association and code provision B.2.2 of the CG Code, the Directors (including non-executive Directors and independent non-executive Directors) are appointed for a specific term of three years, subject to re-election upon expiry. Directors shall be elected or replaced at general meetings with a term of office of three years, provided that the term of office of the independent non-executive directors shall not exceed a consecutive period of six years. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the announcement of the Company dated 2 February 2024, the term of the fourth session of the Board and the Board of Supervisors expired on 9 February 2024. As the relevant nomination of candidates for a new session of the Board and the Board of Supervisors is still in process, in order to ensure the continuity and stability of the work of the Board and the Board of Supervisors, the election of the fourth session of the Board and the Board of Supervisors will be postponed, and the terms of each special committee under the Board and senior management of the Company will be extended accordingly. Before the completion of the election process, all the members of the fourth session of the Board and the Board of Supervisors, each special committee under the Board and the senior management of the Company will continue to perform their respective obligations and duties in accordance with relevant laws and regulations and the Articles of Association. The Company will fulfil the obligations of information disclosure based on the progress of the election.

As of the date of this annual report, all candidates for the Board and the Board of Supervisors have been selected. The appointment procedures are currently in progress, and the appointment will be implemented and finalized as soon as possible.

IX. INDUCTION AND DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision C.1.4 of the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

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

Directors should participate in appropriate continuous professional training to develop and refresh their knowledge and skills. The Company arranges regular internal or external training for Directors as appropriate. Reading materials on relevant topics will be provided to Directors. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2024, all Directors have attended training sessions on the respective responsibilities of the Directors and senior management. In addition, relevant documents including legal and regulatory updates are provided to the Directors for their reference and studying.

For the year ended 31 December 2024 and as at the date of this annual report, the records of continuous professional development relating to duties, regulatory and business development received by the Directors are summarized as follows:

DIRECTORS	Attending courses/ seminars related to the duties and responsibilities of directors or corporate governance	Reading regulatory materials
EXECUTIVE DIRECTORS		
Dr. Hao Hong	✔	✔
Ms. Yang Rui	✔	✔
Mr. Zhang Da	✔	✔
Mr. Hong Liang	✔	✔
NON-EXECUTIVE DIRECTORS		
Dr. Ye Song	✔	✔
Ms. Zhang Ting	✔	✔
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Dr. Sun Xuejiao	✔	✔
Dr. Hou Xinyi(1)	✔	✔
Mr. Wang Qingsong(2)	✔	✔
Mr. Lee, Kar Chung Felix	✔	✔

Notes:

(1) Dr. Hou Xinyi was appointed as an independent non-executive Director of the Company on 29 February 2024.

(2) Mr. Wang Qingsong was appointed as an independent non-executive Director of the Company on 18 April 2019 and tendered his resignation on 5 February 2024, which became effective on 29 February 2024. Consequently, Mr. Wang attended only a portion of the training sessions in 2024.

The Company believes that the independence of the Board is an important element of good corporate governance. The Company has in place effective mechanisms, including but not limited to allowing directors and committee members to seek independent professional advice on matters of the Company when required, at the Company's expense, to ensure that the Board receives independent advice. These mechanisms are reviewed annually by the Board to ensure a high degree of independence of the Board.

X. DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for the selection, nomination and appointment of directors of the Company to the Nomination Committee. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Company has adopted a Director Nomination Policy which sets out the criteria and process in the nomination and appointment of Directors of the Company and sets out the criteria to be considered by the Nomination Committee and/or the Board in evaluating and selecting candidates for directorships.

XI. CORPORATE GOVERNANCE FUNCTIONS

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Employees Written Guidelines and the Company's compliance with the CG Code and disclosure in this corporate governance report for the Reporting Period.

i. Board Committees

The Company has established four Board committees, namely the Audit Committee, the Remuneration and Examination Committee, the Nomination Committee, and the Strategy Committee.

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

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with D.3.3 of the CG Code and the relevant laws and regulations of the PRC. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group.

As of 31 December 2024, the Audit Committee consisted of three members, namely non-executive Director Ms. Zhang Ting, independent non-executive Directors Dr. Sun Xuejiao and Dr. Hou Xinyi with Dr. Sun Xuejiao serving as the chairperson of the Audit Committee. Previously, Mr. Wang Qingsong, an independent non-executive Director with the appropriate professional experiences, served as the member of the Audit Committee. Mr. Wang Qingsong tendered his resignation as the member of the Audit Committee on 5 February 2024, which became effective on 29 February 2024, and Dr. Hou Xinyi filled the vacancy.

The Audit Committee shall include, without limitation the following basic responsibilities:

- To advise the Board on the appointment, renewal, replacement or dismissal of external audit agency;
- To oversee the work of external auditors;
- To oversee the Company's financial control and internal audit policy and the implementation thereof;
- To be in charge of the communications between the Company's internal and external auditors, and supervise the relationship between the Company and external audit;
- To review the Company's financial statements and reports;
- To review the Company's risk management and internal control systems;
- To review the Company's policies and practices on financing and accounting;
- To review the Company's external guarantees;
- To review the Company's compliance with the Corporate Governance Code under the Listing Rules and its disclosure in the Corporate Governance Report; and
- To perform other duties as required by the Listing Rules.

During the year ended 31 December 2024, the Audit Committee held four meetings to review the annual financial results and report, the interim financial results and report, the quarterly financial report, the effectiveness of risk management and internal control policies and internal audit function, the appointment of auditors and arrangements for employees to report potential misconduct.

Remuneration and Examination Committee

The Company has established the Remuneration and Examination Committee with written terms of reference in compliance with E.1.2 of the CG Code and the relevant laws and regulations of the PRC. The Remuneration and Examination Committee is mainly responsible for evaluating the remuneration policies for Directors and senior management of the Group and making recommendations thereon to the Board.

As of 31 December 2024, the Remuneration and Examination Committee consisted of three members, executive Director Mr. Zhang Da, independent non-executive Directors Dr. Sun Xuejiao and Dr. Hou Xinyi, with Dr. Hou Xinyi serving as the Chairperson of the Remuneration and Examination Committee since 29 February 2024. Previously, Mr. Wang Qingsong, an independent non-executive Director with the appropriate professional experiences, served as the chairperson of the Remuneration and Examination Committee. Mr. Wang Qingsong tendered his resignation as the Chairperson of the Remuneration and Examination Committee on 5 February 2024, which became effective on 29 February 2024, and Dr. Hou Xinyi filled the vacancy.

The Remuneration and Examination Committee shall include, without limitation the following basic responsibilities:

- To advise the Board on the overall remuneration policy and framework for directors and senior management members, and the establishment of a standardized and transparent remuneration policy formulation procedures;

- To formulate remuneration plans or proposals according to the main scope, responsibilities and importance of the management positions of the Directors and senior management, with reference to the remuneration level of other relevant enterprises and relevant positions, time commitment and responsibilities undertaken, employment conditions of other positions in the Company, etc.;

- To determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

- To examine the performance of duties by directors (non-independent Director) and senior management members of the Company and conduct regular performance appraisals and evaluations, and make recommendations;

- To review and approve the compensation payable to the executive Directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- To review and approve 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;

- To review and/or approve share schemes related issues under Chapter 17 of the Listing Rules;

- To make suggestions to the Board on the formulation or modification of share incentive schemes, employee stock ownership plans, shares granted to the participants and conditions for exercising rights, while managing and supervising the implementation of relevant incentive plans; and

- To perform other duties as required by the Listing Rules.

During the year ended 31 December 2024, the Remuneration and Examination Committee held a total of four meetings to review the remuneration policies and structure of the Company, make recommendations to the Board on the remuneration packages of the Directors and senior management, review the share incentive during the Reporting Period etc.

The remuneration of the senior management (excluding senior management who also served as a Director or Supervisor) of the Group by band during the Reporting Period is set out below:

Remuneration	Number
Less than RMB1,000,000	3
RMB1,000,001 to RMB1,500,000	0
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	2
RMB2,500,001 to RMB3,000,000	0
RMB3,000,001 to RMB3,500,000	1
More than RMB3,500,001	3

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with B.3.1 of the CG Code and the relevant laws and regulations of the PRC. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board qualified candidates to serve as the Directors and monitoring the procedures for evaluating the performance of the Board.

As of 31 December 2024, the Nomination Committee consisted of three members, namely executive Director Mr. Hong Liang, independent non-executive Directors Dr. Hou Xinyi and Mr. Lee, Kar Chung Felix, with Mr. Lee, Kar Chung Felix serving as the Chairperson of the Nomination Committee. Previously, Mr. Wang Qingsong, an independent non-executive Director with the appropriate professional experiences, served as the member of the Nomination Committee. Mr. Wang Qingsong tendered his resignation as the member of the Nomination Committee on 5 February 2024, which became effective on 29 February 2024, and Dr. Hou Xinyi filled the vacancy.

The Nomination Committee shall include, without limitation the following basic responsibilities:

- To review the structure, number and composition (including skills, knowledge and experience) of the board of directors annually and providing recommendations to the board of directors on the scale and composition of the board of directors on the basis of the Company's operations, scale of assets and shareholding structure, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- To determine the criteria for identifying, reviewing and assessing the qualifications of Board members and senior management;

- To determine and regularly review measurable objectives for implementing the Board Diversity Policy and oversee the progress on achieving these objectives;

- To identify qualified candidates for the Board members and senior management and make recommendations to the Board on the selection and nomination of personnel nominated for directorships;

- To review the independence of independent non-executive Directors;

- To make recommendations to the Board on the appointment or renewal of Directors and senior management and succession planning for Directors and senior management;

- To determine, review and assess the suitability of corporate governance guidelines of the Company and make recommendations on any proposed changes to the Board for consideration;

- To review and supervise the training and continuous professional development of Directors and senior management;

- To determine, review and oversee the code of conduct and compliance manual (if any) applicable to the Directors and senior management; and

- To perform other duties as required by the Listing Rules.

When performing relevant duties, the Nomination Committee shall consider the diversity policy of the Board specified in these terms of reference. It shall be responsible for monitoring the implementation of the policy as well as reviewing and revising the policy to ensure its effectiveness.

In reviewing the size and composition of the Board, identifying and nominating candidates for directors, the Nomination Committee shall consider relevant factors to achieve the diversity of the Board members according to the business model and specific demand of the Company. The Nomination Committee may consider the diversity of the Board members from various aspects, including but not limited to gender, age, cultural and educational background, nationality, race or ethnicity, professional expertise, skills, knowledge, and tenure of service. After considering the aforesaid relevant factors, the Nomination Committee shall make final recommendation on the appointment to the Board based on the merits of the candidates and contribution they may bring to the Board.

During the year ended 31 December 2024, the Nomination Committee held three meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and Board diversity, as well as to nominate Directors and the Company's senior management for appointment.

Strategy Committee

The Company has established the Strategy Committee. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

As of 31 December 2024, the Strategy Committee consisted of three members, namely executive Directors Dr. Hao Hong and Ms. Yang Rui and an independent non-executive Director Mr. Lee, Kar Chung Felix, with Dr. Hao Hong serving as the Chairperson of the Strategy Committee. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

The Strategy Committee shall include, without limitation the following basic responsibilities:

- To study and make recommendations on the strategic development plans of the Company;
- To study and make recommendations on major investment decisions which are required to be approved by the Board under the Articles of Association;
- To study and make recommendations on major capital operations and asset management projects which are required to be approved by the Board under the Articles of Association;
- To put forward opinions and suggestions on the formulation and implementation of the Company's sustainable development and ESG management work plan;
- To track and inspect the implementation and improvement of sustainable development and ESG management, ensure compliance with relevant laws and regulations in the management and decision-making mechanism of related issues, and optimize performance on related matters;
- To review the Company's annual ESG report and submit it to the Board for consideration;
- To study and make recommendations on other significant matters affecting the development of the Company;
- To track and inspect the implementation of the above matters; and
- To perform other duties as required by the Listing Rules.

During the year ended 31 December 2024, the Strategy Committee held one meeting to discuss and optimize the development strategy and forward planning of the Group in 2024 and review 2023 ESG report of the Company.

ii. Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board meetings, Board Committee meetings and the general meetings of the Company held during their tenure of office during the Reporting Period is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration and Examination Committee	Nomination Committee	Strategy Committee	Shareholders' Annual General Meeting	Extraordinary General Meeting
Dr. Hao Hong	15/15	–	–	–	1/1	0/1	0/3
Ms. Yang Rui (楊蕊)	15/15	–	–	–	1/1	1/1	1/3
Mr. Zhang Da (張達)	15/15	–	4/4	–	–	1/1	1/3
Mr. Hong Liang (洪亮)	15/15	–	–	3/3	–	1/1	2/3
Dr. Ye Song	15/15	–	–	–	–	0/1	1/3
Ms. Zhang Ting (張婷)	15/15	4/4	–	–	–	1/1	3/3
Dr. Sun Xuejiao (孫雪嬌)	15/15	4/4	4/4	–	–	1/1	3/3
Dr. Hou Xinyi (侯欣一)(1)	13/15	4/4	4/4	2/2	–	1/1	0/2
Mr. Wang Qingsong (王青松)(2)	2/15	0/0	0/0	1/1	–	0/0	0/1
Mr. Lee, Kar Chung Felix (李家聰)	15/15	–	–	3/3	1/1	1/1	0/3

Notes:

(1) Dr. Hou Xinyi was appointed as an independent non-executive Director on 29 February 2024. His appointment was made to fill the vacancy left by Mr. Wang Qingsong, the previous independent non-executive director of the Company, whose resignation became effective on 29 February 2024.

(2) Mr. Wang Qingsong was appointed as an independent non-executive Director of the Company on 18 April 2019 and tendered his resignation on 5 February 2024, which became effective on 29 February 2024.

During the Reporting Period, in addition to the regular Board meetings, the Chairperson also held meetings with the independent non-executive Directors without other directors present.

XII.JOINT COMPANY SECRETARIES

During the Reporting Period, Mr. Xu Xiangke is the Deputy General Manager of the Company and Secretary to the Board and is responsible for managing day-to-day work of the Board and corporate governance matters. Mr. Cheng Ching Kit, the other joint Company Secretary of the Company, who is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting Mr. Xu Xiangke in discharging his duties as a joint company secretary of the Company. Mr. Cheng's primary corporate contact person at the Company is Mr. Xu Xiangke.

For the year ended 31 December 2024, Mr. Xu Xiangke and Mr. Cheng Ching Kit had undertaken not less than 15 hours of relevant professional training during the Reporting Period in accordance with Rule 3.29 of the Listing Rules.

XIII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules. Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the Model Code during the year ended 31 December 2024. The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the year ended 31 December 2024.

XIV. MATERIAL LITIGATION

During the Reporting Period, the Company was not engaged in any material litigation or arbitration of material importance, or the Directors were not aware of any material litigation or claim pending or threatened against the Group.

XV. RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established a top-down risk management framework, clearly defining the risk management responsibilities at each level. This ensures continuous monitoring of risk management practices and gradually improves the risk management standards through ongoing refinement. The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Audit Committee oversees and manages the overall risks associated with our business operations from time to time. The Audit Committee is mainly responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of the Group.

The senior management is responsible for (i) formulating and updating our risk management policy and objectives; (ii) conducting risk assessment, including the identification, prioritization, measurement and categorization of all major risks which may have potential impacts on our operations; (iii) making action plans to mitigate potential risks; and (iv) reporting significant risks to our audit committee.

The Company's internal audit department and other relevant departments are responsible for implementing our risk management policy and the Company's day-to-day risk management. They are responsible for (i) collecting data on risks related to all departments' operation and function; (ii) preparing auditing reports for the review of our chief operating officer and our audit committee; (iii) proposing appropriate measures in response to our risk exposure where necessary; and (iv) continuously monitoring major risks related to our operations. The internal audit department will conduct an annual comprehensive review of the company's risk management and internal control system at the end of each year, covering the past 12 months.

In terms of culture development particular to the risk management, the Company continuously conducts risk awareness training for all employees, including but not limited to training on major safety production risks, risk management knowledge, and sharing risk management experiences, to enhance employees' understanding and awareness to the Group risk management. At the same time, the Company offers risk management training for Directors, supervisors, and senior executives to improve their professional risk management capabilities. Additionally, the Company has established a major risk warning system and an emergency response mechanism for contingent events, with clear risk warning standards. For potential major risks or emergencies, the Company has developed corresponding contingent plans, defined responsible personnel, and standardized the response procedures, ensuring that emergencies can be handled in a timely and appropriate manner.

To further enhance employees' awareness of risk management, the Company has incorporated risk management into the performance management system for middle and senior management, covering indicators such as safety incidents, environmental complaints, occupational health incidents, intellectual property leakage, significant audit issues, customer complaints, quality incidents, and more. These are considered "veto items," directly affecting employee performance evaluations.

The Company provides regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance with applicable laws and regulations. The Company also adopted and optimized a set of internal policies against bribery and corrupt activities, which strictly prohibit all employees and other personnel acting on behalf of us from making, proposing or promising improper payments, directly or indirectly, in any form of cash, physical assets, loans, gifts, luxury trips, entertainment, donations, other valuables or benefits to anyone, including government officers and healthcare professionals, for the purposes of acquiring or securing any business or improper advantage, regardless of whether we benefit from such improper payments. Employees who violate such policies are subject to penalties, including termination of employment.

The Company has engaged the auditor to perform certain agreed-upon procedures in connection with our internal control and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, R&D and intangible assets.

The Company has adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Below is a summary of the internal control policies, measures, and procedures we have implemented or plan to implement:

- The Company has set up an internal audit department, which are responsible for our overall internal control development and assessment.

- The internal audit department is responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of the Group.

- The internal audit department organizes periodic inspections relating to the implementation of and adherence to the internal controls of each business department. The Company conducts internal control inspections through on-site inspection, sampling method, document review, and walk-through test. Upon completion of the inspections, internal audit department delivers to the head of the relevant business department information and statistics related to the risks discovered during the visits and any suggested remedial action. The head of the relevant business department is then required to carry out the relevant remedies.

- The head of each business department is responsible for implementing relevant internal control policies, measures and procedures and conducting regular review regarding the implementation of such policies, measures and procedures.

- The Company has adopted various measures and procedures for all of our business operations, including project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety. The Company provides our employees with regular training on these measures and procedures.

- The internal audit department has established a mechanism to deal with the complaints against inappropriate behaviours under our internal control policies. The internal audit department has established a specific email for our employees to report their complaints and inquiries and employees can also report their complaints and inquiries through a specific application. Our internal audit department removes the identifying information of the reporting employees and sends the complaints to the reported personnel or departments for further adjustment and improvement.

- With the approval of the Board and in accordance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and taking into account the actual situation of the Company, the Company has formulated the information disclosure management system, which specifies the division of responsibilities for information disclosure, the procedures for handling and publishing inside information and other information to be disclosed. Pursuant to the system, the Company shall disclose inside information to the public to the reasonable and practicable extent after any inside information has come to its knowledge or a false market may exist. During the Reporting Period, the Company disclosed information in a true, accurate, legal and timely manner in strict compliance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and the information disclosure management system of the Company, and there were no false representations, misleading statements or material omissions, to ensure that investors could have an equal, timely and effective understanding of the information disclosed.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal audit system and risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function. For the year ended 31 December 2024, the Audit Committee and the Board considered that the Group's internal audit system and risk management and internal control systems were effective and adequate.

The Company has also established and continuously improved and revised the anti-corruption and anti-bribery policies and systems to promote and support applicable anti-corruption laws and regulations in jurisdictions where the Company operates its business.

i. Whistleblowing Policies

A whistleblowing policy has been established to deal with concerns relating to fraudulent or unethical acts or non-compliances with laws and the Company's policies that have or could have significant adverse financial, legal, or reputational impacts on the Company. Such policy applies to all employees (including secondees), officers and directors of the Group (together, the "**Relevant Persons**") and external third parties who deal with the Group (including but not limited to customers and suppliers) ("**External Parties**"). The whistleblowing channels are available to all staff, parties who deal with the Company as well as the public. The Company has thoughtfully considered the protection for whistleblowers, confidentiality, malicious allegations, and false reports, etc., which the investigation procedure, anonymous report, and reporting channels have been put in place. For the details, please refer to the Whistleblowing Policy along with the periodically updated versions, which is available on the HKEXnews website.

ii. Anti-Corruption and Anti-Bribery Policies

Practicing integrity and responsible business ethics is paramount to the Company's continued success. The anti-corruption and anti-bribery policy was adopted previously and lays down the requirements of the Company in term of ethical practices and obliges staff to operate transparently and under the highest principles of professional, fairness, impartiality, and integrity in all of the places where the Company does business. The anti-corruption and anti-bribery policies are reviewed and will be updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements.

To ensure our staff live up to the highest ethical standards, the Company encourages the staff to report existing or perceived violations of the policy as well as malpractices. Proper procedures related to the Whistleblowing Policy of the Company are in place, enabling staff to raise their concerns in a safe environment and in complete confidence if they have genuine suspicions about any wrongdoings. To assist new staff in embracing the Company's values and ethical commitments, briefing on the anti-corruption and anti-bribery policy is introduced during the staff orientation program. For the details, please refer to the anti-corruption and anti-bribery policy along with the periodically updated versions, which is available on the HKEXnews website.

During the year ended 31 December 2024, the Company held anti-corruption and anti-bribery trainings to all employees. There were no non-compliance cases in relation to bribery and corruption.

iii. Values and Code of Conduct

Values and Code of Conduct serves as the foundation for guiding our management, employees, and representatives of the Company in conducting their activities in alignment with our values. Additionally, we are obligated to comply with local laws, regulations and applicable international standards wherever we operate. Any violations of these laws, regulations, or the Values and Code of Conduct may lead to varying degrees of harm to the Company, its employees, clients, business partners, and stakeholders.

To uphold integrity, we maintain a zero-tolerance policy towards any misconduct that contravenes laws, regulations, company policies, or the Values and Code of Conduct. Appropriate actions will be taken based on the severity of the violation and in accordance with established procedures. Employee misconduct may result in legal repercussions not only for the Company but also for the individuals involved. Furthermore, the Company will conduct thorough investigations and impose disciplinary measures as necessary against employees involved in accordance with company policies, including termination of employment in serious cases. For the details, please refer to the Business Code of Conduct along with the periodically updated versions, which is available on the Company's website.

XVI. DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

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

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

XVII. AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the remuneration paid or payable to the external auditor of the Group in respect of auditing services and non-auditing services is summarized as follows:

Scope of services	Amount paid/ payable RMB'000
Auditing services	5,900
Total	**5,900**

XVIII. BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, nationality, race or ethnicity, professional expertise, skills, knowledge and tenure of service. The board diversity policy is well implemented as evidenced by the fact that there are four female and five male Directors with experience from different industries and sectors. The Directors are of the view that our Board satisfies the board diversity policy and gender diversity has been achieved in the Board. The Company aims to maintain at least a 20% of female representation in our Board. We will maintain a focus on gender diversity when recruiting staff at mid to senior level so as to develop a pipeline of potential female successors to our Board. Our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by the Nomination Committee periodically to maintain gender diversity of our Board.

The Nomination Committee will annually (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will disclose (i) the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

During the Reporting Period, we updated the Board Diversity Policy and submitted to the Board for review and approval. For further details, please refer to the announcement of the Company dated 26 July 2024.

XIX. EMPLOYEE DIVERSITY

As of 31 December 2024, of the Company's 9,595 employees (including senior management and excluding intern, individuals with disabilities and rehired retirees, etc.), approximately 67.74% were male and 32.26% were female. To ensure gender diversity at the employee level, the Company welcomes people of any gender and is committed to providing equal opportunities in recruitment, training and development, job promotion, compensation, and benefits to employees of all genders. The Company promoted employee diversity, employing employees from 14 countries, including the US, Germany, and India, in its laboratories, branches and subsidiaries around the world, and 22 ethnic minorities, including Bai, Buyi, Tibetan and Korean, in its domestic workforce. The Company promoted equal employment for individuals with disabilities, ensuring a minimum representation of 1.5% pursuant to *Regulations on the Employment of Persons with Disabilities*.

During the Reporting Period, the Company formulated the *Diversity, Equity and Inclusion Policy* and set out our approach and value. For further details, please refer to the announcement of the Company dated 26 July 2024.

XX. SHAREHOLDERS' RIGHTS

The Company considers that effective communication with Shareholders is essential for enhancing Shareholders and investor relations, and investors' understanding of the Group's business performance and strategies. Therefore, The Company engages with the Shareholders through various communication channels. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

i. Convene a General Meeting

The annual Shareholders' general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year. The Company shall convene an extraordinary general meeting within two months from the occurrence of any of the following circumstances:

- when the number of Directors is less than the statutory minimum number stipulated in the Company Law of the People's Republic of China or two-thirds of the number specified in the Articles of Association;
- when the unrecovered losses of the Company amount to one-third of the total paid-in share capital;
- when the Shareholders individually or jointly holding more than 10% of the Company's shares request in writing to do so;
- when the Board considers it necessary;
- when proposed to hold by the board of supervisors; and
- any other circumstances stipulated in the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Shareholders' general meetings shall be convened by the Board and presided over by the Chairperson of the Board. In the event that the Chairperson is incapable of performing or does not perform his duties, a Director nominated by more than half of the Directors shall preside over the meeting. Where the Board is incapable of performing or not performing its duties of convening the Shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the Company's shares for over 90 days consecutively may unilaterally convene and preside over such meeting.

ii. Putting Forward Proposals at Shareholders' General Meetings

The Shareholders individually or jointly holding more than 3% of the Shares may raise provisional proposal and submit it to the convener in writing 10 days before the general meeting is held. Upon the satisfaction that the proposal complies with the provisions in Article 79 of the Articles of Association, the convener shall, within 2 days after the receipt of the proposal, issue a supplementary notice of general meeting and announce the contents of the provisional proposal.

Means and procedures for nomination of Directors are set out in Article 137 of the Articles of Association. Shareholders individually or jointly holding more than 1% of issued Shares may nominate candidates for independent non-executive Directors. The nominator shall not nominate persons with interests or other close associates who may affect the performance of their duties as independent non-executive Director candidates. Candidates for other directors shall be nominated by the Board or the Shareholders individually or jointly holding more than 3% of shares of the Company. A written commitment shall be made by the candidate prior to the notice of a general meeting is issued, expressing his/her willingness to accept the nomination, promising to publicly disclose his/her information truthfully and completely and warranting to faithfully fulfill his/her obligations as a director after election; the nominator for independent non-executive Directors shall obtain the consent of the nominee before nomination. The nominator shall be fully aware of the nominee's occupation, education background, professional title, detailed working experience, all part – time jobs, whether there are any bad records such as major dishonesty, etc., and shall give opinions on his/her independence and other conditions for serving as an independent Director. The nominee shall make a public declaration as to his/her independence and other conditions for serving as an independent director. A notice on the intention to nominate a director candidate and the candidate's presentation of being willing to accept the nomination shall be issued to the Company at least seven days prior to the meeting. The period for giving such a notice shall commence from the despatch of the notice on the election and end not later than seven days prior to the date of such meeting (or earlier).

To safeguard Shareholders' interests and rights, separate resolution should 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 Hong Kong Stock Exchange after each general meeting.

iii. Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries. Please refer to "Investor Relations Contact Details" in the following paragraph for the contact details.

XXI. SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy with the objective of ensuring that the Shareholders have timely access to comprehensive, equal and easily understandable information about the Company (including its financial performance, strategic objectives and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investors to engage actively with the Company.

In accordance with the Company's shareholders' communication policy, the Directors (or their designated representatives, as the case may be) shall meet with Shareholders and answer Shareholders' questions at the Annual General Meeting and other general meetings held each year. The Company has also established a website (www.asymchem.com) where the public can obtain relevant and up-to-date information, updates on the Company's business operations and development, financial information and corporate governance practices and other information. If Shareholders have any enquiries, they can send their written enquiries to the Company by mail, fax or email and the Company will handle the enquiries in a timely and appropriate manner. Please refer to "Investor Relations Contact Details" in the following paragraph for the contact details.

During the Reporting Period, the Company reviewed the implementation and effectiveness of its shareholders' communication policy. Based on the above measures undertaken, the Company believes that the shareholders' communication policy can be effectively implemented and can ensure sustained and effective communication with shareholders over the long term.

XXII. INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATION

The Company gives high priority to maintaining proactive, balanced, clear, and transparent communications with Shareholders and investors to facilitate their understanding of the Company's performance and prospects, as well as the market environment in which it operates. Asymchem has an ongoing dialogue with Shareholders and investors through various communication channels set out in the Shareholders Communication Policy and takes any areas of concern into consideration when formulating its business strategies.

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. Therefore, the Company has in the progress of overhauling the original Company website (www.asymchem.com) in the purpose of making the most of the Investor Relations Webpages, from which the public can access the latest information, updates on the Company's business operations and development, financial information and corporate governance practices and Shareholders, investors and stakeholders relevant information.

The Company endeavors to maintain an on-going dialogue with Shareholders, in particular through Annual General Meetings and other Shareholders' general meetings. At the Annual General Meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The two-way relationship communication policy is reviewed by the Company on an annual basis to ensure its continued effectiveness. The Company's proactive approach to investor relations has significantly widened and expanded the coverage of the Company by global funds in and outside Hong Kong and Mainland China in 2024 for more than 55 sell-sides and over 40 sell-sides are actively holding investor group meetings and conferences for us. A number of local and international sell-side firms and brokers published research reports on the Company, often on a regular basis, and the Company attracts attention of a wide range of institutional investors. Throughout 2024, the Company made a concerted effort to enhance the attention of global and overseas named funds, resulting in several successful engagements.

The Company's management and investor relations function take significant efforts to foster an open and transparent ongoing dialogue with the investment community to ensure a thorough understanding of the Company's business development, core strategies, and corporate governance principles. In 2024, the Company actively engaged in various investor conferences, non-deal roadshows, healthcare summits, both virtual basis and in person. A total of approximately 480 investors meetings took place, including over 410 one-on-one meetings with institutional investors and research analysts, as well as more than 70 group meetings. These meetings were conducted in Hong Kong and internationally and attracted participation from more than 1,000 individuals.

Investor Relations Activities in 2024:

- Group/1-on-1 meetings
- On-site visiting
- Non-deal roadshows
- Analyst briefings
- Global investor conferences/healthcare summits

Investor Relations Contact Details:

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

Attention: Company Secretary/Investor Relations
Address: Board Office
No. 71, 7th Street, Economic – Technological Development Area
Tianjin, PRC
Fax: +86 22 66252777
Email: ir@asymchem.com.cn

Started from 1 September 2023, Ms. Lu Xia, the Investor Relations Executive Director of the Company, is the primary contact person of the investor relations regarding the capital markets.

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

Having considered the multiple channels of communication and shareholders engagement in the general meetings held during the year, the Company is satisfied that the shareholders' communication policy has been properly implemented during 2024 and is effective.

XXIII. ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting ("**AGM**") of the Company will be held on 11 June 2025. A notice convening the AGM will be published on the Company's website and website of the Hong Kong Stock Exchange or dispatched to the Shareholders (if requested) in accordance with the requirements of the Listing Rules in due course.

Corporate communications will be accessible electronically on both the Company's website at www.asymchem.com and the HKEXnews website at www.hkexnews.hk. Shareholders will receive Actionable Corporate Communications either via email, using the address they provided, or in printed form.

If a shareholder prefers to receive printed communications, they may send an email to asymchem.ecom@computershare.com.hk, specifying their name, address, and language preference (English or Chinese) for printed materials. Any instructions to receive future communications in printed form will remain valid for one year from the date of the shareholder's initial request.

XXIV. CLOSURE OF REGISTER OF MEMBERS

In order to determine the rights of H Shareholders to attend and vote at the AGM of the Company to be held on Wednesday, 11 June 2025, the register of members of H Shares of the Company will be closed from Friday, 6 June 2025 to Wednesday, 11 June 2025 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Members whose names appear on the register of members of the Company on Wednesday, 11 June 2025 will be entitled to attend and vote at the AGM. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 5 June 2025.

XXV. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In view of (i) the changes of the registered capital of the Company as a result of the repurchase and cancellation of restricted A shares of the Company, details of which were set out in the announcements of the Company dated 18 July 2023, 13 September 2023 and 22 December 2023, 15 March 2024 and 21 June 2024; (ii) the updates on requirements and interpretation of applicable PRC laws, administrative regulations and normative documents (including Guidelines on the Bylaws of Listed Companies (2022 Revision) 《上市公司章程指引(2022 年修訂)》, the Measures for the Administration of Independent Directors of Listed Companies 《上市公司獨立董事管理辦法》, the Guidance No. 1 of Shenzhen Stock Exchange on Self-regulation by Listed Companies – the Standardized Operation of Listed Companies on the Main Board (2023 Revision) 《深圳證券交易所上市公司自律監管指引第 1 號－主板上市公司規範運作(2023 年修訂)》 and the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (August 2023 Revision) 《深圳證券交易所股票上市規則(2023 年 8 月修訂)》 and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Regulation Updates**"), and for the purpose of improving the corporate governance of the Company, the Board proposed to amend the Articles of Association (the "**Proposed Amendments to the Articles of Association**") on 22 December 2023 and 21 June 2024. The Proposed Amendments to the Articles of Association were approved at the first extraordinary general meeting of 2024, the first A Shares class meeting of 2024, the first H Shares class meeting of 2024 held on 22 January 2024 and the third extraordinary general meeting of 2024, the fourth A Shares class meeting of 2024, the fourth H Shares class meeting of 2024 held on 19 July 2024 as special resolutions respectively. As a result, the amended and restated memorandum and articles of association of the Company became effective on 22 January 2024 and 19 July 2024 respectively. For details, please refer to the relevant announcements of the Company dated 22 December 2023, 22 January 2024, 21 June 2024 and 19 July 2024 and the circulars of the Company dated 2 January 2024 and 28 June 2024 respectively.

XXVI. DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to code provision F.1.1 of the CG Code. The Company will implement a reasonable dividend policy based on the Company's operating conditions and market environment, and fully consider the interests of Shareholders.

In considering the declaration of dividends, the Board will take into account various factors, including but not limited to, the Group's results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, market conditions, the Company's business strategies and forecasts, cash requirements and availability.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of Asymchem Laboratories (Tianjin) Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 122 to 215, which comprise the consolidated statement of financial position as at 31 December 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 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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
Revenue recognition of sales of goods	
The Group's revenue for the year ended 31 December 2024 amounted to RMB5,805 million, of which sales of goods accounted for 79% of the Group's revenue. The Company's revenue for the year ended 31 December 2024 amounted to RMB1,208 million, of which sales of goods accounted for 72% of the Company's revenue. Sale of goods is a performance obligation satisfied at a point in time and, accordingly, revenue is recognised when the control of the goods is transferred to the customer. Revenue, especially revenue from the sale of goods, is one of the key performance indicators of the Group. Therefore, revenue from the sale of goods is considered a key audit matter. The disclosures of revenue from the sale of goods are included in notes 2.4, 4 and 5 to the financial statements.	The audit procedures we performed include: (1) We obtained an understanding of and performed the assessment on the revenue recognition policy adopted by the management, based on the review of sales contracts; (2) We obtained an understanding, evaluated the design, and tested the operating effectiveness of the internal controls related to the revenue recognition and cash receipt process; (3) We performed the test of details on a sample basis. We examined sales contracts and orders, invoices, delivery notes, bills of lading, delivery receipts related to product sales. For export sales, we sampled large-value customs declarations and shipping orders, checked the status of customs declarations on the customs website to verify their authenticity, and logged on to the official websites of the shipping companies/airlines listed on the bills of lading/airway bills to verify and reconcile the bills of lading information;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of sales of goods	
	(4) We performed analytical review procedures, including analysed and corroborated the fluctuation of selling prices and the gross margin in different periods; (5) We circulated and obtained confirmations on key items and representative samples of customers on sales revenue and trade and bills receivables. For the non-replies, we carried out alternative tests by checking the original documents such as sales contracts, sales orders, invoices, warehouse release lists, shipping documents and acknowledgement receipts; (6) We performed cut-off testing for product sales; and (7) We reviewed the disclosures of revenue in financial statements.

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

In preparing the consolidated financial statements, the directors 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.

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the 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.

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

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 HO Siu Fung, Terence.

Ernst & Young
Certified Public Accountants
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	**2024** RMB'000	2023 RMB'000
REVENUE	5	**5,804,657**	7,781,436
Cost of sales		**(3,422,947)**	(3,821,800)
Gross profit		**2,381,710**	3,959,636
Other income and gains	5	**480,715**	409,854
Selling and distribution expenses		**(243,391)**	(196,424)
Administrative expenses		**(861,422)**	(819,580)
Research and development expenses		**(614,490)**	(707,863)
Impairment losses on financial and contract assets, net		**(11,668)**	(9,904)
Other expenses		**(74,428)**	(70,508)
Finance costs	7	**(9,505)**	(5,912)
Share of profits/(losses) of associates		**24,860**	(2,169)
PROFIT BEFORE TAX	6	**1,072,381**	2,557,130
Income tax expense	10	**(136,625)**	(306,310)
PROFIT FOR THE YEAR		**935,756**	2,250,820
Attributable to:			
Owners of the parent		**948,950**	2,268,811
Non-controlling interests		**(13,194)**	(17,991)
		935,756	2,250,820
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB per share)	12	**2.69**	6.26
Diluted (expressed in RMB per share)	12	**2.69**	6.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	**935,756**	2,250,820
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**4,256**	5,908
Equity investments at fair value through other comprehensive income:		
Changes in fair value	**(415)**	415
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,841**	6,323
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**939,597**	2,257,143
Attributable to:		
Owners of the parent	**952,791**	2,275,134
Non-controlling interests	**(13,194)**	(17,991)
	939,597	2,257,143

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	**2024**	2023
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,939,832**	5,366,081
Right-of-use assets	14	**699,765**	526,467
Goodwill	15	**146,183**	146,183
Other intangible assets	16	**27,490**	53,568
Deferred tax assets	28	**248,353**	213,215
Investments in associates	17	**536,587**	260,144
Prepayments, other receivables and other assets	21	**482,409**	688,479
Financial assets at fair value through profit or loss	23	**157,762**	130,476
Equity investments at fair value through other comprehensive income	18	**–**	30,488
Total non-current assets		**8,238,381**	7,415,101
CURRENT ASSETS			
Inventories	19	**1,193,346**	945,347
Trade and bills receivables	20	**1,836,887**	2,010,989
Contract assets	22	**101,470**	80,829
Prepayments, other receivables and other assets	21	**586,795**	296,573
Tax recoverable		**1,928**	2,554
Financial assets at fair value through profit or loss	23	**1,539,809**	1,905,779
Amounts due from a related party	38	**532**	–
Cash and bank balances	24	**5,789,408**	7,109,987
Total current assets		**11,050,175**	12,352,058
CURRENT LIABILITIES			
Trade payables	25	**449,516**	452,365
Other payables and accruals	26	**1,166,097**	1,275,184
Interest-bearing bank borrowings	27	**–**	12,228
Lease liabilities	14	**42,225**	28,535
Tax payable		**50,177**	31,235
Amounts due to related parties	38	**1,330**	1,256
Total current liabilities		**1,709,345**	1,800,803
NET CURRENT ASSETS		**9,340,830**	10,551,255
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,579,211**	17,966,356

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	26	**298,622**	232,599
Lease liabilities	14	**282,529**	106,486
Deferred tax liabilities	28	**134,703**	117,292
Provision	29	**785**	–
Total non-current liabilities		**716,639**	456,377
Net assets		**16,862,572**	17,509,979
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**367,716**	369,472
Treasury shares	31	**(1,232,758)**	(494,010)
Reserves	32	**17,710,426**	17,604,255
		16,845,384	17,479,717
Non-controlling interests		**17,188**	30,262
Total equity		**16,862,572**	17,509,979

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on March 2025 and were signed on its behalf by:

Hao Hong
Chief Executive Director

Da Zhang
Chief Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital RMB'000 (note 30)	Treasury shares RMB'000 (note 31)	Capital reserve RMB'000 (note 32)	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022	369,917	(1,246,560)	10,143,535	208,970	–	16,558	6,155,008	15,647,428	47,575	15,695,003
Profit for the year	–	–	–	–	–	–	2,268,811	2,268,811	(17,991)	2,250,820
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	415	–	–	415	–	415
Exchange differences related to foreign operations	–	–	–	–	–	5,908	–	5,908	–	5,908
Total comprehensive income for the year	–	–	–	–	415	5,908	2,268,811	2,275,134	(17,991)	2,257,143
Final 2022 dividend declared	–	–	–	–	–	–	(663,897)	(663,897)	–	(663,897)
Issue of ESOP	–	522,381	(522,381)	–	–	–	–	–	–	–
Cancellation of restricted shares	(184)	22,530	(22,861)	–	–	–	–	(515)	–	(515)
Vesting of restricted shares	–	167,655	–	–	–	–	–	167,655	–	167,655
Equity-settled share option arrangements	–	–	53,912	–	–	–	–	53,912	678	54,590
Cancellation of repurchased A Shares	(261)	39,984	(39,723)	–	–	–	–	–	–	–
At 31 December 2023	369,472	(494,010)	9,612,482*	208,970*	415*	22,466*	7,759,922*	17,479,717	30,262	17,509,979

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent										
	Share capital RMB'000 (note 30)	Treasury shares RMB'000 (note 31)	Capital reserve RMB'000 (note 32)	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2023	369,472	(494,010)	9,612,482*	208,970*	415*	22,466*	–	7,759,922*	17,479,717	30,262	17,509,979
Profit for the year	–	–	–	–	–	–	–	948,950	948,950	(13,194)	935,756
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	2,585	–	–	–	2,585	–	2,585
Exchange differences related to foreign operations	–	–	–	–	–	4,256	–	–	4,256	–	4,256
Total comprehensive income for the year	–	–	–	–	2,585	4,256	–	948,950	955,791	(13,194)	942,597
Final 2023 dividend declared	–	–	–	–	–	–	–	(633,866)	(633,866)		(633,866)
Issue of ESOP	–	–	–	–	–	–	–	–	–	–	–
Forfeiture of restricted A shares	(2)	206	(213)	–	–	–	–	–	(9)	–	(9)
Vesting of restricted shares	–	35,921	–	–	–	–	–	–	35,921	–	35,921
Equity-settled share option arrangements	–	–	15,294	–	–	–	–	–	15,294	120	15,414
Repurchase of A shares	–	(999,856)	–	–	–	–	–	–	(999,856)	–	(999,856)
Cancellation of repurchased restricted A shares	(1,754)	224,981	(231,292)	–	–	–	–	–	(8,065)	–	(8,065)
Transfer from retained profits	–	–	–	–	–	–	457	–	457	–	457
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	(3,000)	–	–	3,000	–	–	–
At 31 December 2024	367,716	(1,232,758)	9,396,271*	208,970*	–	26,722*	457*	8,078,006*	16,845,384	17,188	16,862,572

* These reserve accounts comprise the consolidated reserves of RMB17,710,426,000 (2023: RMB17,604,255,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	**2024**	2023
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,072,381**	2,557,130
Adjustments for:			
Finance costs	7	**9,505**	5,912
Share of profits and losses of associates		**(24,860)**	2,169
Interest income	5	**(249,020)**	(67,454)
Investment gain		**(58,669)**	(107,209)
Fair value gain on financial assets at fair value though profit or loss		**(39,573)**	(17,306)
Loss on disposal of items of property, plant and equipment		**6,044**	12,056
Gain on disposal of right-of-use assets		**(72)**	(14)
Gain on disposal of an associate		**–**	(32,556)
Loss on disposal of a subsidiary		**967**	–
Depreciation of property, plant and equipment	13	**461,752**	431,998
Depreciation of right-of-use assets	14	**55,194**	45,512
Amortisation of other intangible assets	16	**9,184**	9,349
Losses on impairment of trade receivables and contract assets, net		**11,668**	9,904
Loss on impairment of property, plant and equipment		**–**	7,245
Loss on impairment of other intangible assets		**17,830**	–
Loss on impairment of inventories		**47,064**	10,811
Equity-settled share option expense	33	**15,414**	54,590
		1,334,809	2,922,137
(Placement)/withdrawal of restricted deposits		**(39,284)**	6,666
(Increase)/decrease in inventories		**(295,063)**	554,255
Decrease in trade receivables		**182,941**	437,144
Increase in contract assets		**(26,188)**	(19,514)
Increase in prepayments, deposits and other receivables		**(50,915)**	(1,432)
Decrease in trade payables		**(3,428)**	(116,367)
Increase in other payables and accruals		**286,175**	101,356
Cash generated from operations		**1,389,047**	3,884,245
Tax paid		**(134,710)**	(334,517)
Net cash flows from operating activities		**1,254,337**	3,549,728

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**67,689**	51,553
Purchases of items of property, plant and equipment and other intangible assets		**(1,130,008)**	(1,241,610)
Proceeds from disposal of items of property, plant and equipment		**512**	38,917
Acquisition of a subsidiary		**(6,901)**	(11,506)
Purchases of investments at fair value through profit or loss		**(6,690,523)**	(25,149,381)
Purchases of investments at fair value through other comprehensive income		**–**	(30,000)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**33,000**	–
Proceeds from disposal of investments at fair value through profit or loss		**7,093,423**	25,455,704
Proceeds from disposal of investments in associates		**3,684**	71,458
Increase in investments in associates		**(240,000)**	–
Dividends received from associates		**11,737**	14,943
Placement of fixed deposits		**(3,452,426)**	(4,098,286)
Proceeds from fixed deposits upon maturity		**3,132,009**	2,203,261
(Placement)/withdrawal of cash deposits		**(6,529)**	3,719
Net cash flows used in investing activities		**(1,184,333)**	(2,691,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of employee stock option program		**–**	155,043
Share repurchase payment		**(1,238,411)**	(9,317)
New bank loans		**–**	12,228
Principal portion of lease payments		**(38,332)**	(29,660)
Dividends paid to shareholders		**(641,939)**	(664,411)
Interest paid		**(9,505)**	(5,912)
Net cash flows used in financing activities		**(1,928,187)**	(542,029)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,858,183)**	316,471
Cash and cash equivalents at beginning of year		**4,771,611**	4,418,177
Effect of foreign exchange rate changes, net		**95,781**	36,963
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,009,209**	4,771,611
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	24	**5,789,408**	7,109,987
Less: Time deposits with original maturity of more than three months	24	**(2,718,529)**	(2,329,419)
Pledged for letters of credit and others		**(61,670)**	(8,957)
Cash and cash equivalents as stated in the statement of cash flows	24	**3,009,209**	4,771,611

1. CORPORATE AND GROUP INFORMATION

Asymchem Laboratories (Tianjin) Co., Ltd. is a limited liability company incorporated in Tianjin, the People's Republic of China (the "PRC"). The registered office of the Company is located at No. 6 Dongting 3rd Street, Economic-Technological Development Area, Tianjin, the PRC.

The Group is a world-leading, technology-driven provider of one-stop Contract Development Manufacture Organization (hereinafter referred to as "CDMO") solutions throughout the drug development and manufacturing process. The Group provides clinical stage CDMO solutions, commercial stage CDMO solutions and emerging services.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2021.

The directors of the Company consider the controlling shareholders of the Company are Asymchem Laboratories, Incorporated ("ALAB"), and Dr. Hao Hong and Dr. Ye Song, who are spouses and also controlling shareholders of ALAB. Through ALAB and their direct holdings, they held and controlled 35.19% of the equity shares of the Company.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Asymchem Life Science (Tianjin) Co., Ltd. (note a)	PRC Mainland China 30 December 2005	RMB70,000	100	–	Development and drug product manufacturing
Tianjin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC Mainland China 19 July 2010	RMB224,830	97	3	Development and drug product manufacturing
Tianjin Asymchem Biotechnology Co., Ltd. (note a)	PRC Mainland China 29 July 2013	RMB1,000	100	–	Pharmaceutical analysis and testing
Jilin Asymchem Laboratories Co., Ltd. (note a)	PRC Mainland China 17 August 2007	RMB291,490	100	–	Development and drug product manufacturing

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Liaoning Asymchem Laboratories Co., Ltd. (note a)	PRC Mainland China 2 December 2013	RMB9,200	100	–	Manufacture, sale and development of medicine raw materials and relevant products
Asymchem Inc. (note b)	United States 12 October 2010	Not applicable	100	–	Sale of drug products
Jilin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC Mainland China 29 September 2017	RMB300,000	100		Pharmaceutical and chemical manufacturing
Tianjin Clin-nov Medical Technology Co., Ltd. (note a)	PRC Mainland China 10 August 2017	RMB40,000	100	–	Wholesaling and retailing drugs
Shanghai Asymchem Biotechnology Co., Ltd. (note a)	PRC Mainland China 28 January 2019	RMB250,880	–	100	Pharmaceutical science and technology
Asymchem Limited (note c)	United Kingdom 13 February 2017	EUR0.001	100	–	Sale, import and export trade
Asymchem Laboratories (Jilin) Co., Ltd. (note a)	PRC Mainland China 25 May 2020	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Tianjin GoalGen Biotechnology Co., Ltd. (note a)	PRC Mainland China 28 November 2007	RMB10,000	–	100	Pharmaceutical research and manufacturing

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Asymchem Boston Corporation (note b)	United States 14 December 2020	Not applicable	100	–	Pharmaceutical research and wholesale
Asymchem Life Science (Jiangsu) Co., Ltd. (note a)	PRC Mainland China 18 March 2021	RMB100,000	100	–	Drug import and export
Shanghai Asymchem Biological Pharmaceutical Co., Ltd. (notes a)	PRC Mainland China 22 March 2022	RMB100,000	–	100	Pharmaceutical manufacturing
Tianjin Asymchem Medical Science & Technology Co., Ltd. (notes a)	PRC Mainland China 9 August 2021	RMB30,000	100	–	Research and experimental development
Shanghai Asymchem Biological Co., Ltd. (notes a)	PRC Mainland China 29 January 2022	RMB10,000	–	100	Research and experimental development
Asymchem Pharmacy (Jiangsu) Co., Ltd. (notes a)	PRC Mainland China 7 September 2021	RMB300,000	100	–	Pharmaceutical manufacturing

Notes:

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

(b) The entities are registered as a limited liability companies under United States law.

(c) The entity is registered as a limited liability company under United Kingdom law.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), 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. They have been prepared under the historical cost convention, except for derivative financial instruments, wealth management products and equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of 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.

2. ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 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 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 IFRSs 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 impact of the revised IFRS 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.

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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 1 January 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.

(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 INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRSs, 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 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

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS* 7 does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

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.

The Group's investments in associates 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 is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, 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 are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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 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.

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 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 31 December. 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value 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 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 fair value 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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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), 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.

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 the statement of 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/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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. ACCOUNTING POLICIES (continued)

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.

Cost may also includes transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of 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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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 estimated useful lives and residual value of property, plant and equipment are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	10-20 years	1%-3%
Manufacturing and R&D equipment	5-10 years	1%
Office equipment	3-5 years	1%
Motor vehicles	5-10 years	1%
Leasehold improvements	19 months-10 years	0%
Others	3 years	0%

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 the statement of 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.

Other intangible assets (other than goodwill)

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

The estimated useful lives and residual value of other intangible assets are as follows:

Category	Estimated useful life	Estimated residual value
Software and others	10 years	0%
Customer relationship	10 years	0%
Patents and licences	5 years	0%

(i) Software and others have an amortisation period of ten years based on the estimated useful lives.

(ii) Customer relationship has an amortisation period of ten years based on estimated beneficial period considering industry experience, the customer retention rate and others.

(iii) Patents and licences have an amortisation period of five years based on the period covered by their licenses.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

(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:

Buildings	2 to 10 years
Land use rights	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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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

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).

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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, 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 and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, 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 and bills 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, 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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. 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 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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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 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 profit or loss. Dividends on the equity investments are also recognised as other income in the statement of 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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. ACCOUNTING POLICIES (continued)

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 90 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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 and bills 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 and bills 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables as appropriate.

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

The Group's financial liabilities include trade payables, lease liabilities, other payables and accruals.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables)

After initial recognition, trade and other payables 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 the statement of 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.

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.

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 the weighted average 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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, 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.

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 of 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 the 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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 carryforward 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

- 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 the reporting period.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group has satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

(c) 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.

If none of the above conditions is met, the Group recognises revenue at the point in time when the customer obtains control of the distinct good or service.

If control of the service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains control of the service.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contracts with multiple performance obligation (including allocation of transaction price)

For contracts that contain more than one performance obligation, 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.

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 the cost-to-cost method (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, generally related to fixed fee service contracts. 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.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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, 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.

Share-based payments

The Company operates several restricted A 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 at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the 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/or 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 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 16% to 20% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

Foreign currencies

These consolidated 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 difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the 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 interest. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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 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 financial statements:

Measurement of progress toward complete satisfaction of construction services

The Group uses the input method to measure the progress toward satisfaction of the performance obligations, and specifically, the proportion of actual construction costs incurred relative to the estimated total costs. Actual construction costs incurred include direct and indirect costs in the process of transferring goods from the Group to customers. The Group believes that contract price is based on construction costs. Therefore, the proportion of actual construction costs incurred relative to the total expected costs can reflect the progress toward satisfaction of construction service. Since the duration of construction is relatively long that it may cover more than one accounting period, the Group will review and revise the budget as the contract carries forward, and adjust revenue accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flows. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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.

Provision for expected credit losses on trade and bills receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and bills receivables and contract assets. The provision rates are based on 90 days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 product) 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 and bills receivables and contract assets are disclosed in note 20 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. 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.

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 31 December 2024 was RMB146,183,000 (2023: RMB146,183,000). Further details are given in note 15.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 39 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2024 was RMB157,762,000 (2023: RMB130,476,000). Further details are included in note 23 to the financial statements.

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 level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets relating to recognised tax losses as at 31 December 2024 was RMB276,386,000 (2023: RMB282,767,000). The amounts of unrecognised tax losses and unrecognised temporary difference as at 31 December 2024 were RMB506,245,000 (2023: RMB235,966,000). Further details are contained in note 28 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

Operating segments are identified on the basis of internal reporting about components of the Group that are regularly reviewed by the Group's executive committee and the Company's board of directors for the purpose of resource allocation and performance assessment.

Operating segment

During the year, there is only one operating segment as the Group's operations relate to contract development and manufacturing which focuses on innovation and commercial application of global pharmaceutical technology.

Geographical information

(a) Revenue from external customers

	2024	2023
	RMB'000	RMB'000
Mainland China	**1,519,908**	1,437,274
Overseas	**4,284,749**	6,344,162
Total revenue	**5,804,657**	7,781,436

The revenue information above is based on the locations of the customers.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Mainland China	7,543,073	6,986,387
United States	54,218	54,535
United Kingdom	234,976	–
Total non-current assets	7,832,267	7,040,922

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

In 2024, no revenue was derived from a single customer (2023: Revenue of RMB3,255,341,000 was derived from a single customer, including a group of entities which are known to be under common control with that customer).

5. REVENUE, OTHER INCOME AND GAINS

Clinical stage CDMO solutions:

The Group provides process development and optimisation, analytical services and scale-up services for small molecule drug products throughout the pre-clinical and clinical stage. The revenue generated from clinical stage CDMO solutions is derived from the transfer of goods and the provision of services under full-time-equivalent (or "FTE") and fee-for-service (or "FFS") arrangements. The Group recognises revenue overtime and at a point in time for services under FTE and FFS arrangements, respectively.

Commercial stage CDMO solutions:

The Group provides ton-scale manufacturing services for registered starting materials ("RSMs"), advanced intermediates, and active pharmaceutical ingredients ("APIs") with high quality. All of the revenue generated from commercial stage CDMO solutions is derived from the transfer of goods and services, which is recognised at a point in time.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Emerging services:

The revenue generated form emerging services is mainly derived from the transfer of goods and services, including (i) pre-formulation and formulation development, (ii) Chemical Macromolecule CDMO solutions for polypeptides, oligonucleotides, glycans, toxins-linkers and other macromolecules, (iii) biosynthesis solutions, (iv) biologics CDMO solutions for monoclonal antibodies ("mAbs") and antibody-drug conjugates ("ADCs") and (v) contract research organisation (or "CRO") solutions. For CRO solutions, 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, and the Group recognises revenue over time. While for other revenue from emerging services, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis if the contracts have multiple deliverable units, except for the allocation of discounts and variable consideration, and the Group recognises revenue at a point in time since it did not meet the conditions of the revenue recognition over time. Therefore, the Group recognises revenue over time and at a point in time for services of CRO solutions and FFS arrangements, respectively.

Others:

Others mainly include the sales of raw materials and sales of scrap materials.

An analysis of revenue is as follows:

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers		
Transfer of goods and services	**5,797,102**	7,775,344
Others	**7,555**	6,092
Total	**5,804,657**	7,781,436

In 2024, revenue from sale of goods amounted to RMB4,568,527,000 (2023: RMB6,485,278,000).

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	2024 RMB'000	2023 RMB'000
Types of goods or services		
Commercial stage CDMO solutions	**2,803,949**	5,107,487
Clinical stage CDMO solutions	**1,766,779**	1,497,658
Emerging services	**1,226,374**	1,170,199
Others	**7,555**	6,092
Total	**5,804,657**	7,781,436
Geographical markets		
Mainland China	**1,519,908**	1,437,274
Overseas	**4,284,749**	6,344,162
Total	**5,804,657**	7,781,436
Timing of revenue recognition		
Goods and services transferred at a point in time		
– Commercial stage CDMO solutions	**2,803,949**	5,107,487
– Clinical stage CDMO solutions	**1,665,069**	1,411,641
– Emerging services	**1,003,386**	932,766
– Others	**7,555**	6,092
Subtotal	**5,479,959**	7,457,986
Services transferred over time		
– Clinical stage CDMO solutions	**101,710**	86,017
– Emerging services	**222,988**	237,433
Subtotal	**324,698**	323,450
Total	**5,804,657**	7,781,436

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**221,204**	277,330
Total	**221,204**	277,330

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Sale of goods

The performance obligation is to deliver eligible products to its customers, the Group considers the performance obligations were satisfied upon delivery or obtaining customers' acceptance of such products and payment is generally due within 30 to 90 days from delivery.

Rendering services

The performance obligation of rendering services is to provide services related to pharmaceutical business to its customers, the Group considers the performance obligations were satisfied either over-time or at a point in time for services under FTE and FFS arrangements, respectively.

	Notes	**2024**	2023
		RMB'000	RMB'000
Other income			
Government grants*		**39,289**	59,286
Bank interest income		**210,401**	160,138
Foreign exchange gain		**131,945**	21,122
Others		**839**	146
Total other income		**382,474**	240,692
Gains			
Gain on wealth management products		**59,635**	107,208
(Loss)/gain on disposal of a associate		**(967)**	32,556
Gains on financial assets at fair value through profit or loss		**39,573**	29,398
Total gains		**98,241**	169,162
Total other income and gains		**480,715**	409,854

* Government grants of RMB59,286,000 and RMB39,289,000 were granted during the years ended 31 December 2023 and 2024, as incentives to the development and research activities of the Group in the PRC, of which the amounts of government grants related to assets are RMB18,148,000 and RMB20,470,000 respectively, and the other amounts are related to income. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Cost of sales*		3,422,947	3,821,800
Depreciation of property, plant and equipment*	13	461,752	431,998
Depreciation of right-of-use assets*	14(a)	55,194	45,512
Amortisation of other intangible assets*	16	9,184	9,349
Research and development costs:			
Current year expenditure		614,490	707,863
Lease payments not included in the measurement of lease liabilities	14(c)	39,450	37,013
Auditor's remuneration		5,900	5,730
Employee benefit expense (excluding directors' and chief) executive's remuneration (note 8):			
Wages and salaries		1,772,936	1,655,459
Share-based payment expense		15,414	54,590
Pension scheme contributions		195,112	190,701
Bank interest income	5	(210,401)	(160,138)
Fair value gain on financial assets at fair value through profit or loss		(39,573)	(29,398)
Fair value loss on financial assets at fair value through profit or loss		–	12,092
Loss on disposal of items of property, plant and equipment and other intangible assets		6,044	12,056
Gain on disposal of right-of-use assets		(72)	(14)
Impairment losses on inventories		47,064	10,812
Impairment losses on items of property, plant and equipment and other intangible assets		17,830	7,245
Impairment losses on financial and contract assets, net		11,668	9,904
Foreign exchange differences, net		(130,433)	5,414

* Depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets and employee benefit expense for the year are mainly included in "Cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses on bank borrowings	–	94
Interest on lease liabilities	9,505	5,818
Total	9,505	5,912

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	450	463
Other emoluments:		
Salaries, allowances and benefits in kind	14,498	13,196
Performance related bonuses	5,971	12,026
Equity-settled share option expense	3,513	5,325
Pension scheme contributions	1,158	1,063
	25,140	31,610
Total fees and other emoluments	25,590	32,073

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair values of such options, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Ms. Zhang Kun	–	125
Dr. Sun Xuejiao	150	38
Dr. Hou Xinyi*	125	–
Mr. Wang Qingsong**	25	150
Mr. Lee, Kar Chung Felix	150	150
Total	450	463

* Dr. Hou Xinyi was elected as an independent non-executive director of the Company in February 2024.

** Mr. Wang Qingsong retired as an independent non-executive director of the Company in February 2024.

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance Related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2024						
Executive directors:						
Mr. Hao Hong						
(Chief executive)	–	3,529	2,000	–	221	5,750
Dr. Ye Song	–	713	–	–	133	846
Ms. Yang Rui	–	3,490	1,859	958	115	6,422
Mr. Hong Liang	–	1,965	501	958	115	3,539
Ms. Zhang Ting	–	963	600	319	115	1,997
Mr. Zhang Da	–	2,978	860	1,278	115	5,231
Total	–	13,638	5,820	3,513	814	23,785

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance Related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2023						
Executive directors:						
Mr. Hao Hong						
(Chief executive)	–	2,220	3,880	–	181	6,281
Dr. Ye Song	–	703	–	–	141	844
Ms. Yang Rui	–	3,496	2,975	1,452	110	8,033
Mr. Hong Liang	–	1,967	1,960	1,452	110	5,489
Ms. Zhang Ting	–	974	600	484	110	2,168
Mr. Zhang Da	–	2,987	2,460	1,937	110	7,494
Total	–	12,347	11,875	5,325	762	30,309

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(c) Supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance Related bonuses RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2024				
Supervisors:				
Ms. Zhi Xinxin	**320**	**60**	**163**	**543**
Ms. Di Shanshan	**174**	**25**	**69**	**268**
Ms. Hou Jingyi	**366**	**66**	**112**	**544**
Total	**860**	**151**	**344**	**1,355**

	Salaries, allowances and benefits in kind RMB'000	Performance Related bonuses RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2023				
Supervisors:				
Ms. Zhi Xinxin	315	60	149	524
Ms. Di Shanshan	168	26	57	251
Ms. Hou Jingyi	366	65	95	526
Total	849	151	301	1,301

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2023: two directors), details of whose remuneration are set out in note 8 above. The remaining two (2023: three) highest paid employees are neither a director nor chief executive of the Company. Details of the remuneration for the year of the five highest paid employees are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	15,963	13,915
Performance related bonuses	8,635	18,016
Equity-settled share option expense	4,025	7,861
Pension scheme contributions	1,297	814
Total	29,920	40,606

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
Nil to HK$5,000,000	1	–
HK$5,000,001 to HK$8,000,000	1	1
HK$8,000,001 to HK$11,000,000	–	2
Total	2	3

10. INCOME TAX EXPENSE

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, that were accredited as "High and New Technology Enterprises" and "Western Development Policy" and entitled to a preferential rate of 15% in 2024.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The group entities incorporated in United States were subject to the federal corporate tax at a rate of 21% for the years ended 31 December 2023 and 2024. The group entities incorporated in the United Kingdom were subject to tax at a rate of 19% for the years ended 31 December 2023 and 2024.

10. INCOME TAX EXPENSE (continued)

	2024 RMB'000	2023 RMB'000
Current	**154,246**	313,643
Deferred (note 28)	**(17,621)**	(7,333)
Total tax charge for the year	**136,625**	306,310

	2024 RMB'000	2023 RMB'000
Profit before tax	**1,072,381**	2,557,130
Tax at the statutory tax rate	**160,857**	383,569
Effect of different tax rates of subsidiaries	**(7,024)**	(10,240)
Adjustments in respect of current tax of previous periods	**2,339**	(5,467)
Profit attributable to associates	**1,204**	1,976
Effect of tax rate changes on opening deferred income tax balances	**4,210**	19,073
Deductible temporary differences and tax losses not recognised	**56,332**	28,961
Tax losses utilised from previous periods	**–**	(702)
Impact of tax incentives and reduction including additionally deducted for qualified research and development costs	**(90,996)**	(112,280)
Expenses not deductible for tax	**8,519**	1,420
Other	**1,184**	–
Tax charge at the Group's effective rate	**136,625**	306,310

Pillar Two income taxes

The Group is within the scope of the Pillar Two 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 or substantively enacted but not yet in effect as at 31 December 2024 in certain jurisdictions in which the Group operates.

11. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Proposed final – RMB1.10 (2023: RMB1.80) per ordinary share	**633,866**	663,897

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount 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 352,106,000 (2023: 362,026,000) outstanding during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of restricted ordinary shares with a contingent non-market performance condition assumed to have been released upon vesting of all dilutive potential ordinary shares.

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, used in the diluted earnings per share calculation	**948,950**	2,268,810
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(2,499)**	(3,934)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**946,451**	2,264,876

	Number of shares **2024**	 2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	**352,106***	362,026
Effect of dilution – weighted average number of ordinary shares: Restricted A shares	**2**	202
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**352,108**	362,228

The high cash dividend distribution plan for this year and the restricted A shares have an anti-diluting effect and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share and basic earnings per share are the same.

* The weighted average number of shares was after taking into account the effect of treasury shares held.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2024	Buildings RMB'000	Leasehold improvements RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2024							
Cost	2,060,084	166,073	3,183,783	116,184	25,384	1,330,742	6,882,250
Accumulated depreciation and impairment	(401,509)	(43,685)	(966,921)	(83,897)	(20,157)	–	(1,516,169)
Net carrying amount	1,658,575	122,388	2,216,862	32,287	5,227	1,330,742	5,366,081
At 1 January 2024, net of accumulated depreciation and impairment	1,658,575	122,388	2,216,862	32,287	5,227	1,330,742	5,366,081
Additions	2,420	330	53,263	11,562	119	975,746	1,043,440
Disposals	(3,500)	–	(4,760)	(86)	(22)	–	(8,368)
Reclassification	55,008	–	(55,008)	–	–	–	–
Depreciation provided during the year	(121,694)	(23,619)	(297,004)	(17,397)	(2,038)	–	(461,752)
Transfers	315,948	–	124,182	–	–	(440,130)	–
Exchange rate impact	–	–	–	8	–	423	431
At 31 December 2024, net of accumulated depreciation and impairment	1,906,757	99,099	2,037,535	26,374	3,286	1,866,781	5,939,832
At 31 December 2024							
Cost	2,463,864	166,403	3,230,332	126,670	23,244	1,866,781	7,877,294
Accumulated depreciation and impairment	(557,107)	(67,304)	(1,192,797)	(100,296)	(19,958)	–	(1,937,462)
Net carrying amount	1,906,757	99,099	2,037,535	26,374	3,286	1,866,781	5,939,832

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2023	Buildings RMB'000	Leasehold improvements RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023							
Cost	1,583,060	155,307	3,034,900	107,935	22,495	1,072,482	5,976,179
Accumulated depreciation and impairment	(301,827)	(20,240)	(738,160)	(68,193)	(17,835)	–	(1,146,255)
Net carrying amount	1,281,233	135,067	2,296,740	39,742	4,660	1,072,482	4,829,924
At 1 January 2023, net of accumulated depreciation and impairment	1,281,233	135,067	2,296,740	39,742	4,660	1,072,482	4,829,924
Additions	–	448	164,110	11,562	2,905	808,549	987,574
Disposals	(2,639)	–	(9,340)	(195)	–	–	(12,174)
Reclassification	–	–	–	–	–	–	–
Depreciation provided during the year	(101,998)	(22,918)	(285,935)	(18,809)	(2,338)	–	(431,998)
Transfers	481,979	9,791	58,519	–	–	(550,289)	–
Impairment	–	–	(7,232)	(13)	–	–	(7,245)
At 31 December 2023, net of accumulated depreciation and impairment	1,658,575	122,388	2,216,862	32,287	5,227	1,330,742	5,366,081
At 31 December 2023							
Cost	2,060,084	166,073	3,183,783	116,184	25,384	1,330,742	6,882,250
Accumulated depreciation and impairment	(401,509)	(43,685)	(966,921)	(83,897)	(20,157)	–	(1,516,169)
Net carrying amount	1,658,575	122,388	2,216,862	32,287	5,227	1,330,742	5,366,081

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	**Buildings**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	415,525	124,191	539,716
Additions	5,915	26,423	32,338
Depreciation charge	(9,394)	(36,118)	(45,512)
Derecognition	–	(75)	(75)
As at 31 December 2023 and 1 January 2024	**412,046**	**114,421**	**526,467**
Additions	**–**	**228,162**	**228,162**
Depreciation charge	**(9,370)**	**(45,824)**	**(55,194)**
Derecognition	**–**	**(25)**	**(25)**
Exchange rate impact	**–**	**355**	**355**
As at 31 December 2024	**402,676**	**297,089**	**699,765**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024	2023
	RMB'000	RMB'000
Carrying amount at 1 January	**135,021**	138,346
Additions	**228,162**	26,423
Accretion of interest recognised during the year	**9,505**	5,818
Payments	**(46,562)**	(35,476)
Terminations	**(1,372)**	(90)
Carrying amount at 31 December	**324,754**	135,021
Analysed into:		
Current portion	**42,225**	28,535
Non-current portion	**282,529**	106,486

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

14. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities	**9,505**	5,818
Depreciation charge of right-of-use assets	**54,839**	45,512
Expense relating to short-term leases (included in cost of sales)	**39,450**	34,588
Variable lease payments not included in the measurement of lease liabilities	**–**	2,424
Total amount recognised in profit or loss	**103,794**	88,342

(d) *Extension and termination options*

The Group has several lease contracts that include extension and termination options. However, the Group did not expect to exercise such options as at 31 December 2024.

(e) *Variable lease payments*

The Group has lease contracts for building that contain variable payments based on tax payments generated from buildings. The following summary provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

If the tax payments generated by entity which has the leased building does not reach the amount agreed in the contract, the rental fee for the rent-free period will be charged at RMB0.50 per square metre per day.

No amounts of the fixed and variable lease payments recognized in profit or loss for the current year for these leases (2023: RMB0.00 and RMB2,424,374.28, respectively).

(f) The total cash outflow for leases are disclosed in notes 35(c) and 40, respectively, to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2023 and 31 December 2023:	
Cost	146,183
Accumulated impairment	–
Net carrying amount	146,183
At 31 December 2024:	
Cost	**146,183**
Accumulated impairment	**–**
Net carrying amount	**146,183**

Impairment testing of goodwill

Tianjin Clin-nov Medical Technology Development Co., Ltd. ("Clin-nov Medical"), acquired Tianjin GoalGen Biotechnology Co., Ltd. and Beijing Improve-Quality Technology Co., Ltd. in September 2020 and December 2022, respectively, and each company independently generated cash flow from the point of acquisition to July 2023. In August 2023, Clin-nov Medical integrated the business and management resources of the subsidiaries, and adjusted the organisational structure. The integrated Clin-nov Medical consists of clinical research service business segment, clinical system application service segment, clinical data management and statistical service segment and operation guarantee segment. After the integration, Clin-nov Medical and Beijing Improve-Quality Technology Co., Ltd. were assigned to the clinical research service asset group and clinical data management and statistical service asset group respectively. Among them, the operation guarantee sector belongs to the headquarters asset and cannot generate cash flow independently, while the other three sectors generate cash flow independently.

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- Clinical research service cash-generating unit.

- Clinical data management and statistical service cash-generating unit.

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Clinical research service CGU

The Clinical research service asset group is mainly composed of the clinical research service business and the shared headquarters assets of Cli-nov Medical and Tianjin GoalGen Biotechnology Co. Cash inflows generated by the clinical research services asset group are substantially independent of cash inflows generated by other assets or asset groups. The recoverable amount of the clinical research service CGU has been 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 and future stabilization periods. The pre-tax discount rate applied to the cash flow projections is 15.38%.

Clinical data management and statistical service CGU

The recoverable amount of the statistical analysis service CGU has been 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 pre-tax discount rate applied to the cash flow projections is 16.68%.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	Clinical research CRO service CGU		Statistical analysis service CGU		Total	
	2024	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Carrying amount of goodwill	**43,186**	43,186	**102,997**	102,997	**146,183**	146,183

Assumptions were used in the value in use calculation of the Clinical research service CGU and Statistical analysis service CGU for 31 December 2024 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Average revenue growth rate for the forecast period – The growth rate is based on projections of industry-related growth, determined on the basis of no more than the average long-term growth rate of the relevant industry, taking into account the business unit's historical operating conditions prior to the budget year.

Pre-tax discount rate – The pre-tax discount rate used is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies in the technology industry.

The key assumptions about market developments are consistent with external sources of information.

16. OTHER INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents and licences RMB'000	Software and others RMB'000	Total RMB'000
31 December 2024				
Cost at 1 January 2024, net of accumulated amortisation	**28,720**	**146**	**24,702**	**53,568**
Additions	**–**	**–**	**1,222**	**1,222**
Disposals	**–**	**–**	**(286)**	**(286)**
Amortisation provided during the year	**(3,590)**	**(34)**	**(5,560)**	**(9,184)**
Impairment during the year	**(17,830)**	**–**	**–**	**(17,830)**
At 31 December 2024	**7,300**	**112**	**20,078**	**27,490**
At 31 December 2024				
Cost	**35,900**	**1,386**	**50,675**	**87,961**
Accumulated amortisation	**(10,770)**	**(1,274)**	**(30,597)**	**(42,641)**
Accumulated impairment	**(17,830)**	**–**	**–**	**(17,830)**
Net carrying amount	**7,300**	**112**	**20,078**	**27,490**
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation	32,310	–	25,369	57,679
Additions	–	147	5,091	5,238
Amortisation provided during the year	(3,590)	(1)	(5,758)	(9,349)
At 31 December 2023	28,720	146	24,702	53,568
At 31 December 2023				
Cost	35,900	1,386	49,764	87,050
Accumulated amortisation	(7,180)	(1,240)	(25,062)	(33,482)
Net carrying amount	28,720	146	24,702	53,568

17. INVESTMENTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets		
– Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Haihe Asymchem")	**258,820**	237,143
– Tianjin Yugen Medtech Co., Ltd. ("Yugen Medtech")	**38,297**	23,001
– Tianjin Haihe Asymchem Medical and Health Industry Investment Fund Partnership Enterprise (Limited Partnership) ("Haihe Asymchem Medical and Health Fund")	**239,470**	–
Total	**536,587**	260,144

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Haihe Asymchem	Ordinary shares	the PRC	26.40	Corporate investment
Yugen Medtech	Ordinary shares	the PRC	29.03	Medical research and development
Haihe Asymchem Medical and Health Fund	Ordinary shares	the PRC	39.79	Corporate investment

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' profits and losses for the year	**24,860**	(2,169)
Dividends received	**(11,737)**	(14,943)
Aggregate carrying amount of the Group's investments in the associates	**536,587**	260,144

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Equity investments designated at fair value through other comprehensive income	–	30,488
Unlisted equity investments, at fair value	–	30,488
BioLink Medicine Technology Co., Ltd	–	30,488

In September 2024, the Group sold its equity interests in BioLink Medicine Technology Co., Ltd. The fair value on the date of sale was RMB33,000,000 and the accumulated gain of RMB3,000,000 recognised in other comprehensive income was transferred to retained profits.

19. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	286,988	290,600
Work in progress	760,001	490,040
Finished goods	146,357	164,707
Total	1,193,346	945,347

20. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade and bills receivables	1,939,914	2,116,812
Impairment	(103,027)	(105,823)
Total	1,836,887	2,010,989

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 30-90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Details of the concentration of credit risk arising from the customers are set out in note 40 to the consolidated financial statements.

20. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024	2023
	RMB'000	RMB'000
Within 1 year	**1,759,490**	1,970,446
1 to 2 years	**74,247**	37,041
2 to 3 years	**3,150**	3,502
Total	**1,836,887**	2,010,989

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024	2023
	RMB'000	RMB'000
At beginning of year	**105,823**	102,810
Impairment losses recognised	**(122)**	3,013
Disposal of subsidiaries	**(333)**	–
Amount written off as uncollectible	**(2,341)**	–
At end of year	**103,027**	105,823

	2024			
	Carrying amount		**Impairment losses**	
	RMB'000	**Rate %**	**RMB'000**	**Rate %**
Provision on a separate basis	**5,185**	**0.27**	**5,185**	**100.00**
Provision according to credit risk characteristics	**1,934,729**	**99.73**	**97,842**	**5.06**
Total	**1,939,914**	**100.00**	**103,027**	**5.31**

	2023			
	Carrying amount		Impairment losses	
	RMB'000	Rate %	RMB'000	Rate %
Provision on a separate basis	10,143	0.48	10,143	100.00
Provision according to credit risk characteristics	2,106,669	99.52	95,680	4.54
Total	2,116,812	100.00	105,823	5.00

20. TRADE AND BILLS RECEIVABLES (continued)

An impairment analysis is performed at each reporting date 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 (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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 trade receivables using a provision matrix:

As at 31 December 2024

	Within 1 year	Over 1 year but Within 2 year	Over 2 year but within 3 years	Over 3 years	Total
Expected credit loss rate	**2.23%**	**33.75%**	**60.88%**	**100.00%**	**5.06%**
Gross carrying amount (RMB'000)	**1,799,672**	**112,077**	**8,053**	**14,927**	**1,934,729**
Expected credit losses (RMB'000)	**40,182**	**37,830**	**4,903**	**14,927**	**97,842**

As at 31 December 2023

	Within 1 year	Over 1 year but Within 2 year	Over 2 year but within 3 years	Over 3 years	Total
Expected credit loss rate	3.50%	20.00%	50.00%	100.00%	4.54%
Gross carrying amount (RMB'000)	2,041,837	46,301	7,004	11,527	2,106,669
Expected credit losses (RMB'000)	71,391	9,260	3,502	11,527	95,680

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments	363,776	331,975
Other tax recoverable	216,077	179,525
Deposits	35,571	26,620
Certificates of deposits	461,908	446,079
Other receivables	10,138	12,856
Subtotal	1,087,470	997,055
Impairment allowance	(18,266)	(12,003)
	1,069,204	985,050
Current portion	586,795	296,573
Non-current portion	482,409	688,479

An ageing analysis of the current portion of prepayments, deposits and other receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	556,244	266,590
1 to 2 years	19,183	22,968
2 to 3 years	8,346	6,032
Over 3 years	3,022	983
Total	586,795	296,573

The changes in the impairment allowance of other receivables based on 12-month and the entire life expectancy expected credit losses are as follows:

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
At 1 January 2024	12,003	–	–	12,003
Provision for impairment losses for this year	26,317	–	–	26,317
Reversal of impairment losses	(20,054)	–	–	(20,054)
At 31 December 2024	18,266	–	–	18,266

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
At 1 January 2023	7,773	–	–	7,773
Provision for impairment losses for this year	7,530	–	–	7,530
Reversal of impairment losses	(3,300)	–	–	(3,300)
At 31 December 2023	12,003	–	–	12,003

The movements in provision for impairment of other receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	**12,003**	7,773
Impairment losses recognised	**6,263**	4,230
At end of year	**18,266**	12,003

The Group has applied the general approach to providing impairment for ECLs prescribed by IFRS 9, which permits either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

An impairment analysis is performed at the end of the reporting period 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 reporting date about past events, current conditions and forecasts of future economic conditions.

22. CONTRACT ASSETS

	2024 RMB'000	2023 RMB'000
Contract assets arising from:		
Technical services	**113,042**	86,854
Impairment	**(11,572)**	(6,025)
Total	**101,470**	80,829

The performance obligation of rendering services is to provide services related to pharmaceutical business to its customers and the Group considers the performance obligations were satisfied over time under FTE and FFS arrangements respectively. The contract assets is primarily relate to the Company's right to consideration for the work completed and not billed. The increase in contract assets in 2024 was the result of the increase in the ongoing sale of services at the end of the year.

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	**(6,025)**	(3,364)
Impairment losses recognised	**(5,547)**	(2,661)
At end of year	**(11,572)**	(6,025)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets

	2024 RMB'000	2023 RMB'000
Wealth management products	**1,539,809**	1,905,779
Other unlisted investments, at fair value	**157,762**	130,476
Current portion	**1,539,809**	1,905,779
Non-current portion	**157,762**	130,476

The above financial assets were wealth management products and two unlisted investment in investment fund in Mainland China. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

24. CASH AND CASH BALANCES

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**5,789,408**	7,109,987
Less: Time deposits with original maturity of more than three months	**(2,718,529)**	(2,329,419)
Pledged for letters of credit and others	**(7,646)**	(7,451)
Restricted deposits	**(54,024)**	(1,506)
Cash and cash equivalents	**3,009,209**	4,771,611

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks and time deposits earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default and no expected credit loss was expected to incur.

The carrying amounts of cash and cash equivalents approximate to their fair values.

	2024 RMB'000	2023 RMB'000
Denominated in RMB	**1,427,499**	578,175
Denominated in USD	**1,562,958**	2,773,693
Denominated in GBP	**9,596**	1,991
Denominated in HK$	**6,822**	1,416,247
Denominated in JPY	**1,270**	1,506
Denominated in SGD	**1,064**	–
Cash and cash equivalents	**3,009,209**	4,771,612

25. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**358,342**	354,539
1 to 2 years	**56,497**	86,523
Over 2 years	**34,677**	11,303
Total	**449,516**	452,365

The trade payables are non-interest-bearing and have an average term of three months.

The trade payables are measured at amortised cost, and the carrying amounts are reasonably approximate to fair values.

26. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Current portion			
Payroll and welfare payable		**316,723**	295,992
Other tax payables		**64,759**	45,945
Contract liabilities	(a)	**269,941**	221,204
Repurchase obligation of Restricted shares	(c)	**150,474**	424,950
Other payables	(b)	**364,200**	287,093
Total		**1,166,097**	1,275,184
Non-current portion			
Deferred income		**298,622**	232,599

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Advances received from customers		
– Transfer of goods and services	**269,941**	221,204

Contract liabilities include advances received to deliver products and services.

(b) Other payables are non-interest-bearing and have an average term of three months.

Other payables are measured at amortised cost, and the carrying amounts reasonably approximate to fair values.

(c) The payable represents the repurchase obligations associated with the restricted shares issued to employees. Pursuant to the shareholders resolutions on 8 January 2022, 23 September 2021 and 28 April 2023 for incentive schemes, the Group shall repurchase the restricted A shares at an agreed price if the profitability of the Group or performance of granted eligible employees is not fulfilled, or if the eligible employees leave the Group. Given the vesting of the tranche relating to profitability of the Group and that the performance of eligible employees had not occurred at the end of the reporting period, the consideration received for the restricted share repurchase is then accounted for as a deposit received. Details are disclosed in note 33 to the consolidated financial statements.

27. INTEREST-BEARING BANK BORROWINGS

	2024			2023		
	Effective Interest rate	**Maturity**	**RMB'000**	Effective Interest rate	Maturity	RMB'000
Bank loans – unsecured	**N/A**	**N/A**	**–**	N/A	N/A	12,228

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**–**	12,228

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from assets at fair value through other comprehensive income	Fair value adjustments arising from acquisitions of subsidiaries	Taxable temporary differences corresponding to the ROU	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023	200,392	12,015	4,847	–	217,254
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	54,831	(3,018)	(539)	19,552	70,826
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	**255,223**	**8,997**	**4,308**	**19,552**	**288,080**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**(23,148)**	**5,882**	**(3,213)**	**(1,440)**	**(21,919)**
Gross deferred tax liabilities at 31 December 2024	**232,075**	**14,879**	**1,095**	**18,112**	**266,161**

28. DEFERRED TAX (continued)

Deferred tax assets

	Provision for impairment of assets RMB'000	Elimination of unrealised profits RMB'000	Losses available for offsetting against future taxable profits RMB'000	Deferred income RMB'000	Lease RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 31 December 2022 and 1 January 2023	17,610	19,881	233,035	18,227	–	17,163	305,916
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	5,352	(5,060)	49,732	9,784	22,525	(4,246)	78,087
Gross deferred tax assets at 31 December 2023 and 1 January 2024	**22,962**	**14,821**	**282,767**	**28,011**	**22,525**	**12,917**	**384,003**
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	**2,134**	**1,612**	**(6,381)**	**5,866**	**(1,626)**	**(5,797)**	**(4,192)**
Gross deferred tax assets at 31 December 2024	**25,096**	**16,433**	**276,386**	**33,877**	**20,899**	**7,120**	**379,811**

For presentation purposes, certain deferred tax assets and liabilities 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	**248,353**	213,215
Net deferred tax liabilities recognised in the consolidated statement of financial position	**134,703**	117,292

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.

28. DEFERRED TAX (continued)

Deferred tax assets (continued)

	2024 RMB'000	2023 RMB'000
Tax losses	493,086	222,504
Deductible temporary differences	13,159	13,462
Total	506,245	235,966

The Group has tax losses of approximately RMB312,987,000 (2023: RMB139,037,000) arising in Mainland China that will expire in one to ten years for offsetting against future taxable profits. The Group has tax losses arising in UK and US of approximately RMB180,099,000 (2023: RMB83,467,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. There are deductible temporary differences approximately RMB13,159,000 (2023: RMB13,462,000). Deferred tax assets have not been recognised in respect of these losses as they have arisen in the 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.

29. PROVISION

	Warranties RMB'000
At 1 January 2024	–
Additional provision	785
Amounts utilised during the year	–
At 31 December 2024	785
Portion classified as current liabilities	–
Non-current portion	785

The Group provides one-year warranties to its customers on certain of its industrial products and warranties ranging from one to five years to its customers for services for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

30. SHARE CAPITAL

Shares

	2024	2023
	RMB'000	RMB'000
Issued and fully paid:		
367,716,423 (2023: 369,471,533) ordinary shares	**367,716**	369,472

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**
		RMB'000
At 1 January 2023	369,916,845	369,917
Forfeiture of restricted A Shares	(183,848)	(184)
Cancellation of repurchased A Shares	(261,464)	(261)
At 1 January 2024	**369,471,533**	**369,472**
Forfeiture of restricted A shares (Note (a))	**(2,100)**	**(2)**
Cancellation of repurchased restricted A shares (Note (b))	**(1,753,010)**	**(1,754)**
At 31 December 2024	**367,716,423**	**367,716**

Notes:

(a) During the year ended 31 December 2024, the Company repurchased and cancelled the restricted shares due to the employee turnover, lead to a reduction in the registered share capital.

(b) On 19 July 2024, the Group held a general meeting of shareholders, which deliberated and approved the "Proposal on the Termination of the Implementation of the 2021 A Share Incentive Scheme and the Repurchase and Cancellation of Restricted A Shares". The Group repurchased and cancelled 1,753,010 Restricted A Shares granted but not yet unlocked at an average repurchase price of RMB128.34 per share.

31. TREASURY SHARES

	RMB'000
At 31 December 2023 and 1 January 2024	494,010
Vesting of restricted shares	(35,921)
Cancellation of repurchased restricted A shares	(224,981)
Repurchase of A shares	999,856
Forfeiture of restricted A shares	(206)
At 31 December 2024	1,232,758

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 126 to 127 of the financial statements.

Capital reserve

The capital reserve represents the aggregate amount of share-based payment and share issue expense. Details of the movements are set out in the consolidated statement of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China, the subsidiaries in the PRC are required to allocate 10% of the statutory after tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the consolidated financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

33. SHARE-BASED PAYMENTS

Restricted A-share incentive schemes

The Group adopted share incentive schemes (the "Restricted A-share Incentive Schemes") for the purpose of further refining the corporate governance structure of the Group, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Group, as well as balancing the interests of the shareholders, the Group and management for the long-term development of the Group.

The Restricted A-share Incentive Scheme 2020 was approved by the shareholders of the Company. On 12 August 2020, the relevant resolutions were considered and passed at the Company's 41st meeting of the 3rd session of the board of directors and the 35th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2020 of the Company was set on 9 July 2020. On 12 August 2020 (the date of grant), pursuant to the Restricted A-share Incentive Scheme 2020, 1,018,000 A-shares were granted to 215 eligible participants of the Restricted A-share Incentive Scheme 2020 (the share incentive participants) at a grant price of RMB116.57 per share. The share incentive participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A-share Incentive Scheme 2021 was approved by the shareholders of the Company on 8 January 2021, whereby the relevant resolution was considered and passed at the Company's 52nd meeting of the 3rd session of the board of directors and the 42nd meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2021 of the Company was set on 8 January 2021. On 8 January 2021 (the date of grant), pursuant to the Restricted A-share Incentive Scheme 2021, 176,000 A-shares of the Company were granted to 35 eligible participants of the Restricted A-share Incentive Scheme 2021 (the share incentive participants) at a grant price of RMB149.88 per share. The share incentive participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

The restricted A-share shall be locked up immediately upon grant. All of the restricted A-shares granted to the A-shares incentive participants shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the date of grant. the restricted A-share held by the A-shares incentive participants shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. Should the market conditions not be met, the additional lock-up period shall be prolonged by 3 to 9 months accordingly. Where the performance target at company level has been achieved, share incentive participants are only entitled to unlock the restricted A-shares upon achieving the benchmarks of "Pass" or above in their performance target for the preceding year according to the Company's administrative measures in respect of the remuneration and performance appraisal.

33. SHARE-BASED PAYMENTS (continued)

Restricted A-share incentive schemes (continued)

On 23 September 2021, the Company granted 2,048,200 restricted A-share to 263 eligible participants at a grant price of RMB185.52 per share (the closing price of the share on the grant date was RMB340.85 per share). According to the incentive plan formulated by the Company, the restricted A-shares granted to senior management shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the date of grant, and the restricted A-share granted to the core technical personnel will be unlocked in three phases.

Based on the performance indicators of the Group, the restricted A-shares held by the senior management shall be unlocked in four tranches in the proportion of 30%, 20%,20% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. Also, the restricted A-shares held by the core technical personnel shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. The banned conditions after unlocking are mainly related to the Company's market value. In addition, if all or part of the shares are not to be unlocked, the Company will repurchase and cancel them. The repurchase price is the same as the grant price, unless the repurchase price needs to be adjusted.

Details of the corresponding unlock rate for different performance levels are summarised as follows:

Performance	Outstanding	Outstanding	Pass
Unlocking coefficient	1.0	0.8	0.6

A-share Employee Stock Ownership Plan

On 18 November 2022, the relevant resolutions of A-share Employee Stock Ownership Plan 2022 (or "ESOP 2022") were considered and passed at the Company's 32nd meeting of the 4th session of the board of directors. On 17 December 2022, the ESOP 2022 was approved by the shareholders of the Company, pursuant to which the date of grant for the ESOP 2022 of the Company was set on 28 April 2023.

From September to November 2022, the Company repurchased a total of 5,229,266 A shares through centralised auction transactions to implement the ESOP 2022. The Company granted 4,429,800 restricted A-shares to 588 eligible participants at a grant price of RMB35 per share (the closing price of the share on the grant date was RMB126.45 per share).

33. SHARE-BASED PAYMENTS (continued)

A-share Employee Stock Ownership Plan (continued)

The ESOP 2022 shall be locked up immediately upon grant. All of shares of the ESOP 2022 granted to the A-shares incentive participants shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the date of grant. the restricted A-shares held by the A-shares incentive participants shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of shares of the ESOP 2022 granted upon the expiry of each lock-up period. Should the market conditions not be met, the additional lock-up period shall be prolonged by 3 months accordingly. Where the performance target at company level has been achieved, share incentive participants are only entitled to unlock the restricted A-shares upon achieving the benchmarks of "Pass" or above in their performance target for the preceding year according to the Company's administrative measures in respect of the remuneration and performance appraisal.

	Number of RSU & ESOP	Weighted average grant date fair value per RSU & ESOP
		RMB
Outstanding as of 1 January 2023	3,714,480	43.19
Granted during the year	4,429,800	51.57
Vested during the year	(1,344,812)	48.57
Cancelled during the year	(183,848)	23.53
Outstanding as of 31 December 2023	6,615,620	31.15
Granted during the year	**(3,102,960)**	**33.24**
Vested during the year	**(430,710)**	**81.84**
Cancelled during the year	**(1,753,010)**	**128.34**
Outstanding as of 31 December 2024	**1,328,940**	**33.20**

The fair value of each RSU and ESOP on the grant date is determined by reference to the fair value of the underlying ordinary shares on the date of grant. The effect of a lock-up discount for selling restriction over a period after all vesting conditions are fulfilled was reflected in the fair value on the grant date.

During the years ended 31 December 2024 and 2023, the Group has recognised amounts of RMB15,414,000 and RMB54,590,000 as expenses, respectively.

In 2024, the Group failed to meet the vesting conditions, resulting in the failure to unlock the shares of the second ESOP 2022, which is the "void" of share-based payment. Therefore, the Group should reverse the previously recognised equity incentive expenses related to the second ESOP, so that the cumulative recognition of equity incentive expenses related to the second ESOP in 2024 was nil.

34. DISPOSAL OF A SUBSIDIARY

In July 2024, the Company sold the 100% equity shares of Tianjin Baibosheng Pharmtech Co., Ltd. At the date of disposal, the financial information of Tianjin Baibosheng Pharmtech Co., Ltd. is as follows:

	Note	2024 RMB'000
Current assets		3,402
Non-current assets		59
Current liabilities		(2,462)
Non-current liabilities		(32)
Subtotal		967
Loss on disposal of a subsidiary	5	(967)
Total consideration		–
Satisfied by:		
Cash (Note (a))		–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2024 RMB'000
Cash consideration	–
Cash and bank balances disposed of	(59)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	(59)

Note:

(a) The Group disposed of a subsidiary for a consideration of RMB1 as of July 31, 2024.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB228,162,000 (2023: RMB26,423,000), in respect of lease arrangements for building.

(ii) In March 2023, the Group purchased the one-year convertible bonds issued by Yugen Medtech, of which the principal was RMB21,881,082 and the interest rate was 8%. The convertible bonds expired in February 2024 and were converted into shares of Yugen Medtech.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2024

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2024	12,228	135,021
Changes from financing cash flows	–	(46,562)
New leases	–	228,162
Interest expense (note 7)	–	9,505
Terminations	(12,228)	(1,372)
At 31 December 2024	–	324,754

2023

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2023	–	138,346
Changes from financing cash flows	12,134	(35,478)
New leases	–	26,423
Interest expense (note 7)	94	5,818
Terminations	–	(88)
At 31 December 2023	12,228	135,021

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	39,450	37,013
Within financing activities	46,562	35,478
Total	86,012	72,491

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans in notes 24 and 27 to the consolidated financial statements.

37. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Buildings	**144,515**	310,392
Plant and machinery	**270,166**	241,617
Investments in financial assets at fair value through profit or loss	**60,000**	27,000
Total	**474,681**	579,009

38. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties:

Name	Relationship
上海凱萊英檢測技術有限公司 Shanghai Asymchem Laboratories Testing Technology Co., Ltd ("Shanghai Asymchem Technology")	Subsidiary of an associate of the Group
有濟(天津)醫藥科技有限公司 Youji (Tianjin) Pharmaceutical Technology Co., Ltd	Subsidiary of an associate of the Group
天津有濟醫藥科技發展有限公司 Yugen Medtech	Associate
天津海河凱萊英生物醫藥產業創新投資基金(有限合夥) Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Haihe Asymchem")	Associate
天津海河凱萊英醫療健康產業投資基金合夥企業(有限合夥) Tianjin Haihe Asymchem Medical and Health Industry Investment Fund Partnership Enterprise (Limited Partnership) ("Haihe Asymchem Medical and Health Fund")	Associate

38. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

(i) Amount due from a related party included in trade receivables and contract assets

	2024 RMB'000	2023 RMB'000
Youji (Tianjin) Pharmaceutical Technology Co., Ltd	532	–

(ii) Amounts due to related parties included in trade payables

	2024 RMB'000	2023 RMB'000
Youji (Tianjin) Pharmaceutical Technology Co., Ltd	1,330	1,173
Shanghai Asymchem Technology	–	83
Total	1,330	1,256

The amount due to related parties is unsecured, interest-free and repayable on demand.

(c) Transactions with related parties:

(i) Sales to a related party

	2024 RMB'000	2023 RMB'000
Youji (Tianjin) Pharmaceutical Technology Co., Ltd	529	177

(ii) Purchases from related parties

	2024 RMB'000	2023 RMB'000
Youji (Tianjin) Pharmaceutical Technology Co., Ltd	6,818	2,250
Shanghai Asymchem Technology	31	83
Total	6,849	2,333

The purchases from related parties were made according to the published prices and conditions similar to those offered to the independent third party customers of the suppliers.

38. RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with related parties: (continued)

(iii) Other transactions with related parties

	2024 RMB'000	2023 RMB'000
Co-investments with a related party		
Haihe Asymchem Medical and Health Fund (*)	**240,000**	–
Purchase of convertible bonds of an associate		
Yugen Medtech (**)	**–**	21,881
Total	**240,000**	21,881

* Asymchem Life Science (Tianjin) Co., Ltd. ("Asymchem Life Science"), a wholly-owned subsidiary of the Group, plans to invest RMB300,000,000 as a limited partner in Haihe Asymchem Medical and Health Fund. Asymchem Life Science will hold 39.79% of the total capital of Haihe Asymchem Medical and Health Fund. The General Partner of Haihe Asymchem Medical and Health Fund is Haizunchuang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership) ("Haizunchuang"), and the actual controller of Tianjin Zunji Private Equity Fund Management Co., Ltd., the executive partner of Haizunchuang is Ms. Tu Zhiwei, the spouse of Mr. Wang Qingsong, who served as the Company's former independent director and resigned in February 2024.

** In March 2023, the Group purchased the one-year convertible bonds issued by Yugen Medtech, of which the principal was RMB21,881,082 and the interest rate was 8%. The convertible bonds expired in February 2024 and were converted into shares of Yugen Medtech.

(d) Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Short term employee benefits	**39,990**	49,804
Pension scheme contributions	**2,383**	2,176
Equity-settled share incentive scheme	**8,178**	12,934
Total	**50,551**	64,914

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	–	–	–	–
Trade and bills receivables	–	–	1,836,887	1,836,887
Financial assets included in prepayments, other receivables and other assets	–	–	507,617	507,617
Financial assets at fair value through profit or loss	1,697,571	–	–	1,697,571
Cash and cash equivalents	–	–	5,789,408	5,789,408
Total	1,697,571	–	8,133,912	9,831,483

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	449,516
Financial liabilities included in other payables and accruals	364,200
Interest-bearing bank and other borrowings	–
Lease liabilities	324,754
Total	1,138,470

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	–	30,488	–	30,488
Trade and bills receivables	–	–	2,010,989	2,010,989
Financial assets included in prepayments, other receivables and other assets	–	–	554,379	554,379
Financial assets at fair value through profit or loss	2,036,255	–	–	2,036,255
Cash and cash equivalents	–	–	7,109,987	7,109,987
Total	2,036,255	30,488	9,675,355	11,742,098

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	452,365
Financial liabilities included in other payables and accruals	287,093
Interest-bearing bank and other borrowings	12,228
Lease liabilities	135,021
Total	886,707

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**1,539,809**	1,905,779	**1,539,809**	1,905,779
Equity investments at fair value through other comprehensive income	**–**	30,488	**–**	30,488
An unlisted investment fund	**157,762**	130,476	**157,762**	130,476
	1,697,571	2,066,743	**1,697,571**	2,066,743
Financial liabilities				
Interest-bearing bank borrowings	**–**	12,228	**–**	12,228
Total	**–**	12,228	**–**	12,228

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings are approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the reporting date, the finance department 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 audit committee twice a year for interim and 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:

The Group invests in unlisted non-principal-protected wealth management products issued by banks in Mainland China. 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.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

For the unlisted investment fund measured at fair value through profit or loss, management assessed the fair value based on the net asset value of the investment fund. Since the underlying unlisted equity portfolio was diversified and each underlying equity investment was immaterial to the Group, no fair value disclosure has been made for the underlying equity investments in the investment fund. Management has estimated the potential effect of using reasonably possible alternatives to be immaterial.

The carrying amounts of all the Group's financial instruments are equal to or reasonably approximate to fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	–	1,539,809	–	1,539,809
Equity investments designated at fair value through other comprehensive income	–	–	–	–
An unlisted investment fund	–	–	157,762	157,762
Total	–	1,539,809	157,762	1,697,571

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	1,905,779	–	1,905,779
Equity investments designated at fair value through other comprehensive income	–	–	30,488	30,488
An unlisted investment fund	–	–	130,476	130,476
Total	–	1,905,779	160,964	2,066,743

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 and 2023.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2024 **RMB'000**	2023 RMB'000
Equity investments at fair value through profit or loss		
At 1 January	**130,476**	113,076
Changes in fair value	**286**	(9,600)
Purchases	**27,000**	27,000
At 31 December	**157,762**	130,476

	2024 **RMB'000**	2023 RMB'000
Equity investments at fair value through other comprehensive income		
At 1 January	**30,488**	–
Changes in fair value	**2,512**	488
Purchases	**–**	30,000
Disposals	**(33,000)**	–
At 31 December	**–**	30,488

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise lease liabilities, interest-bearing bank borrowing, 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.

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 2.3 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. Some of these interest-bearing bank borrowings were obtained at floating interest rates, which have exposed the Group to interest rate risk. The interest rates and terms of repayment of borrowings are disclosed in note 27 above, and the possible reasonable changes in interest rates do not have a significant impact to the Group's profit or loss and equity.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the major foreign currency exchange rate, with all other variables held constant, of the Group's profit for the year due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit for the year RMB'000	Increase/ (decrease) in equity RMB'000
2024			
If USD strengthens against RMB	**10%**	**255,086**	**255,086**
If USD weakens against RMB	**(10%)**	**(255,086)**	**(255,086)**
If HK$ strengthens against RMB	**10%**	**114,356**	**114,356**
If HK$ weakens against RMB	**(10%)**	**(114,356)**	**(114,356)**
2023			
If USD strengthens against RMB	10%	363,950	363,950
If USD weakens against RMB	(10%)	(363,950)	(363,950)
If HK$ strengthens against RMB	10%	120,341	120,341
If HK$ weakens against RMB	(10%)	(120,341)	(120,341)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only 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. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 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	–	–	–	113,042	113,042
Trade receivables	–	–	–	1,939,914	1,939,914
Financial assets included in prepayments, other receivables and other assets	507,617	–	–	–	507,617
Cash and cash equivalents – Not yet past due	5,789,408	–	–	–	5,789,408
Total	6,297,025	–	–	2,052,956	8,349,981

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	86,854	86,854
Trade receivables	–	–	–	2,116,812	2,116,812
Financial assets included in prepayments, other receivables and other assets	575,128	–	–	–	575,128
Cash and cash equivalents – Not yet past due	7,109,987	–	–	–	7,109,987
Total	7,685,115	–	–	2,203,666	9,888,781

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 22 to the financial statements.

The credit risk of the Group's other financial assets, which comprise cash and cash balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the consolidated financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 13.55% (2023: 28.50%) and 36.02% (2023: 53.65%) of the Group's trade receivables and contract assets were due from the Group's largest combined balance of accounts receivable and contract assets and the top five customers, respectively.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2024, None (31 December 2023: None) of the Group's borrowing would mature in less than one year based on the carrying values of the borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2024

	On demand RMB'000	Less than 1 years RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	–	–	–	–
Lease liabilities	–	59,639	181,974	142,307	383,920
Restricted share repurchase	150,474	–	–	–	150,474
Financial liabilities included in other payables and accruals	364,200	–	–	–	364,200
Trade payables	449,516	–	–	–	449,516
Total	964,190	59,639	181,974	142,307	1,348,110

2023

	On demand RMB'000	Less than 1 years RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	12,228	–	–	–	12,228
Lease liabilities	–	42,832	84,938	28,838	156,608
Restricted share repurchase	424,950	–	–	–	424,950
Financial liabilities included in other payables and accruals	287,093	–	–	–	287,093
Trade payables	452,365	–	–	–	452,365
Total	1,176,636	42,832	84,938	28,838	1,333,244

41. 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 maximise 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 31 December 2024 and 31 December 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, other payables and accruals, lease liabilities and less cash and cash balances. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2024	2023
	RMB'000	RMB'000
Interest-bearing bank borrowings (note 27)	**–**	12,228
Trade payables (note 25)	**449,516**	452,365
Other payables and accruals (note 26)	**1,166,097**	1,275,184
Lease liabilities (note 14)	**324,754**	135,021
Less: Cash and cash balances (note 24)	**5,789,408**	7,109,987
Net debt	**N/A**	N/A
Total equity	**16,862,572**	17,509,979
Total equity and net debt	**N/A**	N/A
Gearing ratio	**N/A**	N/A

42. EVENTS AFTER THE REPORTING PERIOD

Proposed adoption of the 2025 A Share Restricted Share Scheme (Draft) and the H Share Restricted Share Scheme (Draft)

On 24 January 2025, the Board has resolved to propose the adoption of the the 2025 A Share Restricted Share Scheme (Draft) and the H Share Restricted Share Scheme (Draft). The proposed 2025 A Share Restricted Share Scheme (Draft) and the H Share Restricted Share Scheme (Draft) was further modified on the Board meeting held on 18 March 2025.

According to the modified 2025 A Share Restricted Share Scheme (Draft), the total number of Restricted Shares proposed to be granted to the Incentive Participants under the 2025 A Share Scheme is 5,196,000, representing approximately 1.53% of the Company's total A share capital of 340,164,843 Shares as at the announcement date of the 2025 A Share Scheme. Another 300,000 Restricted Shares are reserved, representing approximately 0.09% of the Company's total A share capital stated above as at the announcement date of the 2025 A Share Scheme.

According to the proposed H Share Restricted Share Scheme, the total number of H Shares which may be issued in respect of all Incentive Shares to be granted under the H Share Restricted Share Scheme shall not exceed 2,085,000 H Shares, representing approximately 7.57% of the Company's total H share capital of 27,553,260 Shares as at the announcement date.

The 2025 A Share Scheme and H Share Restricted Share Scheme are still subject to consideration and approval of the Shareholders which will be sought at the extraordinary general meeting.

Completion of cancellation of part of the A shares repurchased through centralized price bidding

On 26 February 2025, the Company completed the cancellation of 7,122,703 of repurchased A shares held in the specific repurchase securities account, representing 2.09% of the Company's total amount of A shares and 1.94% of the Company's total shares before the cancellation. The issued share capital of the Company has been reduced to 360,595,400 Shares (comprising 333,042,140 A Shares and 27,553,260 H Shares).

Proposed profit distribution of 2024

On 28 March 2025, the board of directors of the Company held a meeting to consider and approve the 2024 profit distribution plan, and proposed to distribute a cash dividend of RMB1.10 (including tax) per share to all shareholders based on the total share capital with profit distribution rights on the equity registration date when the distribution plan is implemented in the future.

The proposed 2024 profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

43. 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:

	2024	2023
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**432,484**	421,354
Right-of-use assets	**37,836**	36,485
Other intangible assets	**9,456**	11,859
Investments in subsidiaries	**2,152,111**	2,090,910
Investments in associates	**297,117**	260,144
Equity investments at fair value through other comprehensive income	**–**	30,488
Prepayments, deposits and other receivables	**3,989**	123,666
Financial assets at fair value through profit or loss	**67,595**	70,816
Deferred tax assets	**19,030**	3,702
Total non-current assets	**3,019,618**	3,049,424
CURRENT ASSETS		
Inventories	**118,792**	111,226
Trade and bills receivables	**385,519**	599,165
Prepayments, deposits and other receivables	**2,767,569**	2,068,215
Financial assets at fair value through profit or loss	**1,062,098**	1,755,347
Cash and cash balances	**2,694,810**	4,329,386
Total current assets	**7,028,788**	8,863,339
CURRENT LIABILITIES		
Trade payables	**194,599**	3,717
Other payables and accruals	**1,043,681**	1,739,076
Interest-bearing bank borrowings	**–**	12,228
Lease liabilities	**8,793**	8,169
Tax payable	**1,095**	11,986
Total current liabilities	**1,248,168**	1,775,176
NET CURRENT ASSETS	**5,780,620**	7,088,163
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,800,238**	10,137,587
NON-CURRENT LIABILITIES		
Deferred income	**126,909**	98,848
Lease liabilities	**23,880**	23,426
Deferred tax liabilities	**–**	–
Interest-bearing bank and other borrowings	**–**	–
Total non-current liabilities	**150,789**	122,274
Net assets	**8,649,449**	10,015,313
EQUITY		
Share capital	**367,716**	369,472
Treasury shares	**(1,232,758)**	(494,010)
Other reserves	**9,514,491**	10,139,436
Other comprehensive income	**–**	415
Total equity	**8,649,449**	10,015,313

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Attributable to owners of the parent							
	Share capital RMB'000	Restricted shares under share-based payment RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through OCI RMB'000	Retained profits RMB'000	Total RMB'000	Total equity RMB'000
At 1 January 2023	369,917	(1,246,560)	9,845,874	208,970	–	1,088,557	10,266,758	10,266,758
Profit for the year	–	–	–	–	–	718,265	718,265	718,265
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	415	–	415	415
Total comprehensive income for the year	–	–	–	–	415	718,265	718,680	718,680
Final 2022 dividend declared and paid	–	–	–	–	–	(663,897)	(663,897)	(663,897)
Issue of ESOP	–	522,381	(522,381)	–	–	–	–	–
Cancellation of restricted shares	(184)	22,530	(22,861)	–	–	–	(515)	(515)
Non-compensatory acquisition of subsidiary equity	–	–	34	–	–	–	34	34
Non-compensatory transfer of assets to subsidiaries	–	–	(527,993)	–	–	–	(527,993)	(527,993)
Vesting of restricted shares	–	167,655	–	–	–	–	167,655	167,655
Equity-settled share option arrangements	–	–	54,591	–	–	–	54,591	54,591
Share premium transferred to Share capital	–	–	–	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	–	–	–
Cancellation of repurchased A Shares	(261)	39,984	(39,723)	–	–	–	–	–
At 31 December 2023	369,472	(494,010)	8,787,541	208,970	415	1,142,925	10,015,313	10,015,313

	Attributable to owners of the parent							
	Share capital RMB'000	**Restricted shares under share-based payment RMB'000**	**Capital reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Fair value reserve of financial assets at fair value through OCI RMB'000**	**Retained profits RMB'000**	**Total RMB'000**	**Total equity RMB'000**
At 1 January 2024	**369,472**	**(494,010)**	**8,787,541**	**208,970**	**415**	**1,142,925**	**10,015,313**	**10,015,313**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**222,013**	**222,013**	**222,013**
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**2,585**	**–**	**2,585**	**2,585**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,585**	**222,013**	**224,598**	**224,598**
Final 2023 dividend declared and paid	**–**	**–**	**–**	**–**	**–**	**(633,866)**	**(633,866)**	**(633,866)**
Issue of ESOP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Forfeiture of restricted A Shares	**(2)**	**206**	**(213)**	**–**	**–**	**–**	**(9)**	**(9)**
Vesting of restricted shares	**–**	**35,921**	**–**	**–**	**–**	**–**	**35,921**	**35,921**
Equity-settled share option arrangements	**–**	**–**	**15,413**	**–**	**–**	**–**	**15,413**	**15,413**
Repurchase of A Shares	**–**	**(999,856)**	**–**	**–**	**–**	**–**	**(999,856)**	**(999,856)**
Cancellation of repurchased restricted A shares	**(1,754)**	**224,981**	**(231,292)**	**–**	**–**	**–**	**(8,065)**	**(8,065)**
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(3,000)**	**3,000**	**–**	**–**
At 31 December 2024	**367,716**	**(1,232,758)**	**8,571,449**	**208,970**	**–**	**734,072**	**8,649,449**	**8,649,449**

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 2025.

DEFINITIONS AND GLOSSARIES

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

"Actionable Corporate Communications"	any corporate communication that seeks instructions from the Company's shareholders on how they wish to exercise their rights or make an election as the Company's shareholders
"AGM" or "Annual General Meeting"	the Annual General Meeting of the Company to be held on 11 June 2025
"ALAB"	Asymchem Laboratories, Incorporated, a limited liability company incorporated in the United States on November 27, 1995, which is a controlling shareholder of the Company
"API"	active pharmaceutical ingredient
"ATMP"	advanced therapy medicinal products
"ATMP Projects"	projects to build up our capabilities related to advanced therapy medicinal products (ATMPs), including cell therapy and gene therapy
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Asymchem Biotechnology Development"	Shanghai Asymchem Biotechnology Development Co., Ltd. (上海凱萊英生物技術發展有限公司), a limited liability company incorporated in the PRC
"AsymCore"	AsymCore Management Consulting Partnership (Limited Partnership) (凱萊同心(天津)企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC
"Asymchem Life Science"	Asymchem Life Science (Tianjin) Co., Ltd. (凱萊英生命科學技術(天津)有限公司)
"A Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 per share, which are listed for trading on the Shenzhen Stock Exchange and traded in Renminbi
"Audit Committee"	the audit committee of the Board
"BLA"	Biologics License Applications, a request made to the U.S. FDA for permission to introduce, or deliver for introduction, of a biological product into interstate commerce in the United States

"Board"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"CDMO"	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
"CEO" or "Chief Executive Officer"	the chief executive officer of the Company
"CFO" or "Chief Financial Officer"	the chief financial officer of the Company
"cGMP"	current good manufacturing practice
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chairperson"	the chairperson of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Clin-nov Medical"	Tianjin Clin-nov Medical Technology Development Co., Ltd. (天津凱諾醫藥科技發展有限公司) (formerly known as Tianjin Asymchem Medical Technology Development Co., Ltd. (天津凱萊英醫藥科技有限公司) with the name changed in August 2020), a wholly-owned subsidiary of the Company
"CMC"	Chemistry, Manufacturing and Controls, an important and detailed section detailing the characteristics of a therapeutic and its manufacturing and quality testing process in a dossier used to support clinical studies and marketing applications
"Company," "our Company," "the Company," "Asymchem", or "Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司)"	Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司), was established under the laws of the PRC as an enterprise legal person on October 8, 1998, the A Shares of which are listed on the Shenzhen Stock Exchange and the H Shares of which are listed on the Hong Kong Stock Exchange
"Corresponding Period"	for the year ended 31 December 2023

DEFINITIONS AND GLOSSARIES

"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Employee Share Ownership Plan"	the 2022 Employee Share Ownership Plan of the Company adopted at the fifth extraordinary general meeting of 2022
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"GLP-1"	glucagon-like peptide-1 agonists are a class of medications utilized in the treatment of type 2 diabetes and obesity
"GMP"	good manufacturing practice
"Group," "our Group," "we," "us," or "our"	our Company and its subsidiaries
"Haihe Asymchem Fund"	Tianjin Haihe Asymchem Biopharmaceutical Industry Innovation Investment Fund (Limited Partnership) (天津海河凱萊英生物醫藥產業創新投資基金(有限合夥))
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"HTS"	high throughput screening
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification
"Jihang Tianjin"	Jihang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership) (濟航(天津)企業管理諮詢合夥企業(有限合夥))
"Listing Date"	the date, namely 10 December 2021, on which the H Shares were listed and from which dealings in the H Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Stock Exchange, as amended or supplemented from time to time

"LNP"	Lipid nanoparticles technology
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"NDA"	new drug application
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"2024 Profit Distribution Plan"	profit distribution plan for the year ended 31 December 2024
"Prospectus"	the prospectus of the Company dated November 30, 2021
"R&D"	research and development
"Reporting Period"	for the year ended 31 December 2024
"RMB" or "Renminbi"	the lawful currency of the PRC
"Shanghai Asymchem"	Shanghai Asymchem Biotechnology Co., Ltd. (上海凱萊英生物技術有限公司), a wholly-owned subsidiary of the Company
"Shares"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of Shares(s)
"SPD Bank"	Shanghai Pudong Development Bank
"Strategic Investments and Acquisitions Projects"	to selectively pursue strategic investments and acquisitions
"Strategy Committee"	the strategy committee of the Board
"SZSE"	the Shenzhen Stock Exchange
"Teda"	Tianjin Economic-Technological Development Area

DEFINITIONS AND GLOSSARIES

"Tianjin Tianhao"	Tianjin Tianhao Management Consulting Partnership (Limited Partnership) (天津天浩管理諮詢合夥企業(有限合夥))
"United Kingdom" or "U.K."	the United Kingdom of Great Britain and Northern Ireland, commonly known as the United Kingdom (UK) or Britain, its territories, its possessions, and all areas subject to its jurisdiction
"United States" or "U.S."	the United States of America, its territories, its possessions, and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. FDA" or "FDA"	U.S. Food and Drug Administration
"Yugen Medtech"	Tianjin Yugen Medtech Co., Ltd. (天津有濟醫藥科技發展有限公司)
"Zhenjiang Project"	project to construct phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang, and purchase relevant equipment and machinery

In this annual report, unless otherwise indicated, the terms "affiliate", "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial Shareholder" shall have the meanings given to such terms in the Listing Rules.

Unless otherwise defined herein, capitalized terms used in this annual report shall have the same meanings as those defined in the Prospectus.

This annual report is conducted in English. In case of any divergence of interpretations, the original English version shall prevail.