Shandong Boan Biotechnology Co., Ltd.
山东博安生物技术股份有限公司

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

Stock Code : 6955

2024
ANNUAL REPORT

Boan Biotech
博安生物

CONTENTS

COMPANY OVERVIEW

Established in 2013, Shandong Boan Biotechnology Co., Ltd. (山东博安生物技术股份有限公司) (“Boan Biotech”, the “Company” or “our Company”, together with its subsidiaries, the “Group”) is a fully-integrated biopharmaceutical company developing, manufacturing, and marketing biologics, with a focus on oncology, autoimmune diseases, ophthalmology, and metabolic diseases. The Company’s drug discovery activities revolve around multiple platforms: Human Antibody Transgenic Mouse and Phage Display Technology Platform, Bispecific T-cell Engager Technology Platform, ADC Technology Platform and Cell Therapy Platform.

Boan Biotech operates across the entire value chain of the industry covering antibody discovery, cell line development, upstream and downstream process development, analytical and bio-analytical method development, technology transfer, non-clinical research, clinical research, regulatory affairs and registration, and commercial production. In the cell therapy field, Boan Biotech focuses on a new generation of enhanced and regulated CAR-T technology, developing safer, more effective, and affordable treatments for patients.

Boan Biotech’s portfolio includes three commercial products. Its pipeline includes multiple novel biologics as drug candidates protected for their international intellectual property rights and a number of biosimilar candidates. In addition to the People’s Republic of China (“PRC” or “China”), the Company is also developing biological products in overseas markets, including the United States (“U.S.”), the European Union (“EU”) and Japan. With a differentiated portfolio and well-established commercial capabilities, Boan Biotech operates across the industry’s value chain from research and development to manufacturing and commercialization, laying a solid foundation for long-term, high quality growth in the future.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. JIANG Hua (姜華)
(Chief Executive Officer and Chairlady of our Board)
Dr. DOU Changlin (竇昌林)
(President of R&D and Chief Operating Officer)

Non-executive Directors

Mr. LIU Yuanchong (劉元沖)
Ms. LI Li (李莉)

Independent Non-executive Directors

Professor SHI Luwen (史錄文)
Mr. DAI Jixiong (戴繼雄)
Dr. YU Jialin (佘家林)

SUPERVISORS

Ms. ZHANG Xiaomei (張曉玫) *(Chairlady)*
Ms. NING Xia (寧夏)
Ms. LIU Xiangjie (劉祥杰)

COMPANY SECRETARY

Ms. LAI Siu Kuen (黎少娟) *(FCG, HKFCG)*

AUTHORISED REPRESENTATIVES

Ms. JIANG Hua (姜華)
Ms. LAI Siu Kuen (黎少娟)

AUDIT COMMITTEE

Mr. DAI Jixiong (戴繼雄) *(Chairperson)*
Mr. LIU Yuanchong (劉元沖)
Dr. YU Jialin (佘家林)

REMUNERATION COMMITTEE

Dr. YU Jialin (佘家林) *(Chairperson)*
Ms. LI Li (李莉)
Mr. DAI Jixiong (戴繼雄)

NOMINATION COMMITTEE

Professor SHI Luwen (史錄文) *(Chairperson)*
Ms. LI Li (李莉)
Dr. YU Jialin (佘家林)

STRATEGY COMMITTEE

Ms. JIANG Hua (姜華) *(Chairlady)*
Dr. DOU Changlin (竇昌林)
Professor SHI Luwen (史錄文)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Ms. JIANG Hua (姜華) *(Chairlady)*
Dr. DOU Changlin (竇昌林)
Ms. LI Li (李莉)

REGISTERED OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

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Yantai, Shandong Province
China

HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA

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Registered Public Interest Entity Auditor
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Hong Kong

STOCK CODE

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COMPANY'S WEBSITE

www.boan-bio.com

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Everbright Bank Co., Ltd.
China Merchants Bank Co., Ltd.
Bank of America
Citibank N.A., Singapore Branch

FINANCIAL HIGHLIGHTS

1. REVENUE

During the year ended 31 December 2024 (the "Reporting Period"), the Group has built a dedicated commercialization team by the use of proactive marketing strategy and efficient executive capability in sales, through which the Group rapidly established a foothold in the domestic market, laying a solid foundation for the subsequent transformation of the Company. With the commercialization of three products, the Group witnessed a significant increase in revenue during the Reporting Period.

For the year ended 31 December 2024, the Group's revenue amounted to approximately RMB726.3 million, as compared to RMB618.1 million for the year ended 31 December 2023, representing an increase of approximately RMB108.2 million, or 17.5%. The increase was mainly attributable to the growth of sales of Boyounuo® (BA1101) and Boyoubei® (BA6101) in China, and the growth of licensing revenue.

2. COST OF SALES

Cost of sales of the Group primarily represents materials and consumables, labour costs associated with production, utilities and maintenance fee as well as depreciation and amortisation expenses of production equipment, facilities and intangible assets.

Our cost of sales decreased from RMB209.2 million for the year ended 31 December 2023 to approximately RMB183.7 million for the year ended 31 December 2024, which accounted for approximately 25.3% of our total revenue for the same year (2023: 33.9%).

3. GROSS PROFIT

For the year ended 31 December 2024, the Group recorded a gross profit of approximately RMB542.6 million, representing an increase of approximately RMB133.7 million, or 32.7%, as compared with that for the year ended 31 December 2023.

4. SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2024, the Group's selling and distribution expenses amounted to RMB285.8 million, as compared to RMB256.5 million for the year ended 31 December 2023, representing an increase of RMB29.3 million, or 11.4%. The increase in selling expenses was in line with the revenue growth during the same period.

5. RESEARCH AND DEVELOPMENT EXPENSES

The following table sets forth a breakdown of the Group's research and development ("R&D") expenses for the years indicated:

	2024 RMB'000	2023 RMB'000
R&D service fees	**36,949**	96,675
Raw materials and consumables expenses	**31,334**	33,388
Staff costs and share-based payments	**54,485**	67,867
Depreciation and amortisation expenses	**15,483**	17,776
Others	**11,023**	14,976
	149,274	230,682

For the year ended 31 December 2024, the Group's recognised R&D expenses were approximately RMB149.3 million, representing a decrease of approximately RMB81.4 million, as compared to the year ended 31 December 2023. The decreased R&D expenses was mainly due to the increase in R&D investment capitalised into deferred development costs as multiple key R&D projects of the Group had progressed to phase 3 clinical trial.

6. FIVE-YEAR FINANCIAL SUMMARY

	2020 RMB Million	2021 RMB Million	2022 RMB Million	2023 RMB Million	2024 RMB Million
Revenue	–	158.7	516.0	618.1	**726.3**
Gross profit	–	106.5	354.2	408.9	**542.6**
Net profit/(loss)	(240.5)	(225.4)	(331.7)	(119.4)	**73.2**
Total assets	908.0	2,106.6	2,202.6	2,323.4	**2,851.3**
Total liability	426.4	554.9	784.2	1,003.5	**1,207.3**
Equity	481.6	1,551.7	1,418.4	1,319.9	**1,644.0**

CHAIRLADY'S STATEMENT

Dear Shareholders

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I would like to express my sincere gratitude for your enduring concern and support for Boan Biotech, and I am pleased to report the results of Boan Biotech for the year ended 31 December 2024, as well as a brief outlook for the future development of the Company.

Boan Biotech is a fully integrated biopharmaceutical company dedicated to the development, manufacturing, and commercialization of quality biological drugs in China and around the world, providing innovative and accessible treatment solutions for common therapeutic areas such as oncology, autoimmune, ophthalmology and metabolism.

In 2024, Boan Biotech became profitable for the first time in a whole calendar year, making it one of a few biotech companies in China to deliver a profitable year. During the Reporting Period, the Company's operating revenue reached RMB726.3 million, representing a year-on-year increase of 17.5%. Gross profit rose to RMB542.6 million, up 32.7% year-on-year, with the gross profit margin significantly improving by 8.5 percentage points to 74.7%. Net profit surged by RMB192.6 million year-on-year to RMB73.2 million.

The portfolio of Boan Biotech is characterized by "innovation quality" and "risk-balanced." By commercializing biosimilars first, the Company is able to generate cash quickly while funding new drug development. In 2024, three commercialized products of the Company, including Boyounuo® (BA1101, bevacizumab injection), Boyoubei® (BA6101, 60mg denosumab injection) and Boluojia® (BA1102, 120mg denosumab injection), propelled the Company to profitability ahead of its peers.

In terms of innovative antibodies, leveraging its three major technology platforms, namely, the Antibody Drug Conjugate ("ADC") Technology Platform, Bispecific T-cell Engager Technology Platform, and Human Antibody Transgenic Mouse and Phage Display Technology Platform, the Company is developing innovative biologics with the potential to become First-in-Class and Best-in-Class. Currently, two investigational ADCs, one bispecific antibody, and two monoclonal antibodies are undergoing phase 1/2 clinical trials. Key candidates include: BA1302 (an anti-CD228 ADC), the world's only innovative anti-CD228 ADC under clinical development, which is currently undergoing a phase 1 clinical trial in China and has been granted Orphan Drug Designation ("ODD") in the U.S. for the treatment of squamous non-small-cell lung cancer and pancreatic cancer. BA1301 (an anti-Claudin18.2 ADC), which is currently undergoing a phase 1 clinical trial in China and has been granted ODD in the U.S. for the treatment of gastric and pancreatic cancer. BA1106 (a non-IL-2 blocking anti-CD25 antibody), the first innovative anti-CD25 antibody in China to enter clinical trials for the treatment of solid tumors, with related data set to debut at the upcoming annual meeting of the American Association for Cancer Research.

Now it's time for Boan Biotech to reap the benefits of its first R&D investments. From 2025 to 2027, Boan Biotech is expected to launch multiple new products both in China and abroad, including: Boyouping® (BA5101, dulaglutide injection) and Boyoujing® (BA9101, aflibercept injection), expected to be approved for marketing in China this year. Notably, Boyouping® has been approved for clinical trials in the U.S., giving it a leading edge with respect to the development process both in China and abroad. Boluojia® is expected to be approved for the treatment of new indications in China this year, including bone metastases from solid tumors and multiple myeloma, while Boyounuo® is expected to be approved for marketing in Brazil. Boluojia® and Boyoubei® are expected to finish the international multicenter phase 3 clinical trials in Europe, the U.S., and Japan this year, followed by rolling submissions for market approval across major international markets. BA1104 (nivolumab injection), undergoing a phase 3 clinical trial in China with a leading edge in the development process. The U.S. Food and Drug Administration ("FDA") has also agreed on a "streamlined" clinical approach for BA1104, meaning that only one pharmacokinetics ("PK") similarity study (phase 1) is sufficient to support the submission of a biologics license application ("BLA") with no phase 3 study needed.

We're moving full steam ahead towards our strategic goals. Our revenue in 2024 was four times higher than in 2021, and we turned profitable for the first time in a whole calendar year. By working as one, we will accelerate the launch of high-quality new products, tap the clinical value of multiple innovative biologics, and seek strategic partnerships on key drugs or drug candidates. With such efforts, the Company will be able to maintain high-speed growth in the next three years, to deliver better products for our patients, and to reward our shareholders for their support with better results.

Shandong Boan Biotechnology Co., Ltd.
JIANG Hua
Chief Executive Officer and Chairlady

27 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Boan Biotech is a fully-integrated biopharmaceutical company that specializes in developing, manufacturing, and commercializing biologics, with a focus on oncology, autoimmune diseases, ophthalmology, and metabolic diseases. Our drug discovery activities revolve around multiple platforms, including: Human Antibody Transgenic Mouse and Phage Display Technology Platform, Bispecific T-cell Engager Technology Platform, ADC Technology Platform and Cell Therapy Platform.

We operate across the entire value chain of the industry covering antibody discovery, cell line development, upstream and downstream process development, analytical and bio-analytical method development, technology transfer, non-clinical research, clinical research, regulatory affairs and registration, and commercial production. In the cell therapy field, we focus on a new generation of enhanced and regulated CAR-T technology, developing safer, more effective, and affordable treatments for patients.

Our portfolio includes three commercial products, and our pipeline includes multiple novel biologics as drug candidates protected for their international intellectual property rights, and a number of biosimilar candidates. In addition to China, we are also developing biopharmaceutical products in the overseas markets, including the U.S., the EU and Japan. With a differentiated portfolio and well-established commercial capabilities, we operate across the industry's value chain from R&D to manufacturing and commercialization, laying a solid foundation for long-term, high-quality growth in the future.

2024 ANNUAL REVIEW

From the beginning of 2024, we have made significant achievements in all aspects of pipeline development, sales and marketing, manufacturing, and business collaboration.

During the Reporting Period, we recorded an increase in revenue of 17.5% to RMB726.3 million as compared to that of 2023, which demonstrated our continued capability to bring our biologics portfolio to market and maintain market share. As of the date of this report, three of our products (Boyounuo®, Boyoubei® and Boluojia®) have been successfully marketed in Chinese Mainland (excluding Hong Kong, Macau and Taiwan regions of the People's Republic of China). These products have been sold to over 2,928 target hospitals and institutions in China. A number of post-marketing clinical observational studies have been carried out on Boyounuo® and Boyoubei®. In addition, our Boluojia®, the denosumab injection for anti-tumor indication, has been approved for marketing in May 2024. We believe that with approvals of new products, the accumulation of more clinical data, the coverage of wider markets and various external collaborations with experienced partners, our business will continue to grow steadily.

Two drug candidates entered the BLA stage in China. The BLA of BA5101 has been accepted by the Centre for Drug Evaluation ("CDE") of the National Medical Products Administration ("NMPA") in China in May 2024. As far as the Company aware, BA5101 is still the only one biosimilar of Trulicity® in the world that has filed BLA. The BLA of BA9101 has been accepted by CDE in July 2024. The phase 3 clinical study of BA1104 is also progressing well. We also have one pipeline product (BA2101) entered phase 2 clinical trial and four pipeline products (BA1301, BA1202, BA1106 and BA1302) progressing well in their phase 1 clinical trials in China. Among them, BA1302 has been approved to initiate clinical trials in China in July 2024 and the first patient has been dosed in the phase 1 clinical trial in November 2024. It is the only CD228 ADC undergoing clinical development worldwide.

For the progress of pipeline products in overseas, the international multi-center phase 3 clinical study for our Denosumab Injection (BA6101 and BA1102) initiated in Europe, the U.S., and Japan completed patient enrollment in January 2024. BA5101 has been approved to initiate clinical trials in the U.S. in August 2024. BA1301 have also been granted ODD by the U.S. FDA for gastric cancer, including cancer of gastroesophageal junction. In March 2025, BA1302 was granted the ODD by the FDA for the treatment of squamous non-small-cell lung cancer and pancreatic cancer respectively.

We continued to consolidate our R&D capabilities and industry influence. As of 31 December 2024, our R&D team had 286 experienced employees covering biopharmaceutical discovery research, biotechnology research, biopharmaceutical analysis research, biological activity research, non-clinical research, pilot process research, clinical research, regulatory affairs, project management and intellectual property and other R&D functions. From the beginning of 2024 to the date of this report, we have been granted ten new patents and ten new pending patent applications worldwide. As of the date of this report, we have been granted 43 patents and have 52 pending patent applications worldwide.

We have sufficient production capacity to meet the current commercial needs of our products. As of the date of this report, we have commercial production capacity of 9,000L and pilot production capacity of 2,000L. During the Reporting Period, we achieved significant improvements in quality and efficiency by enhancing and upgrading the production processes of existing products, continuously advancing digital manufacturing, and implementing domestic substitutions to reduce production costs. In addition, we have received GMP certification from Agência Nacional de Vigilância Sanitária ("ANVISA") for our biological product, Boyuno® (the name of Boyounuo® in Brazil), covering the drug substance and the drug product in January 2024. ANVISA is a member of the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Cooperation Scheme (PIC/S). The ANVISA GMP certification represents a pivotal step for the subsequent marketing authorization approval of Boyuno® and establishes a robust foundation for the global commercialization of our future biologics. We have also built an electronic data environment for production, document management, training, warehousing and other aspects, promoting the integration of production data, flexible manufacturing, and intelligent management, improving production efficiency and production operation flexibility, optimizing production costs, and ensuring drug quality and patient safety.

We are actively exploring external business development and licensing-out arrangements. In January 2024, we entered into an agreement with Joincare Pharmaceutical Group Industry Co., Ltd. ("Joincare"), in relation to the exclusive licensing and commercialization of BA2101 in the treatment of asthma, chronic obstructive pulmonary disease ("COPD") and other respiratory system diseases in Chinese Mainland. We also entered into an agreement with the Zencore Biologics Co., Ltd. ("Zencore Biologics"), authorizing Zencore Biologics to use our self-developed stable cell line development platform non-exclusively, BA-HIEXcell® for the development of antibodies and therapeutic proteins in Chinese Mainland. In November 2024, we have signed a licensing agreement for commercializing denosumab injection (BA6101 and BA1102) in the Brazilian market with a strategic partner. In January 2025, we have granted the promotion rights of denosumab injection (BA6101 and BA1102) in Hong Kong SAR and Macau SAR to Kexing Biopharm Co., Ltd. ("Kexing Biopharm"). In addition, we have started discussions with a number of pharmaceutical companies (including multinational corporations ("MNCs")) or investment institutions for the licensing or co-development of our innovative drug pipelines, and explored international commercialization cooperation with our overseas partners for our products that have been marketed or completed clinical trials in China.

Apart from the abovementioned achievements, we also believe the following strengths and progress have contributed towards our success and differentiated us from other biopharmaceutical companies.

RISK-BALANCED PRODUCT PIPELINE

We, through years of efforts and dedication, have incubated a robust and risk-balanced portfolio, which brings us clear short-term commercial visibility and allows us to pursue long-term sustainable growth. Specifically, our portfolio, including three commercialized products, two candidates under BLA review and six candidates under clinical trials, as of the date of this report, focuses on popular key therapeutic areas including oncology, metabolism, autoimmunity, and ophthalmology, which entail significant unmet needs and potential in China and overseas markets.

The following table summarizes our Commercialized Products and drug candidate pipeline under development in China and worldwide across various therapeutic areas as of the date of this report:

Portfolio	Therapeutic area	Product (reference drug)	Target	Indication	Territory	Clinical trial region	Pre-clinical / IND / Phase 1a / Phase 1b/2 / Phase 3 / BLA filed / Launched
Innovative Antibody Portfolio	Oncology	BA1301	Claudin 18.2 ADC	Gastric cancer, pancreatic cancer, and esophageal cancer	Global	China	
		BA1202	CEA/CD3	CRC, pancreatic duct adenocarcinoma, etc.	Global	China	
		BA1106	CD25	Solid tumor	Global	China	
		BA1302	CD228 ADC	CRC, breast cancer, NSCLC, pancreatic cancer, etc.	Global	China	
	Autoimmune	BA2101	IL4R (Long-Acting)	Atopic dermatitis, asthma, sinusitis, pruritus, urticaria, COPD etc.	Global	China	*Mainland Rights for Respiratory Disease Indications of BA2101 given to Joincare*
Biosimilar Portfolio	Oncology	Boyounuo® (BA1101, an Avastin® biosimilar)	VEGF	mCRC, advanced metastatic or recurrent NSCLC, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma	Global	China	
						Brazil	
		Boluojia® (BA1102, Xgeva® biosimilar)	RANKL	Bone metastases from solid tumors, and GCTB	Global	China	*Promotion Rights of HK&Macau given to Kexing*
						Overseas	*Patient enrollment of phase 3 completed*
		BA1104 (Opdivo® biosimilar)	PD-1	Melanoma, NSCLC, malignant pleural mesothelioma, RCC, cHL, SCCHN, urothelial carcinoma, colorectal cancer, HCC, esophageal cancer, gastric cancer, gastroesophageal junction cancer, and esophageal adenocarcinoma	Global	China	
						Overseas	*Completed communication with FDA and waived Phase 3*
	Metabolism	Boyoubei® (BA6101, Prolia® biosimilar)	RANKL	Osteoporosis	Global	China	*Promotion rights of mainland given to Qingdao Conson, Promotion rights of HK&Macau given to Kexing*
						Overseas	*Patient enrollment of phase 3 completed*
		BA5101 (Trulicity® biosimilar)	GLP-1	Type 2 diabetes	Global	China	*BLA accepted*
						Overseas	*IND approved by FDA*
	Ophthalmology	BA9101 (Eylea® biosimilar)	VEGF	wAMD, RVO, DME, and DR	Global	China	*BLA accepted; Promotion Rights given to Ocumension*
						Overseas	

Commercialized products

Boyounuo® (BA1101, bevacizumab injection): an anti-VEGF humanized monoclonal antibody injection and a biosimilar to Avastin® independently developed by us.

It has been approved for marketing by the NMPA in China in April 2021. As of the date of this report, Boyounuo® has been approved for 6 indications (mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma) and all its indications has been included in the NRDL.

Boyoubei® (BA6101, 60mg denosumab injection): a human immunoglobulin G2 monoclonal antibody of the RANK ligand and the first biosimilar to Prolia® independently developed by us.

It has been approved for marketing by the NMPA in China for the treatment of postmenopausal women with osteoporosis at high risk for fracture in November 2022. It has been included in the NRDL and we have granted Qingdao Conson the exclusive right to commercialize Boyoubei® in Chinese Mainland.

- In January 2024, we completed the enrollment of all subjects for an international multicenter phase 3 clinical study of denosumab injection in Europe, the U.S., and Japan. According to the Guidelines by the FDA, the European Medicines Agency ("**EMA**") and the Japanese Pharmaceuticals and Medical Devices Agency ("**PMDA**") and based on our discussions with the FDA, EMA and PMDA, after completion of this phase 3 clinical study, we can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia® and Xgeva® in the U.S., Europe, and Japan, respectively.

Boluojia® (BA1102, 120mg denosumab injection): a fully human IgG2 anti-RANKL monoclonal antibody and a biosimilar to Xgeva® independently developed by us.

- In January 2024, we completed the enrollment of subjects for an international multicenter phase 3 clinical study of denosumab injection in Europe, the U.S., and Japan. According to the Guidelines by the FDA, EMA and PMDA and based on our discussions with the FDA, EMA and PMDA, after completion of this phase 3 clinical study, we can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia® and Xgeva® in the U.S., Europe, and Japan, respectively.

- In May 2024, Boluojia® has been approved for marketing by the NMPA in China for the treatment of giant cell tumor of bone ("**GCTB**") that is unresectable or where surgical resection is likely to result in severe morbidity in adults and skeletally mature adolescents (defined as having at least one mature long bone and with body weight≥45 kg). At the same time, we are working on the BLA of Boluojia® in China for the indications of bone metastases from solid tumors and multiple myeloma.

- In February 2025, the phase 3 clinical trial results of BA1102 were published in Journal of Bone Oncology.

Products to be commercialized in the near future

BA5101 (dulaglutide injection): a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist and a biosimilar to Trulicity® independently developed by us.

BA5101 is intended for glycemic control in adults with type 2 diabetes. It is the first Trulicity® biosimilar developed by a Chinese company to be approved for clinical trials in the U.S. It is also the first proposed biosimilar to Trulicity® to submit a BLA in China.

- In March 2024, we completed its phase 3 clinical trial (a comparative study of efficacy, safety and immunogenicity) in China.
- In May 2024, the BLA for this drug has been accepted by the CDE of NMPA in China.
- In August 2024, the U.S. FDA has approved the initiation of clinical trials in the U.S. for BA5101.

BA9101 (aflibercept intravitreous injection): a recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection and a biosimilar to Eylea®.

Aflibercept is widely used as a first-line treatment for Neovascular (Wet) Age-Related Macular Degeneration (nAMD), Diabetic Macular Edema (DME), Macular Edema Following Retinal Vein Occlusion (RVO), Diabetic Retinopathy (DR), Visual Impair due to Myopic Choroidal Neovascularization (mCNV) and Retinopathy of Prematurity (ROP) worldwide, and its future market is promising driven by the demand in the clinical practice.

Pursuant to a collaboration and exclusive promotion agreement entered in October 2020, we jointly developed BA9101 with Ocumension Therapeutics (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with stock code: 1477) in the phase 3 clinical trial of BA9101. We have granted Ocumension Therapeutics an exclusive right to promote and commercialize BA9101 in Chinese Mainland. We believe that Ocumension Therapeutics, as a well-known ophthalmology company with a professional team, will accelerate the commercialization of BA9101 to meet the urgent clinical needs of Chinese patients and strengthen our position in the field of biological products.

- In July 2024, the BLA for this drug has been accepted by the CDE of NMPA in China.

BA1104 (nivolumab injection): a monoclonal antibody that can enhance the immune response of T cells against tumors by preventing the programmed cell death 1 (PD-1) receptor from binding to its ligands PD-L1 and PD-L2. It is a biosimilar to Opdivo® independently developed by us.

Being a broad-spectrum anticancer medication, Nivolumab has been approved for multiple indications both in China and abroad. These include its use as a neoadjuvant, an adjuvant, or a first-line or later-line therapy for advanced cancers. It can be used as a standalone treatment, in combination with chemotherapy, or alongside with novel immune checkpoint inhibitors. Nivolumab has become a product of basic therapy for a variety of solid tumors.

- In October 2023, the first patient in the phase 3 clinical trial of BA1104 in China was enrolled. As the date of this report, this phase 3 clinical trial is well progressing.

- In September 2024, the phase 1 clinical study aimed to establish the pharmacokinetic (PK) similarity between BA1104 and Opdivo® was published online in BioDrugs.

- In March 2025, we held a Biological Product Development (BPD) type 2b meeting with the FDA. The FDA has agreed that the phase 3 clinical trial of BA1104 is not needed.

Other pipeline products

BA2101: a long-acting human monoclonal antibody of the IgG4 subtype that targets interleukin-4 receptor subunit α (IL-4Rα) independently developed by us.

The investigational drug can inhibit IL-4 and IL-13 signaling simultaneously, regulate the Th2 inflammatory pathway, and reduce eosinophils and circulating IgE levels. It is intended to be used for treating allergic diseases caused by Th2 inflammation. We have obtained regulatory approval to conduct clinical trials of BA2101 for indications including atopic dermatitis, asthma, COPD, chronic rhinosinusitis with nasal polyps, prurigo nodularis, and chronic spontaneous urticaria (CSU). Compared to drugs with the same target which usually require dosing every two weeks, BA2101 can remain active for a longer period of time. Preclinical studies show that BA2101 has a longer half-life in cynomolgus monkeys than a marketed product with the same target, a feature that is expected to enable dosing once every four weeks in humans. Results of the completed phase 1 clinical trial show that BA2101 has a longer half-life and lower clearance rate than the marketed product.

- We have completed the phase 1 clinical trial of BA2101 in 2023 and initiated a phase 2 clinical trial of BA2101 in January 2024.

- In January 2024, we have entered into a partnership with Joincare in relation to our BA2101. In this partnership, Joincare is granted the exclusive right to develop and commercialize BA2101 in Chinese Mainland for treating respiratory diseases such as asthma and COPD. The partner, Joincare, is a leading Chinese company in the therapeutic area of respiratory diseases. It boasts a wide range of respiratory products and has a dedicated marketing team covering the whole country, making it a top player in the field. Through this partnership, we will leverage our respective strengths in R&D and commercialization to accelerate the clinical development of BA2101 for indications such as asthma and COPD.

BA1106: a non-IL-2 blocking anti-CD25 antibody independently developed by us.

BA1106 is the first investigational anti-CD25 antibody to start clinical trials in China for treating solid tumors. Anti-CD25 antibodies are broad-spectrum immuno-oncology drugs with the potential to treat multiple cancers where CD25 is highly expressed, including cervical cancer, renal cancer, ovarian cancer, melanoma, pancreatic cancers, hepatocellular carcinoma, gastric cancer, and breast cancer. BA1106 therefore has great potential for treating those cancers. However, developing anti-CD25 antibodies faces two major challenges: first, the function of Fc as a mediator is limited, and as a result, they only work in early-stage tumor models but not in late-stage tumor models; second, the IL-2 signaling pathway is blocked, leading to poor antitumor outcomes. BA1106 is a drug candidate that can successfully overcome these two challenges.

The main mechanism of action of BA1106 is to deplete Treg cells in the tumor microenvironment through the ADCC and increase the number of effector T cells. Preclinical studies have shown that BA1106 demonstrated a good therapeutic effect on both early-stage and late-stage tumor models, and it has a synergy when used in combination with an anti PD-1 antibody. Moreover, BA1106 does not block the IL-2 signaling pathway, and depletes Treg cells moderately and specifically, with the potential for monotherapy and combination therapy. The results of the study on BA1106 have been published in Scientific Reports, a journal of Nature.

- In 2023, BA1106 entered a phase 1 clinical trial in China. As of the date of this report, this phase 1 clinical trial is well progressing. We have completed the monotherapy dose-escalation part of this clinical trial and commenced the clinical trial for combination therapy with anti PD-1 antibody.

BA1202: a novel bi-specific antibody (bispecific antibody) drug that targets CEA/CD3 independently developed by us.

BA1202 is a CEA/CD3 bispecific antibody that binds to both CD3 on T cells and CEA on tumor cells, enabling the linking of T cells with tumor cells to facilitate tumor killing. CD3 bispecific antibodies are an important direction for the development of innovative cancer immunotherapies. They function by recruiting CD3+T cells to target tumors. As a bispecific T-cell engager (BiTE), they can bind to both CD3 antigens on the T cell surface and tumor associated antigens. This enables them to bring T cells to tumor cells and stimulate the release of granzymes and perforin from T cells, which in turn leads to the killing of tumor cells. In addition, CD3 bispecific antibodies can enhance the sensitivity of immunotherapy as they can help turn cold tumors into hot ones by increasing immune cells infiltration into tumor tissues. This characteristic indicates their potential for use in combination with immune checkpoint inhibitors such as PD-L1 antibodies for enhanced efficacy. CEACAM5 ("**CEA**") is widely expressed on the cell surface of many epithelial tumors, such as colorectal cancer, NSCLC, pancreatic cancer, and gastric cancer, but is expressed less in normal tissues, making it a potential target for tumor-targeted therapy.

BA1202 adopts a new butterfly-shaped antibody structure, with one end binding bivalently with high affinity to CEA on tumor cells, and the other end binding monovalently with relatively low affinity to CD3 on T cells, while retaining the Fc region. Such design enables it to reduce the risk of cytokine release syndrome (CRS) while retaining good efficacy through activating endogenous T cells to eliminate CEA-positive tumor cells.

- In 2023, BA1202 entered a phase 1 clinical trial in China. As the date of this report, this phase 1 clinical trial is well progressing.

BA1301: an ADC candidate that targets Claudin 18.2 independently developed by us.

BA1301 for injection is our first novel ADC candidate that targets Claudin 18.2. It employs a site-specific conjugation technology to connect the cytotoxic payload with a monoclonal antibody that targets Claudin 18.2. This enables the cytotoxic payload to be directed to the tumor site through the targeting characteristics of the antibody. Such design reduces the toxic side effects of the cytotoxic payload, thus improving the therapeutic window, while retaining its tumor-killing effect.

- In 2023, BA1301 entered a phase 1 clinical trial in China. As of the date of this report, this phase 1 clinical trial is well progressing. We have completed the monotherapy dose-escalation part of this clinical trial and commenced the dose expansion part.

- In January 2024, BA1301 was granted the ODD by the FDA for the treatment of gastric cancer, including cancer of gastroesophageal junction. Previously, BA1301 have also been granted the ODD by FDA for the treatment of pancreatic cancer.

BA1302: a novel CD228-directed ADC independently developed by us.

Initially identified in melanoma, CD228 is a GPI-anchored glycoprotein that plays a role in tumor cell proliferation and migration. It is highly expressed in a variety of solid tumors such as non-small cell lung cancer, breast cancer, melanoma, mesothelioma, colon cancer, and pancreatic cancer, but has a low expression in normal tissues. Therefore, CD228 is highly specific in terms of its expression in tumors.

BA1302 is a novel ADC drug targeting CD228. The antibody part of BA1302 is an innovative human anti-CD228 monoclonal antibody derived from BA-huMab®, our proprietary human antibody transgenic mice. It binds with the membrane-bound form of CD228 only, not with sMF12, which is the soluble form of CD228. This highly binding specificity reduces the non-specific binding, to ensure higher efficacy and safety. The chemical part of BA1302 is BNLD11, an innovative linker-payload, which has remarkable in vitro and in vivo stability. Structurally, approximately four BNLD11 molecules are conjugated to each antibody molecule on average. This design enhances the drug's cell killing efficiency while minimizing the toxicity associated with payload release, thus striking a balance between therapeutic effects and toxic side effects.

Preclinical studies have shown that BA1302 is very potent in terms of internalization activity and bystander killing effect. It has the potential to treat a broad spectrum of solid tumors as evidenced by its significant cytotoxicity against three types of cancers (i.e. lung cancer, gastric cancer, and melanoma) with CD228 expression ranging from low to high, as well as robust tumor suppression in patient-derived xenograft (PDX) models for multiple types of solid tumors. BA1302 has shown a prolonged half-life, favorable PK, and a good safety and tolerability profile in cynomolgus monkeys, indicating great promise for clinical use.

- In July 2024, BA1302 has been approved to initiate clinical trials for treating multiple types of advanced solid tumors by the CDE of NMPA in China. This is the first CD228 targeted novel ADC drug candidate approved for clinical trials in China.

- In November 2024, the first patient has been dosed in the phase 1 clinical trial of BA1302.

- In December 2024, a comprehensive review article written by us titled "Unlocking the potential of melanotransferrin (CD228): implications for targeted drug development and novel therapeutic avenues" was published in the journal 'Expert Opinion on Therapeutic Targets' published by Taylor & Francis. The article reviews the research findings in the field of CD228 and discusses its implication in cancer therapy.

- In March 2025, BA1302 was granted the ODD by the FDA for the treatment of squamous non-small-cell lung cancer and pancreatic cancer respectively.

STRONG R&D CAPABILITIES

We have a fully-fledged proprietary R&D technology platform focusing on antibody discovery and drug development. We have R&D teams and facilities located in Yantai and Nanjing in China and Boston in the U.S., with rich experience and strong track records in drug discovery and development. In terms of technology, we boast proprietary Human Antibody Transgenic Mouse and Phage Display Technology Platform, Bispecific T-cell Engager Technology Platform, ADC Technology Platform, and Cell Therapy Technology Platform which we believe these will provide us with great technological support.

We take pride in our strong chemistry, manufacturing and controls ("**CMC**") capability which is the backbone of the quality and cost efficiency that we have maintained throughout the process of our drug development and commercial production, especially in cell line development, upstream and downstream process development, analytical and bio-analytical method development as well as technology transfer. Our CMC function establishes practical qualitative and quantitative standards for us to maintain product quality and effectively progresses drug discovery to actual manufacturing.

Our strong CMC capability accumulated through the years of effort has shortened drug development time and enabled speed to market. We believe such capability is a formidable barrier to competitors and has paved the way for our first-mover advantage.

Our high caliber R&D team has outstanding execution capability in drug development with a proven track record. As of 31 December 2024, our R&D team consisted of 286 experienced employees covering biopharmaceutical discovery research, biotechnology research, biopharmaceutical analysis research, biological activity research, non-clinical research, pilot process research, clinical research, regulatory affairs, project management and intellectual property and other R&D functions, most of whom had R&D and clinical experience of more than seven years.

As a biopharmaceutical company, we are keenly aware of the importance of establishing and protecting our intellectual property rights. We have filed a number of patent applications for our drug candidates in various jurisdictions, and expect to rely on a combination of patents, trademarks, trade secrets and other intellectual property rights, as well as employee and third party confidentiality agreements, for safeguarding our intellectual properties. As of the date of this report, we have been granted 43 patents and have 52 pending patent applications worldwide.

Underpinned by our strong R&D capability, we have published 19 research papers in world renowned academic journals including Cell Discovery of Nature, Antibody Therapeutics, and Cancer Communications, introducing our research breakthroughs on some of our drug candidates.

In October 2024, our site-specific integration cell line development platform BA-Fastcell® debuted at BioProcess International Asia 2024 (BPI Asia 2024). Our BA-Fastcell® can insert GOI into highly stable and transcriptionally active loci on the chromosome of CHOK1 cells precisely and rapidly; allowing establishment of high-yield monoclonal cell lines within 8 weeks from transfection, comparing to an average of 24-28 weeks with traditional technologies. BA-Fastcell® platform has also been validated by different molecular types. Pool cells without monoclonal isolation have shown stability in cell growth and protein expression. Such approach can significantly reduce the workload of cell line screening and enable parallel process development during cell line development. Both the development speed and protein expression level of the platform are at an industry-leading level.

STRONG MANUFACTURING CAPABILITY WITH HIGH QUALITY AND COST EFFICIENCY

We have a sizable pilot and commercial production site located in Yantai, China. We employ a robust quality management system for the Yantai Site that meets various quality standards such as good manufacturing practice set by the relevant regulatory authorities of China and the EU Quality Person ("**QP**"). We have passed a number of audits in China and the EU QP. Our Yantai Site, having a total gross floor area of approximately 84,474 sq.m., houses a number of production lines with a total capacity of 2,000L for pilot production and 9,000L for commercial production, as well as two formulation filling lines for both pilot and commercial production as of the date of this report. Our manufacturing system, including production, quality, engineering and etc., managed by a strong and integrated team, has a total of 402 employees as of 31 December 2024.

Apart from production capacity, our proprietary manufacturing capability, such as perfusion culture and fed-batch culture, provides flexibility and improves the throughput and production efficiency. Our Yantai Site is also highly versatile, adaptable to manufacturing drugs targeting different antibodies, and is capable of producing various formulations. To further improve production cost efficiency, we utilize digital management in our production.

While improving production efficiency and scale, we are also practicing the concept of green and sustainable development. By formulating a sound environmental management system, we improve resource utilization, promote energy conservation and emission reduction, accelerate the application of artificial intelligence, promote digital transformation, and promote the high quality development of enterprises.

WELL-ESTABLISHED COMMERCIALIZATION CAPABILITY

We have successfully expanded our commercial portfolio into three products (Boyounuo®, Boyoubei® and Boluojia®) spanning over multiple therapeutic areas.

During the Reporting Period, we have increased product revenue by 12.1% to RMB689.9 million, compared to RMB615.3 million for the year ended 31 December 2023, mainly driven by the stable sales of our first marketed product Boyounuo® (bevacizumab injection) coupled with strong growth of our second marketed product Boyoubei® (denosumab injection).

Leveraging our well-established and demonstrated commercialization capability backed by marketing strategies implemented by our dedicated sales and marketing team, we believe that we are well positioned to achieve speed to market and rapid ramp-up of product sales. Internally, we have a dedicated in-house sales and marketing team with extensive industry experience, and they develop and implement marketing and sales initiatives and plans for our product and drug candidates in their scheduled rollouts. Externally, we collaborate with various resourceful business partners which lay the foundation for our strong commercialization capability. Our collaboration with experienced third-party promoters effectively publicizes and maximize market potential of our products.

We had an extensive distribution network of more than 242 distributors as of 31 December 2024, penetrating selected regions and reaching more than 2,928 target hospitals and institutions in China.

In May 2024, our third product Boluojia® was approved for the treatment of GCTB in China. GCTB is a primary borderline bone tumor that accounts for 13.7% to 17.3% of all the primary bone tumors cases in China. GCTB is locally aggressive, and has a propensity for local recurrence and distant metastases, which can be life-threatening in severe cases. For patients whose tumor can be surgically resected, denosumab can help achieve surgical downgrading or even avoid surgery. For patients whose tumor cannot be surgically resected, denosumab can effectively control it for prolonged periods and improve their quality of life. In addition to GCTB, we are also working on the BLA of Boluojia® in China for the indications of bone metastases from solid tumors and multiple myeloma. This product will bring new treatment options for patients with related diseases, and will also bring new growth to our product sales.

EXTENSIVE COLLABORATION WITH VARIOUS RESOURCEFUL BUSINESS PARTNERS

We have explored a number of cooperations with well-known domestic and foreign companies in various fields as of the date of this report.

For our launched products and drug candidates under development in Chinese market, we have granted Qingdao Conson Pharmaceutical Co., Ltd. ("**Qingdao Conson**") the exclusive right to commercialize Boyoubei® in Chinese Mainland. We have also entered into an agreement with OcuMension regarding the product development cooperation, and promotion and commercialization of BA9101 in China. OcuMension is a well-known ophthalmology pharmaceutical company with a professional team. This cooperation will accelerate the commercialization of BA9101 to meet the urgent clinical needs of Chinese patients. In April 2024, BA9101 completed its phase 3 clinical trial in China and the BLA of BA9101 has been accepted by CDE in July 2024. In addition, we have granted Joincare the exclusive right to the development, registration, manufacturing, and commercialization of BA2101 for the treatment of asthma, COPD and other respiratory system diseases in Chinese Mainland in January 2024. Joincare is a leading Chinese company in the therapeutic area of respiratory diseases. It boasts a wide range of respiratory products and has a dedicated marketing team covering the whole country, making it a top player in the field. Through this partnership, we and Joincare will leverage our respective strengths in R&D and commercialization to accelerate the clinical development of BA2101 for indications such as asthma and COPD. We will also use our strong clinical capabilities to accelerate the development of additional indications, so that patients can benefit from BA2101 as soon as possible. In January 2025, we have granted the promotion rights of denosumab injection (BA6101 and BA1102) in Hong Kong SAR and Macau SAR to Kexing Biopharm.

In the overseas market, we have signed a licensing agreement for commercializing denosumab injection (BA6101 and BA1102) in the Brazilian market with a strategic partner in November 2024. In addition, we have started discussions with a number of pharmaceutical companies (including MNCs) or investment institutions for the licensing or co-development of our innovative drug pipelines, and explored international commercialization cooperation with our overseas partners for our products that have been marketed or completed clinical trials in China.

For technology platform, we have also entered into an agreement with the Zencore Biologics, authorizing Zencore Biologics to use our self-developed stable cell line development platform non-exclusively, BA-HIEXcell® for the development of antibodies and therapeutic proteins in Chinese Mainland. BA-HIEXcell® is a cutting-edge platform in the industry in terms of both the efficiency and the expression levels in cell line development.

For manufacturing and quality management, we have signed a strategic cooperation agreement with Qingdao Haier Biomedical Co., Ltd. ("**Haier Biomedical**"). According to the agreement, Haier Biomedical will upgrade the digital system and customize digital scenario solutions for us, including the EMS DataManager data analysis, QC-Sample Manager sample management system, EBR electronic batch record and other business areas, so as to improve the digital level of our manufacturing process and quality management. At the same time, the two parties will give full play to their respective resource advantages and explore the development and innovation direction of digital transformation of the pharmaceutical industry by using cutting-edge technologies such as digital analysis, automation, and AI integration.

POST RESULTS OUTLOOK

We have recorded revenue of RMB726.3 million and net profit of RMB73.2 million for the year ended 31 December 2024. This makes us one of the few Biotech Companies (as defined under the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) listed under Chapter 18A of the Listing Rules that have achieved positive earnings by relying on product sales revenue. It is expected that we can deliver increasing positive earnings for future years.

In addition, we have submitted BLA applications for two products (BA5101 and BA9101) in China, which are expected to be approved for marketing in China in the second half of 2025. These two products will continue to enrich our commercial portfolio to five products while providing a strong source of growth for our products revenue.

In terms of internationalization, our denosumab injection has completed the enrollment of all subjects in the international multi-center clinical trial in Europe, the U.S. and Japan, which will be completed in mid-2025. We plan to submit BLA for two denosumab injections (BA6101 and BA1102) in Europe, the U.S. and Japan at the end of 2025/1H of 2026. Another product, the dulaglutide injection, has also been approved by the U.S. FDA for clinical trials, providing a strong impetus for the international BD-out of this product.

In terms of innovative drugs, three of them entered into important part of clinical trials. Our BA1106 (andi-CD25 antibody) has completed the monotherapy dose escalation part of phase 1 clinical trial and plans to disclose the phased clinical results at an international academic conference in 2025. In addition, the combination therapy of BA1106 and anti PD-1 antibody has also been initiated, and it is expected to obtain the phased results within 2025. BA1301 (Claudin18.2 ADC) has completed the monotherapy dose escalation part of phase 1 clinical trial and is undergoing the dose expansion part of phase 1 clinical trial. The trial is scheduled to be completed in 2025. BA1302 (CD228 ADC) is undergoing the monotherapy dose escalation of phase 1 clinical trial and is expected to obtain preliminary clinical results in 2025. The relevant clinical results will also be presented and published in international academic journals or academic forums. In addition, we have a number of pre-clinical candidates with innovative mechanism expected to file IND in the next 2 years. We have started discussions with a number of pharmaceutical companies (including MNCs) or investment institutions for the licensing or co-development of these innovative drug pipelines. With such a wealth of R&D progress, we hope that there will be some opportunities for global cooperation reached in 2025.

Finally, our vision is to become a leading biopharmaceutical company. In order to achieve our vision and goals, we will continue to implement the following strategies.

Further strengthen our marketing capability and accelerate the commercialization of our drug candidates by leveraging our experience in commercialized products

We plan to continue to strengthen our commercialization capability, which is critical to our future success and profitability. Particularly, we plan to enhance the market share of Boyounuo®, Boyoubei® and Boluojia® by expanding our sales and marketing team and strengthening our distribution channels to cover more target hospitals. Our distributors and promoters support us in the sales and marketing of our products. Therefore, we plan to broaden our nationwide sales and distribution network through collaboration with sizable distributors having comprehensive distribution channels so as to reach more target hospitals with potential strong demand of our products. We also plan to continue to expand our experienced and professional sales and marketing team in China, which mainly focuses on market access, medical affairs, and any other promotional initiatives in the therapeutic areas of oncology, metabolism, autoimmunity and ophthalmology. To promote our products nationwide, we intend to selectively enter into promotion agreements with reputable pharmaceutical companies and continue to collaborate with leading key opinion leaders in market education and product promotion. For hospital coverage, we endeavour to enhance the penetration rate of hospitals in China with tailored strategies for our specific products.

Establishing our marketing network and expanding our overseas footprint is instrumental to our vision of becoming a leading global biopharmaceutical company. We plan to expand our presence into international markets through a number of ways in selected markets or regions including accelerating clinical trial plans, identifying and working with suitable distributors and collaborating with international reputable industry players on business development.

Accelerate products portfolio towards commercialization in selected overseas markets

We plan to continue to accelerate clinical trials of drug candidates and regulatory approval towards commercialization. Specifically, in order to launch potential first-to-market biosimilar drugs with leading market share, we will continue to strengthen our competitive edge on biosimilar drug development to enhance commercialization visibility. In the next three years, we expect that 3 of our product candidates (BA5101, BA9101 and BA1104) will have the potential to be launched in the China market and 3 of our product candidates (Boyuno®, BA6101 and BA1102) will have the potential to be launched in the overseas market.

We will also implement our first-to-market clinical development strategy, especially for our innovative antibody drug candidates focusing on oncology with unmet medical needs, to accelerate the clinical trial and regulatory approval.

To strengthen our innovative antibody drug pipeline and accelerate clinical development, with our excellent drug development skills, we seek to maintain a risk-balanced portfolio with a strategic combination of mature targets and new targets, aiming to become first-in-class drugs.

Enrich our innovative antibody and ADC portfolio to maximize our long-term commercial potential

Leveraging on our strong R&D capability and proprietary technology platforms, we plan to continue to develop innovative antibody and ADC drug candidates with strategically selected targets and huge market potential. For example, we will continue to optimize our proprietary technology platforms in supporting the development of our innovative drug pipeline and advance clinical studies for new programs. We will also selectively pursue strategic collaborations with respect to product license-in to enrich our portfolio and support our long-term sustainable growth. In particular, we will prioritize license-in of products and product candidates focusing on oncology, with innovative targets or targets developed through advanced technology platforms so as to enrich our portfolio and strengthen R&D competitiveness. We plan to enhance our R&D resources by hiring talent with extensive international drug discovery and development experience, and also by improving our R&D facilities and infrastructure.

Continue to optimize production capacity, enhance manufacturing processes, and reduce the unit production cost

Our existing production capacity is sufficient to meet the short- to medium-term commercialization needs of our products. Going forward, we will expand production facilities in an orderly manner based on the clinical development progress of our innovative drug candidates, enhancing capacity utilization and the efficiency of existing fixed assets, and reducing excessive investment in fixed assets.

We will seek to develop and optimize in-house process technologies, strengthen the digitalization of production, upgrade our production facilities, enhance production knowhow, as well as introduce a new technology platform, with a view to maintaining high-cost efficiency and production quality. We also plan to expand our in-house manufacturing and quality control team by attracting and retaining experienced talents who have in-depth know how. On this basis, we will target to achieve and overcome industry challenges on, among others, the construction of high expression stable cell line and the optimization of protein purification process. In the process of production optimization, we will explore high-quality domestic substitution of materials, in order to increase the proportion of localization. Through these measures, we will continuously reduce unit production costs and enhance the profitability of each product.

Explore collaboration with reputable partners from China and overseas to expand market presence

Our integrated biopharmaceutical platform is built upon our in-house capabilities throughout the entire biologics value chain which enables us to expand our market presence. We will maximize the value of our platform by exploring collaboration with reputable partners from China and overseas in a number of ways. For example, we plan to selectively enter into strategic cooperation, including license-out or co-development with partners, so as to facilitate the clinical development and commercialization of our early-stage drug candidates. We may cooperate with business partners, including promoters and distributors, to broaden our geographical coverage hence commercializing our late stage drug candidates including BA1102, BA6101 and BA5101. We may also explore co-development opportunities with leading global pharmaceutical companies and academic institutions to enhance our technology platforms. We will selectively collaborate with strategic partners with the aim to commercialize our drug candidates outside of China hence maximizing their market potential.

Continue to improve earnings and profitability

We will continue to expand our future earnings and profitability. With the approval of more new products, our revenue will increase more significantly. The growth of product revenue scale can reduce the proportion of total production costs on one hand, and reduce the proportion of sales expenses by forming a product portfolio on the other hand, which will increase the profit margin of the operating business as a whole. In addition, we will optimize the personnel structure, promote more efficient operation and management of the Company, and reduce the proportion of management expenses without affecting the Company's output. In terms of R&D project expenditure, we will strictly control the input-output efficiency, optimize project proposals, select more cost-effective service partners in both upstream and downstream supply chains, and reduce unnecessary waste and expenditure, with the goal of improving the return on investment as a result.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's dedicated commercialization team made use of proactive marketing strategies and efficient executive and sales capabilities, through which the Group continued to establish its foothold in the domestic market thereby laying a solid foundation for the subsequent transformation of the Company. With the commercialization of three products, the Group witnessed a significant increase in revenue during the Reporting Period.

For the year ended 31 December 2024, the Group's revenue amounted to approximately RMB726.3 million, as compared to RMB618.1 million for the year ended 31 December 2023, representing an increase of approximately RMB108.2 million, or 17.5%. The increase was mainly attributable to the growth of sales of Boyounuo® (BA1101) and Boyoubei® (BA6101) in China, and the growth of licensing revenue.

Cost of Sales

Cost of sales of the Group primarily represents materials and consumables, labour costs associated with production, utilities and maintenance fee as well as depreciation and amortisation expenses of production equipment, facilities and intangible assets.

Our cost of sales decreased from RMB209.2 million for the year ended 31 December 2023 to approximately RMB183.7 million for the year ended 31 December 2024, which accounted for approximately 25.3% of our total revenue for the same year (2023: 33.9%). The decrease in cost of sales margin was mainly due to the increase of production volume in the twelve months ended 31 December 2024 and the upgrades in the Group's product manufacturing processes resulting in a lower unit manufacturing cost in 2024.

Gross Profit

For the year ended 31 December 2024, the Group recorded a gross profit of approximately RMB542.6 million, representing an increase of approximately RMB133.7 million, or 32.7%, as compared with that for the year ended 31 December 2023.

Other Income and Gains

Other income and gains consist of government grants, bank interest income and others. Government grants mainly represent subsidies received from local government authorities to support the Group's R&D activities and operation.

During the Reporting Period, the Group recognised other income and gains of approximately RMB45.1 million (2023: RMB27.7 million).

	2024	2023
	RMB'000	RMB'000
Government grants	**43,420**	25,768
Bank interest income	**405**	1,159
Others	**1,263**	727
Total other income and gains	**45,088**	27,654

Administrative Expenses

Our administrative expenses decreased from RMB51.7 million for the year ended 31 December 2023 to RMB46.5 million for the year ended 31 December 2024. Such decrease was primarily because of the decrease in professional consulting fees and the enhancement of scientific and efficient management measures during the Reporting Period.

Selling and Distribution Expenses

For the year ended 31 December 2024, the Group's selling and distribution expenses amounted to RMB285.8 million, as compared to RMB256.5 million for the year ended 31 December 2023, representing an increase of RMB29.3 million, or 11.4%. The increase in selling expenses during the year ended 31 December 2024 was in line with the revenue growth during the same period.

Research and Development Expenses

The following table sets forth a breakdown of the Group's R&D expenses for the years indicated:

	2024 RMB'000	2023 RMB'000
R&D service fees	**36,949**	96,675
Raw materials and consumables expenses	**31,334**	33,388
Staff costs and share-based payments	**54,485**	67,867
Depreciation and amortisation expenses	**15,483**	17,776
Others	**11,023**	14,976
	149,274	230,682

For the year ended 31 December 2024, the Group's recognised R&D expenses were approximately RMB149.3 million, representing a decrease of approximately RMB81.4 million, as compared to the year ended 31 December 2023. The decreased R&D expenses was mainly due to the increase in R&D investment capitalised into deferred development costs as multiple key R&D projects of the Group had progressed to phase 3 clinical trial.

Finance Costs

For the year ended 31 December 2024, the Group's finance costs amounted to RMB32.7 million, as compared to RMB14.1 million for the year ended 31 December 2023, representing an increase of approximately RMB18.6 million, or 131.9%. The increase was mainly due to interest expenses incurred on the loan facility with China Jingu International Trust Co., Ltd and the finance lease agreement with Industrial Bank Financial Leasing Co., Ltd. for the year ended 31 December 2024.

Income Tax Expense

For the year ended 31 December 2024, the Group recorded income tax expense of nil.

Profit/Loss for the Year

As a result of the above, our profit for the year amounted to RMB73.2 million for the year ended 31 December 2024, as compared to the loss of RMB119.4 million for the year ended 31 December 2023.

Liquidity, Financial and Capital Resources

The Group's primary sources of liquidity consist of cash and cash equivalents, which the Group has historically generated through the sales of products and the proceeds from the listing. The Company expects that the Group's cash needs in the near future will primarily relate to progressing the development of its drug candidates towards receiving regulatory approval and commencing commercialization, as well as expanding its drug candidate portfolio. In 2024, we actively explored financing channel and managed to maintain our cash position for the Group's sustainable development.

As of 31 December 2024, we had cash and cash equivalents of RMB198.9 million, representing a decrease of 1.49% compared to RMB201.9 million as at 31 December 2023. As at 31 December 2024, the Group had net current assets of approximately RMB307.6 million, as compared to approximately RMB59.7 million as at 31 December 2023. The current ratio of the Group increased to approximately 1.47 as at 31 December 2024 from approximately 1.09 as at 31 December 2023.

As at 31 December 2024, the Group had an aggregate interest-bearing bank and other borrowings of approximately RMB678.9 million, representing an increase of RMB282.7 million, as compared to approximately RMB396.2 million as at 31 December 2023. The balances of the bank loans to the Group as at 31 December 2023 and 2024 were mainly due to a RMB250.0 million loan facility granted to the Group in 2021 (the "**Loan**"), which shall be used to settle the Group's shareholder loans in relation to the installation of machinery and equipment for new production lines of the Group. The Loan is due in 2026 and bears a floating interest rate to be updated per annum (being the latest five-year loan prime rate plus 5 basis points). In 2024, the Group had entered into a loan facility of RMB300.0 million with China Jingu International Trust Co., Ltd., to facilitate the swift development and marketing of various products and to accelerate the Company's commercial success.

Amongst the loans and borrowings, approximately RMB254.0 million are repayable within one year, and approximately RMB424.9 million are repayable after one year. As at 31 December 2024, the Group's borrowings were primarily denominated in RMB, and the cash and cash equivalents were primarily denominated in RMB and U.S. dollars.

Gearing Ratio

As at 31 December 2024, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to 41.3% from 30.0% as at 31 December 2023. The increase was primarily due to an increase in the Group's bank and other borrowings during the Reporting Period.

Capital Commitments

The Group has leased certain offices, equipment and buildings under operating lease arrangements ranging from one to five years in duration. The Group had capital commitments for the acquisition of property, plant and equipment with amounts of RMB217.3 million as of 31 December 2024 (2023: RMB225.0 million). They are primarily related to expenditures expected to be incurred for the purchase of machinery and renovation of our existing laboratories and buildings.

Capital Expenditure

The Group's capital expenditure during the Reporting Period represented purchases of property, plant and equipment to enhance its R&D capabilities and expand its business operation. For the year ended 31 December 2024, the Group's additions to property, plant and equipment were RMB45.8 million (2023: RMB104.3 million).

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2024.

Charges on Group Assets

As at 31 December 2024, certain of the Group's property, plant and equipment, and right-of-use assets with an aggregate amount of RMB247.6 million were pledged to secure its bank and other borrowings.

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. The Group is subject to foreign currency risk attributable to the bank balances that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimising its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency risk as at 31 December 2024. The Directors expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Share-based Payment

In December 2020, the Board passed a resolution to grant equity interests of the Company to the eligible employees (including Directors) in order to provide incentives and rewards to participants for the business development of the Group. Subsequently, three limited partnerships were established as employee incentive platforms in the PRC.

The Group recognised a share-based payment expense of RMB21.5 million during the Reporting Period (2023: RMB20.6 million).

Hedging Activities

As at 31 December 2024, the Group did not use any financial instruments for hedging purposes and did not enter into any hedging transactions in respect of foreign currency risk or interest rate risk.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group employed a total of 760 employees, as compared to a total of 813 employees as at 31 December 2023. For the year ended 31 December 2024, the staff costs, (including Directors' emoluments but excluding any contributions to pension scheme), were approximately RMB96.9 million as compared to RMB127.5 million for the year ended 31 December 2023. The objective of the Group's remuneration policy is to motivate and retain talented employees to achieve the Group's long term corporate goals and objectives. The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the overall remuneration standard in the industry and employee's performance. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Moreover, the social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not hold any significant investment with a value greater than 5% of its total assets as at 31 December 2024. The Group does not have plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

PLACING OF NEW SHARES

On 7 August 2024, the Company has placed a total of 26,655,600 new ordinary shares (representing approximately 4.97% of its total issued shares of the Company (as enlarged by the allotment and issue of the placing shares) at the placing price of HK$9.50 per placing share to no less than six professional, institutional and/or other investors who are third parties independent of and not connected with the Company, any Director, chief executive or substantial shareholder of the Company, or any of its subsidiaries, or any of its respective associates. The closing price of H shares on the Stock Exchange on 7 August 2024 was HK$9.22. For details of the placing, please refer to the Company's announcements dated 31 July 2024 and 7 August 2024. To the best of the knowledge, information and belief of the Directors, the placees are third parties independent of and not connected with the Company, any Director, chief executive or substantial shareholder of the Company, or any of its subsidiaries, or any of their respective associates, and none of the placees has become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the placing. The Company has received total net proceeds from the placing (after deducting all relevant fees, costs and expenses borne or incurred by the Company) of approximately HK$250.7 million. As at the date of this report, the usage of the net proceeds from the placing was as follows:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at date of this report (HKD in million)	Approximate amount of net proceeds unutilised as at date of this report (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Research and development of: (i) the phase 3 clinical trial and marketing registration of BA1104 in China; (ii) the international multi-center phase 3 clinical trial and marketing registration of Denosumab Injection (BA6101 and BA1102) in Europe, the United States, and Japan (iii) the clinical trials of various innovative product candidates	125.3	87.2	38.1	By 30 June 2025
Commercialization of Boyounuo, Boyoubei and Boluojia	50.1	24.1	26.0	By 30 June 2025
Replenish the Company's working capital and for general corporate purposes	75.3	57.7	17.6	By 30 June 2025
Total	250.7	169.0	81.7	

The placing represented an opportunity to raise capital for the Company and to strengthen its financial position while broadening its Shareholder base. The terms of the placing agreement (including the placing price) were fair and reasonable and were in the interests of the Company and the Shareholders as a whole.

As at 31 December 2024, the Company had used, and proposed to use, the proceeds from the placing according to the intentions previously disclosed by the Company.

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 12 April 2024, the Company entered into a loan facility with China Jingu International Trust Co., Ltd. (the "Lender") whereby the Lender has agreed to extend a term loan of RMB300,000,000 to the Company (the "Facility"). In connection with the Facility, Shandong Luye, a controlling shareholder of the Company, has agreed to pledge 74,387,153 H shares of the Company in favour of the Lender as security for the Company's repayment obligations under the Facility. Please refer to the announcement of the Company dated 12 April 2024 for further details. The above obligation continues to exist as at the date of this report.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

At the Board meeting held on 27 March 2025, Mr. Wang Shenghan was nominated as a candidate for executive Director of the Company, and Mr. Li Shixu was nominated as a candidate for non-executive Director of the Company (collectively, the "Proposed Appointments"), which shall be subject to the consideration and approval at the annual general meeting of the Company (the "AGM") to be held on 5 June 2025. Subject to the approval of the Proposed Appointments, the term of office of each of Mr. Wang Shenghan and Mr. Li Shixu will be effective from the date of the AGM until the expiry of the term of the second session of the Board. At the expiry of such terms of office, each of their terms is renewable upon reelection.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of the PRC, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing shareholders.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Company's annual AGM will be held on Thursday, 5 June 2025. For determining the eligibility to attend and vote at the AGM, the register of shareholders of the Company will be closed from Monday, 2 June 2025 to Thursday, 5 June 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. The record date for determining the eligibility to attend and vote at the AGM will be Thursday, 5 June 2025. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H Shares share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 30 May 2025.

DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 December 2024 (2023: Nil).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set forth below is the composition of the Board of Directors, the supervisors of the Company (the "Supervisors") and senior management of the Company as at 31 December 2024.

DIRECTORS

Executive Directors

Ms. JIANG Hua (姜華) ("Ms. JIANG"), aged 47, was appointed as our Director on 22 June 2020 and re-designated as our executive Director on 25 March 2022. She is the Chairlady and Chief Executive Officer of our Company and the sole director of Nanjing Boan Biotechnology Co., Ltd. (南京博安生物技術有限公司) ("Boan Nanjing"). She is responsible for overseeing the corporate management, strategic and business development of our Group and overseeing our Board. Ms. JIANG has over 26 years of experience in the pharmaceutical industry in the PRC. Prior to joining our Group, from September 1998 to September 2020, she worked at Luye Pharma Group Ltd. (绿叶制药集团有限公司) ("Luye Group") with her last position as vice president, where she was primarily responsible for Luye Group's investment, strategy and business development and investor relations management. Ms. JIANG obtained a bachelor's degree in economics from Fudan University in the PRC in July 1998. She also obtained a master's degree in business administration from KEDGE Business School (formerly known as Euromed Marseille Ecole de Management) in France in May 2007 and a doctor's degree in business administration from United Business Institutes in Belgium in June 2012. She also obtained a qualification of economist (經濟師) issued by the Ministry of Human Resources and Social Security of the PRC (formerly known as the Ministry of Personnel of the PRC) in November 2003.

Dr. DOU Changlin (竇昌林) ("Dr. DOU"), aged 62, was appointed as our Director on 16 November 2019 and re-designated as our executive Director on 25 March 2022. Dr. DOU joined our Company in December 2013 and was responsible for the preliminary set up of our Company and its technological platforms. He is currently our president of R&D, chief operating officer and the sole director of Boan Boston LLC ("Boan Boston"). He is responsible for formulating the R&D and product line development strategies, implementing the R&D activities and overseeing the management of drug development processes of our Group. Dr. DOU has over 26 years of experience in the pharmaceutical industry, including biopharmaceutical R&D, manufacturing and quality management in various multinational companies. Prior to joining our Group, from September 1995 to November 1999, he worked at Memorial Sloan Kettering Cancer Center, a leading cancer research and treatment centre in the U.S., where he was primarily responsible for research in neuroscience and developmental biology. From November 1999 to December 2005, he worked at Regeneron Pharmaceuticals, Inc., a biotechnology company principally engaged in life-transforming medicines in the U.S., where he was primarily responsible for R&D in antibody and recombinant protein drugs including key products such as Eylea®, leading high expression technology development and was the inventor for two patents granted in the U.S. From February 2006 to November 2007, he served as a group leader at Genentech, a biotechnology company that is now a subsidiary of the Roche Group in the U.S., where he was primarily engaged in the R&D of antibody drugs and innovative antibody production technologies. From December 2007 to March 2009, he served as a group leader at Invitrogen Corporation, a biotechnology company in the U.S., where he was primarily responsible for the R&D of stable cell line technology and early stage development of therapeutic protein products. He also served as a group leader at Cellular Dynamics International, a leading developer and manufacturer of human cells used in drug discovery, toxicity testing, stem cell banking and cell therapy development in the U.S., where he was primarily responsible for leading the R&D of cell technologies. From July 2011 to June 2012, he last served as a chief technical officer at A-Bio Pharma Pte. Ltd, a biologic contract manufacturing organization (CMO) principally engaged in research, process development and manufacturing service contracting in Singapore, where he was primarily responsible for formulating and implementing the R&D activities and strategic development of the company. From July 2012 to December 2013, he served as a director of biotechnology at Luye Group, where he was primarily responsible for the strategic development and product planning of Luye Group's R&D in biopharmaceutical drugs. Dr. DOU obtained a bachelor's degree in biology from Peking University in the PRC in July 1984. He also obtained a master's degree from the Institute of Neuroscience of the Chinese Academy of Sciences (中國科學院神經科學研究所) (formerly known as Shanghai Brain Research Institute of the Chinese Academy of Sciences (中國科學院上海腦研究所)) in the PRC in March 1988 and a doctor's degree from the State University of New York at Stony Brook in the U.S. in December 1995.

Dr. DOU is the inventor of 44 invention patents for innovative antibody drug candidates and ADC candidates and production methods as well as CAR-T therapy, of which 17 of them have been successfully granted and the remainder are under review. He has also co-authored a number of scientific publications in journals and the following table is a summary of Dr. DOU's selected publications as the corresponding author from 2021 to April 2025:

Article	Journal	Date
Efficacy and Safety of Dulaglutide Biosimilar LY05008 Versus the Reference Product Dulaglutide (Trulicity) in Chinese Adults With Type 2 Diabetes Mellitus: A Randomized, Open-Label, Active Comparator Study[1]	Journal of Diabetes published by WILEY	17 April 2025
A multicenter, randomized, double-blind trial comparing LY01011, a biosimilar, with denosumab (Xgeva®) in patients with bone metastasis from solid tumors[2]	Journal of Bone Oncology published by ELSEVIER	28 January 2025
Unlocking the potential of melanotransferrin (CD228): implications for targeted drug development and novel therapeutic avenues[3]	Expert Opinion on Therapeutic Targets published by Taylor & Francis	28 December 2024
A three-arm clinical study to compare pharmacokinetic and pharmacodynamic similarity of the denosumab biosimilar LY06006 with reference denosumab in healthy male subjects[4]	Expert Opinion on Drug Metabolism & Toxicology published by Taylo & Francis	24 November 2024
Identification of a highly conserved neutralizing epitope within the RBD region of diverse SARS-CoV-2 variants[5]	Nature Communications published by Nature Portfolio	29 January 2024
Biparatopic antibody BA7208/7125 effectively neutralizes SARS-CoV-2 variants including Omicron BA.1-BA.5[6]	Cell Discovery published by Nature Portfolio	7 January 2023
Two novel human antiCD25 antibodies with antitumor activity inversely related to their affinity and in vitro activity[7]	Scientific Reports published by Nature Portfolio	25 November 2021
Structure and function analysis of a potent human neutralizing antibody CA521FALA against SARS-CoV-2[8]	Communications Biology published by Nature Portfolio	23 April 2021

Notes:

1. Liu L, Cheng Z, Wang L, et al.Efficacy and Safety of Dulaglutide Biosimilar LY05008 Versus the Reference Product Dulaglutide (Trulicity) in Chinese Adults With Type 2 Diabetes Mellitus: A Randomized, Open-Label, Active Comparator Study.J Diabetes.2025 Apr 17(4): e70077.

2. Zhao M, Hu X, Zhuang P,et al.A multicenter, randomized, double-blind trial comparing LY01011, a biosimilar, with denosumab (Xgeva®) in patients with bone metastasis from solid tumors.J Bone Oncol. 2025 Jan 28;51:100661.

3. Zhang Y, Song D, Han X,et al. Unlocking the potential of melanotransferrin (CD228): implications for targeted drug development and novel therapeutic avenues.Expert Opin Ther Targets. 2024 Dec;28(12):1117-1129.

4. Fuhr R, Sun X, Wang X, et al.A three-arm clinical study to compare pharmacokinetic and pharmacodynamic similarity of the denosumab biosimilar LY06006 with reference denosumab in healthy male subjects.Expert Opin Drug Metab Toxicol. 2024 Nov 24:1-9.

5. Wang Y, Yan A, Song D, et al. Identification of a highly conserved neutralizing epitope within the RBD region of diverse SARS-CoV-2 variants. Nat Commun. 2024 Jan 29;15(1):842.

6. Wang Y, Yan A, Song D,et al. Biparatopic antibody BA7208/7125 effectively neutralizes SARS-CoV-2 variants including Omicron BA.1-BA.5. Cell Discov. Cell Discov. 2023 Jan 7;9(1):3.

7. Song, D., Liu, X., ong, C. et al. Two novel human anti-CD25 antibodies with antitumor activity inversely related to their affinity and invitro activity. Sci Rep. 2021 Nov 25;11(1):22966.

8. Song, D., Wang, w., Dong, C. et al. Structure and function analysis of a potent human neutralizing antibody CA521F against SARS. CoV-2. Commun Biol. 2021 Apr 23;4(1):500.

Non-executive Directors

Mr. LIU Yuanchong (劉元沖) ("Mr. LIU"), aged 61, was appointed as our Director on 22 June 2020 and re-designated as our non-executive Director on 25 March 2022. He joined our Group in December 2013 and is responsible for providing strategic advice and recommendations on the operations and management of our Group. Mr. LIU has over 36 years of experience in accounting and audit. Prior to joining our Group, from 1980 to 1983, he worked at Shandong Laiyang Biochemical Pharmaceutical Factory (山東萊陽生物製藥廠). From September 1983 to September 1986, he served as a teacher at Yantai Business Vocational Secondary School (煙台商業中專), a secondary school in the PRC. He also served as the head of accounting at Yantai Alternator Plant (煙台家電交電總公司). Since March 1997, he has served in various positions in Luye Group, with his latest position as the chief financial officer of Luye Group, where he is primarily responsible for the overall financial management of Luye Group. Since November 2010, he has served as a director of Beijing Peking University WBL Biotech Co., Ltd (北京北大維信生物科技有限公司), a joint-venture company set up by Luye Group and Peking University principally engaged in R&D, production and sale of modern Chinese medicine, where he is primarily responsible for advising on the company's business and investment plans. Since February 2020, he has served as a director of Shandong Asj Biotechnology Co., Ltd. (山東愛士津生物技術有限公司), a company principally engaged in manufacturing biological products in the PRC, where he is primarily responsible for advising on the company's business and investment plans. Mr. LIU obtained an associate degree in commercial economics from Shandong Institute of Commerce and Technology (山東商業職業技術學院) (formerly known as Shandong Vocational University of Commerce (山東省商業職工大學)) in the PRC in September 1989. He also obtained a postgraduate certificate in financial management from Peking University in the PRC in October 2006. He obtained an accountant qualification issued by the Ministry of Human Resources and Social Security of the PRC (formerly known as the Ministry of Personnel of the PRC) and the Ministry of Finance of the PRC in November 1993.

Ms. LI Li (李莉) (“Ms. LI”), aged 50, was appointed as our Director on 22 June 2020 and re-designated as our non-executive Director on 25 March 2022. She is responsible for providing strategic advice and recommendations on the operations and management of our Group. Ms. LI has over 27 years of experience in the pharmaceutical industry. Prior to joining our Group, since July 1997, she has served in various positions in Luye Group, with her latest position as a vice president of Luye Group, where she takes full responsibility for sales and marketing management in China. Since February 2020, she has been serving as a director at Shandong Asj Biotechnology Co., Ltd. (山東愛士津生物技術有限公司), a company principally engaged in the production of biological products in the PRC, where she is primarily responsible for providing strategic development advice, selecting and overseeing the performance of directors and senior management. Since November 2020, she has been serving as a director at Guangzhou Patronus Biotechnology Co., Ltd. (廣州派諾生物技術有限公司), a scientific research company in the PRC, where she is primarily responsible for providing strategic development advice, selecting and overseeing the performance of directors and senior management. Ms. LI obtained a bachelor’s degree in biochemistry from Yantai University in the PRC in July 1997. She also completed a postgraduate course in applied psychology and human resources management and development at Institute of Psychology of Chinese Academy of Sciences (中國科學院心理研究所) in the PRC in February 2009 and obtained a master’s degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in August 2021.

Independent Non-executive Directors

Professor SHI Luwen (史錄文) (“Professor SHI”), aged 61, was appointed as our independent Director on 23 March 2021 and re-designated as our independent non-executive Director on 25 March 2022. He is responsible for supervising and providing independent advice on the operations and management of our Group. Professor SHI has over 37 years of experience in the pharmaceutical industry. Prior to joining our Group, since July 1987, he has been working at the School of Pharmaceutical Sciences of Peking University (北京大學藥學院) with his latest position as a professor in pharmaceutical administration and clinical pharmacy. Since 2002, he has been serving as a director of the International Research Centre for Medical Administration of Peking University (北京大學醫藥管理國際研究中心). In November 2010, he was awarded the Xue Muqiao Price Research Award (薛暮橋價格研究獎) by the Price Association of China (中國價格協會). In June 2012, he was awarded the Scientific Chinese Person (2011) (科學中國人(2011)年度人物) by Scientific Chinese Magazine. In December 2018, he was awarded the Most Concerned Medical Reform Experts (2018年度最受關注醫改專家) by Health News (健康報). Professor SHI obtained a bachelor’s degree in chemistry from Peking University Health Science Centre (北京大學醫學部) (formerly known as Peking Medical University (北京醫科大學)) in the PRC in July 1987. He also obtained a master’s degree in health professions education from the University of Illinois in the U.S. in July 1992. He obtained an independent director qualification certificate from the Shanghai Stock Exchange (“SSE”) in January 2016.

As at the date of this report, Professor SHI holds or held directorships in the following listed companies in the past three years:

Name of listed company	Term	Position
Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 3869)	December 2016 to present	Independent non-executive director
Beijing Centergate Technologies (Holding) Co., Ltd. (北京中關村科技發展(控股)股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 000931)	February 2022 to present	Independent director
Sunho Biologics, Inc. (盛禾生物控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2898)	May 2024 to present	Independent non-executive director

Since June 2020, he has been serving as an independent non-executive director of Dragon Laboratory Instruments Limited (大龍興創實驗儀器(北京)股份公司), a company principally engaged in manufacturing laboratory instruments in the PRC, where he is primarily responsible for providing independent advice to the company.

Mr. DAI Jixiong (戴繼雄) ("Mr. DAI"), aged 66, was appointed as our independent Director on 23 March 2021 and re-designated as our independent non-executive Director on 25 March 2022. He is responsible for supervising and providing independent advice on the operations and management of our Group. Mr. DAI has over 33 years of experience in accounting and audit. Prior to joining our Group, from January 1986 to October 2004, he served in various positions such as deputy supervisor of the research office, associate professor and postgraduate tutor at Shanghai University of Finance and Economics. From May 2006 to December 2013, he last served as the deputy financial controller and general manager of the finance department at Donghao Lansheng (Group) Co., Ltd. (東浩蘭生(集團)有限公司) (formerly known as Shanghai Lansheng (Group) Corporation (上海蘭生(集團)有限公司)), a state-owned company mainly engaged in international trade in the PRC, where he was primarily responsible for financial and accounting management. From December 2013 to June 2019, he served in various positions such as deputy general manager and chief financial officer at Shanghai Minmetals Development Ltd (上海五金礦產發展有限公司), a company principally engaged in import and export trade in the PRC, where he was primarily responsible for formulating the Company's accounting, audit, financial management and risk management and controls. Mr. DAI obtained a bachelor's degree in economics from Shanghai University of Finance and Economics (previously known as Shanghai Institute of Finance and Economics) in the PRC in July 1983. He also obtained a master's degree in economics from Shanghai University of Finance and Economics in the PRC in March 1986. He has been a member of Shanghai Institute of Certified Public Accountants since December 2009. He obtained an independent director qualification certificate from the SSE in October 2014. He has obtained a senior accountant (正高級會計師) qualification issued by Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) since September 2017. He has been awarded as a Shanghai Outstanding Accountant (上海市先進會計工作者) by Shanghai Municipal Finance Bureau (上海市財政局) in August 2009.

As at the date of this report, Mr. DAI holds or held directorships in the following listed companies in the past three years:

Name of listed Company	Term	Position
Jinzhou Yongshan Lithium Co., Ltd (錦州永杉鋰業股份有限公司), a company listed on the SSE (stock code: 603399)	February 2022 to present	Independent director
Shanghai Anlogic Infotech Co., Ltd (上海安路信息科技股份有限公司), a company listed on the SSE (stock code: 688107)	December 2020 to present	Independent director
Bestechnic (shanghai) Co., Ltd (恒玄科技(上海)股份有限公司), a company listed on the SSE (stock code: 688608)	October 2019 to present	Independent director

Dr. YU Jialin (余家林) ("Dr. YU"), aged 48, was appointed as our independent non-executive Director on 2 December 2022. He is responsible for supervising and providing independent advice on operations and management of our Group. Dr. YU has over 20 years of experience in the finance industry. Prior to joining our Group, from July 2004 to 2012, he held teaching positions at the Graduate School of Business at Columbia University in the U.S., with his last position being an associate professor in finance. From February 2015 to June 2015, he served as a visiting associate professor at Princeton University in the U.S. Since October 2012, he has served/been serving in various roles at Hong Kong University of Science and Technology ("HKUST"). Since October 2012 and January 2019, he has been serving as an associate professor of Department of Finance and the academic director of the HKUST-NYU Stern Master of Science in Global Finance Program, respectively, at HKUST. From January 2017 to June 2018, he also served as the academic director of Master of Science in Investment Management/Financial Analysis Program.

Dr. YU obtained a bachelor's degree in economics from Fudan University (復旦大學) in the PRC in July 1998. He also obtained a master's degree in economics from University of Iowa in the U.S. in July 2000 and a doctor's degree in economics from Princeton University in the U.S. in April 2005.

In October 2013, Dr. YU's research article "The Chinese Warrants Bubble"[1] was cited by the Scientific Background of the Nobel Prize in Economic Sciences compiled by the Economic Sciences Prize Committee of the Royal Swedish Academy of Sciences. In November 2014, he was awarded the Best Paper Award for The 2014 International Conference on Corporate Finance and Capital Market by the Academy of Financial Research of Zhejiang University. In August 2014, he was awarded the honour in MBA teaching by HKUST. In May 2015, he was awarded the 1st Sun Yefang Financial Innovation Paper Award by the Sun Yefang Fiscal Science Foundation. In 2016 and May 2022, he was recognized as a finalist of HKUST Franklin Prize for Teaching Excellence and the Recognition of Excellent Teaching Performance, respectively, by HKUST.

Note:

1. Xiong, W., and J. Yu (2011), "The Chinese Warrants Bubble," *American Economic Review* 101, 2723-2753.

SUPERVISORS

Ms. ZHANG Xiaomei (張曉玫) ("Ms. ZHANG"), aged 54, was appointed as our Supervisor and chairlady of our supervisory committee on 23 March 2021. She is responsible for supervising the overall operation of the supervisory committee, our Board, senior management and the financial management of our Group. Ms. ZHANG has over 30 years of experience in the accounting and audit industry. Prior to joining our Group, from April 1994 to June 2009, she last served as the chief accountant of a subsidiary of Yantai Yuancheng Enterprise Co., Ltd (煙台園城企業股份有限公司) (formerly known as Yantai Hualian Development Group (煙台華聯發展集團)), a company principally engaged in the retail industry in the PRC and whose shares are listed on the SSE (stock code: 600766), where she was primarily responsible for overseeing the Company's auditing and financial management. Since July 2009, Ms. ZHANG has served as a financial controller of Luye Investment Group Co., Ltd. (綠葉投資集團有限公司), where she is primarily responsible for formulating and implementing the Company's auditing and financial management. Ms. ZHANG graduated with a bachelor's qualification in accounting from Shandong University of Finance and Economics (山東財經大學) (formerly known as Shandong Institute of Economics (山東經濟學院)) in July 2004. She obtained an accountant (會計師) qualification issued by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 1997, chief financial officer certificate (財務總監證書) issued by China Enterprise Confederation (中國企業聯合會) in March 2006 and chief financial officer certificate (財務總監(CFO)崗位證書) from China Certification Centre of University of Cambridge Vocational/Professional Qualification (劍橋大學職業/專業資格中國認證中心) in September 2010. She has also obtained the Certified Tax Planner (註冊高級納税籌劃師) qualification issued by The Educational Specialist Committee of China Science and Technology Institute Centre (中國科學技術協會教育專家委員會) in October 2012, senior financial management technician of CIE professional leadership (CIE職業領導之財務管理高級技師) from the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in November 2013 and senior management accountant (管理會計師) qualification certified by Beijing National Accounting Institute (北京國家會計學院) in August 2018.

Ms. NING Xia (寧夏) ("Ms. NING"), aged 36, was appointed as our Supervisor on 23 March 2021 and re-appointed on 26 March 2024. Ms. NING joined our Group in October 2020 and is our human resources supervisor. She is responsible for supervising and providing independent advice to the Board. Ms. NING has over 14 years of experience in the pharmaceutical industry. Prior to joining our Group, from January 2011 to July 2011, she served as a manufacturing technologist of Shanghai Xinyi Pharmaceutical Co., Ltd. (上海信誼藥廠有限公司), a pharmaceutical company in the PRC, where she was primarily responsible for drug production and manufacturing. From October 2011 to February 2012, she served as a quality auditor at Nanjing Luye Sike Pharmaceutical Co., Ltd. (南京綠葉思科藥業有限公司), a company principally engaged in the R&D, production and sales of cancer drugs in the PRC, where she was primarily responsible for supervising and managing workshop production and quality control. From March 2012 to July 2018, she last served as a human resources business partner (HBRP) manager of Nanjing Sanhome Pharmaceutical Limited Company (南京聖和藥業股份有限公司), a pharmaceutical company in the PRC. From August 2018 to June 2019, she served in the human resources department of Realcan Pharmaceutical Co., Ltd. (瑞康醫藥股份有限公司), a company principally engaged in wholesale and distribution of pharmaceutical products in the PRC. From July 2019 to September 2020, she served as a human resources business partner at Yantai Rongchang Pharmaceuticals, Ltd. (煙台榮昌製藥股份有限公司), a company principally engaged in the R&D, manufacturing and sales of small molecule and biological drugs in the PRC, where she was primarily responsible for management of human resources in the sales department. Ms. NING obtained a bachelor's degree in pharmacy from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2010. She obtained an assistant engineer (助理工程師) certification issued by Nanjing Leader Group Office for Professional Qualifications (南京市職稱(職業資格)工作領導小組辦公室) in July 2012 and Level 3 Enterprise Human Resource Manager (企業人力資源管理師(三級)) by the Occupational Skills Testing Authority of the Ministry of Human Resources and Social Security of PRC (人社部職業技能鑒定中心) in June 2014.

Ms. LIU Xiangjie (劉祥杰) ("Ms. LIU"), aged 52, was appointed as our Supervisor on 23 March 2021. She is responsible for supervising and providing independent advice to the Board. Ms. LIU has over 30 years of experience in the finance and accounting industry. Prior to joining our Group, since August 1994, she served in various positions in Luye Group with her latest position as the financial director of Shandong Luye Pharmaceutical Co., Ltd. (山東綠葉製藥有限公司) ("Shandong Luye"), where she is primarily responsible for overseeing and supervising the financial management of the Company. Ms. LIU obtained a vocational secondary school degree in industrial enterprise management from Yantai Industrial School (山東省煙台工業學校) in the PRC in July 1994. She also graduated from Shandong Cadres Correspondence University (山東幹部函授大學) in the PRC with a junior college diploma in finance and accounting in June 1997. She has obtained an Intermediate Accountant (中級會計師) certification issued by the Human Resources and Social Security Department of Shandong Province (山東省人力資源和社會保障廳) since December 2015 and a certified management accountant (註冊管理會計師) certification by the Institute of Management Accountants since July 2018. She has also obtained an International Certified Public Accountants qualification certified by American Association of Chartered Accountants since September 2020 and a Senior Management Accountant (高級管理會計師) qualification certified by Beijing National Accounting Institute (北京國家會計學院) since October 2020.

SENIOR MANAGEMENT

Our senior management comprises executive Directors and the following persons:

Mr. WANG Shenghan (王盛翰) (formerly known as Wang Dongdong (王冬冬)) ("Mr. WANG"), aged 45, joined our Group in September 2020 as the chief financial officer of our Company. He is responsible for overseeing, advising and implementing comprehensive financial and strategies of our Group. He joined Luye Group in December 2009. From December 2009 to August 2020, he served as the assistant to the president and later the director of investment and business development of Luye Pharma, where he was responsible for securities affairs, investment and capital operations. Mr. WANG has over 23 years of experience in accounting and corporate finance. Prior to joining our Group, from July 2001 to May 2004, he served as an audit manager at Tianyuanquan Accounting Firm (Special General Partnership) (天圓全會計事務所(特殊普通合伙)) (formerly known as Beijing Tianyuanquan Accounting Firm (Special General Partnership) (北京天圓全會計事務所(特殊普通合伙)), whose predecessor is Shandong Qianju Accounting Firm (山東乾聚會計師事務所), an accounting firm in the PRC. From June 2004 to July 2008, he last served as a deputy general accountant at Yantai Yuancheng Enterprise Co., Ltd (煙台園城企業股份有限公司), a company principally engaged in the retail industry in the PRC and whose shares are listed on the SSE (stock code: 600766), where he was primarily responsible for managing the annual accounting and auditing of the Company. From October 2008 to November 2009, he served as the financial controller and secretary of the board at Qingdao Tianren Huanjing Co., Ltd (青島天人環境股份有限公司), a company mainly engaged in biomass energy development, environmental protection and new energy projects in the PRC, where he was primarily responsible for the listing application, investment and capital operations. Since November 2016, he has been serving as a director of Shandong Luye Natural Medicine R&D Co., Ltd. (山東綠葉天然藥物研究開發有限公司), a company principally engaged in the R&D in natural medicine in the PRC. Since January 2021, he has been serving as a director of Yantai Luye Hospital Management Co., Ltd. (煙台綠葉醫院管理有限公司), a company principally engaged in biomedicine healthcare, marine biology and bio-agriculture investments in the PRC, where he is primarily responsible for providing strategic development, finance and investment advice. Mr. WANG obtained a bachelor's degree of economics in finance from Shandong University of Finance and Economics (山東財經大學) (formerly known as Shandong Institute of Economics (山東經濟學院)) in the PRC in July 2001. He also obtained a master's degree in business administration from Ocean University of China (中國海洋大學) in the PRC in January 2010. He obtained a certified public accountant qualification issued by Shandong Institute of Certified Public Accountants (山東省註冊會計師協會) in the PRC in January 2008.

Mr. SONG Deyong (宋德勇) ("Mr. SONG"), aged 41, joined our Group in December 2015 and was appointed as our senior head of biologics discovery department in January 2022. He is responsible for managing our Company's biopharmaceutical target research, projects selection, biopharmaceutical molecules discovery and lead molecules confirmation. He has over 15 years of experience in the biopharmaceutical industry. Prior to joining our Group, from April 2009 to December 2009, Mr. SONG served as a research staff at Beijing ABT Gene Engineering Technology Co., Ltd (北京安波特基因工程技術有限公司), a company principally engaged in the R&D of genetic engineering antibody drugs and technical services in the PRC, where he was primarily responsible for R&D of genetic engineering antibody drugs and providing genetic engineering technical services. From December 2009 to November 2015, he last served as a supervisor at Sinocelltech Group Limited (北京神州細胞生物技術集團股份公司) (formerly known as Beijing Sino Biotechnology Co., Ltd (北京義翹神州生物技術有限公司)), a company principally engaged in developing and manufacturing recombinant proteins, monoclonal antibodies, and vaccines in the PRC, where he was primarily responsible for optimizing antibody discovery technologies, screening mouse and rabbit monoclonal antibodies and conducting biological evaluation of monoclonal antibodies. Mr. SONG obtained a bachelor's degree in biology and a master's degree in microbiology from Shandong University (山東大學) in the PRC in July 2005 and June 2008, respectively.

REPORT OF DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

CORPORATE INFORMATION

The Company was established in the PRC on 30 December 2013 and was converted into a joint stock company with limited liability under the PRC Company Law with effect from 29 March 2021. The Company's H shares have been listed on the Main Board of the Stock Exchange since 30 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company is to develop, manufacture and commercialise high quality biologics across various therapeutic areas in the PRC and overseas. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the consolidated financial statements of this report.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's business during the year ended 31 December 2024, including an analysis where key financial performance indicators are used, and the outlook of the Group's business, are provided in the section headed "Management Discussion and Analysis" of this report, where discussion therein forms part of this "Report of Directors".

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 79 of this report.

DIVIDEND POLICY AND FINAL DIVIDEND

No dividends were declared for the year ended 31 December 2024.

It is the policy of the Board, in considering payment of dividends, to allow Shareholders to share the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending dividends:

- the Company's earnings and financial position;
- the Group's working capital, operating and capital expenditure requirements, and future expansion plans;
- the Group's liquidity;
- general economic condition, business cycle of the Group's business and other internal or external factors that may affect the business or financial performance and position of the Company; and
- other factors that the Board considers relevant.

The payment of dividends is also subject to applicable laws and regulations including the laws and regulations of the PRC and the Articles of Association. The Board will review the dividend policy on a regular basis and there is no assurance that dividends will be paid in any particular amount for any given period.

FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last five financial years are set out on page 6 of this report. This summary does not form part of the audited consolidated financial statements.

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to the below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates the Group's profitability or affects its ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Responsibility for managing operational risks rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate response to risk can be taken.

Investment Risk

Investment risk is the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the Group's investments would be submitted to the Board.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which could meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel.

Financial Risk

The Group also faces financial risks relating to interest rate, foreign currency, credit, and liquidity. Details of these financial risks are set out in note 34 to the consolidated financial statements of the Group.

In light of the above risks which are relevant to and may potentially affect the Group's business, the Group has certain risk management procedures with a view to minimise the risks and to manage, but not eliminate, the risk of failure to fulfil the Group's business objectives. Please refer to the section headed "Risk Management and Internal Control" in the Corporate Governance Report for policies concerning the Group's risk management system.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our Group is committed to achieving environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group's business is subject to national, provincial and local environmental laws and regulations of the PRC. During the year ended 31 December 2024, so far as our Directors are aware, there were no material breaches of applicable environmental laws and regulations of the PRC that have a significant adverse impact on the business and operations of our Group.

Our Group also encourages environmental protection and promotes awareness of the same to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper, and reducing energy consumption by switching off idle lightings and electrical appliances.

Our Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, waste reduction and energy saving. Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering to the 3Rs – reduce, recycle and reuse, and enhance environmental sustainability.

In accordance with paragraph 4(1) of Appendix C2 of the Listing Rules, the Company's Environmental, Social and Governance Report ("ESG Report") will be available on its website at the same time as the publication of this report.

The 2024 ESG Report, in electronic form only, is published on the website of the Company at www.boan-bio.com under the section "Investors" and the website of the Stock Exchange at www.hkexnews.hk.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Being people-oriented, our Group ensures all staffs are reasonably remunerated and our Group also continue to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

Our Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

Our Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 64.8% of the total sales for the year ended 31 December 2024 and sales to the largest customer included therein amounted to 20.6% of the total sales for the year ended 31 December 2024.

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

Purchases from the Group's five largest suppliers accounted for approximately 34.8% of the total purchases for the year ended 31 December 2024 and purchases from the largest supplier included therein amounted to 18.8% of the total purchases for the year ended 31 December 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 13 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2024 are set out in note 26 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVE

As at 31 December 2024, the Company did not have any distributable reserve. Details of movements in the reserves of the Group during the year are set out on pages 82 to 83 in the consolidated statement of changes in equity of this report and in note 27 to the consolidated financial statements in this annual report.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Group as at 31 December 2024 are set out in note 22 to the consolidated financial statements in this report.

DONATION

For the year ended 31 December 2024, the Company did not make any charitable donations (For the year ended 31 December 2023: the Company did not make any charitable donations).

FUND RAISING ACTIVITIES

On 7 August 2024, the Company has placed a total of 26,655,600 new ordinary shares (representing approximately 4.97% of its total issued shares of the Company (as enlarged by the allotment and issue of the placing shares) at the placing price of HK$9.50 per placing share to no less than six placees. Details are provided in the section headed "Management Discussion and Analysis" of this report, where discussion therein forms part of this "Report of Directors".

Other than the above, the Group did not conduct any equity fund-raising activities during the Reporting Period.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this report were:

Executive Directors:

Ms. JIANG Hua (姜華) *(Chief Executive Officer and Chairlady of our Board)*
Dr. DOU Changlin (竇昌林) *(President of R&D and Chief Operating Officer)*

Non-executive Directors:

Mr. LIU Yuanchong (劉元沖)
Ms. LI Li (李莉)

Independent Non-executive Directors:

Professor SHI Luwen (史錄文)
Mr. DAI Jixiong (戴繼雄)
Dr. YU Jialin (余家林)

BOARD OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and senior management of the Group are set out on pages 32 to 40 of this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors, namely Ms. JIANG Hua and Dr. DOU Changlin, has entered into a service contract with the Company for a term commencing from 31 May 2024 until the end of the second session of the Board, and may be terminated in accordance with the respective terms of the service contracts.

Each of the non-executive Directors, namely Mr. LIU Yuanchong and Ms. LI Li, has entered into an appointment letter with the Company for a term commencing from 31 May 2024 until the end of the second session of the Board, and may be terminated in accordance with the respective terms of the appointment letters.

Each of the independent non-executive Directors, namely Professor SHI Luwen, Mr. DAI Jixiong and Dr. YU Jialin has entered into an appointment letter with the Company for a term commencing from 31 May 2024 until the end of the second session of the Board, and may be terminated in accordance with the respective terms of the appointment letters.

At the Board meeting held on 27 March 2025, Mr. Wang Shenghan was nominated as a candidate for executive Director of the Company, and Mr. Li Shixu was nominated as a candidate for non-executive Director of the Company (the "Proposed Appointments"), which shall be subject to the consideration and approval at the AGM to be held on 5 June 2025. Subject to the approval of the Proposed Appointments, the term of office of each of Mr. Wang Shenghan and Mr. Li Shixu will be effective from the date of the AGM until the expiry of the term of the second session of the Board. At the expiry of such terms of office, each of their terms is renewable upon re-election.

Each of the shareholder representative Supervisors, namely Ms. ZHANG Xiaomei and Ms. LIU Xiangjie, has entered into a service contract with the Company for a term commencing from 31 May 2024 until the end of the second session of the Board of Supervisors, and may be terminated in accordance with the respective terms of the service contracts.

The employee representative Supervisor, namely Ms. NING Xia, has entered into a service contract with the Company for a term commencing from 26 March 2024 until the end of the second session of the Board of Supervisors, and may be terminated in accordance with the terms of the service contract.

Ms. ZHANG Xiaomei, Ms. LIU Xiangjie and Ms. NING Xia constitute the second session of the Board of Supervisors.

None of the Directors and Supervisors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

As at 31 December 2024 or at any time during the year, other than those transactions disclosed in note 31 to the consolidated financial statements in this report, (a) no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director and/or Supervisor or his or her connected entity had a material interest, whether directly or indirectly, subsisted; and (b) there is no contract of significance (i) between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholder or its subsidiaries.

DEBENTURES

The Company did not have any debentures in issue during the year ended 31 December 2024.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, no equity-linked agreement that will or may result in the Company issuing Shares nor require the Company to enter into an agreement that will or may result in the Company issuing Shares was entered into by the Company during the year ended 31 December 2024 or subsisted at the end of the year.

EMOLUMENT POLICY

The objective of the Group's remuneration policy is to motivate and retain talented employees so as to achieve the Group's long term corporate goals and objectives. The Group's employee remuneration policy is determined by considering factors such as remuneration in respect of the overall remuneration standard in the industry and the employee's performance. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. In addition, social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. For employee retirement benefits, please refer to note 2.4 to the consolidated financial statements in this report. A remuneration committee of the Board was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management, and comparable market practices. Our Group participates in the national pension schemes as defined by the laws of the countries in which it operates. The Company's subsidiaries established and operating in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, Supervisors and the five highest paid individuals of the Group are set out in notes 8 and 9 to the consolidated financial statements in this report.

SHARE SCHEME

During the year ended 31 December 2024 and up to the date of this report, the Group has not adopted any share scheme as defined under Chapter 17 of the Listing Rules.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed above and in the section headed "Directors, Supervisors and Senior Management" in this report, there was no change to any of the information required to be disclosed in relation to any Director and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2024.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests or short positions of the Directors, Supervisors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code"), are as follows:

(i) Interest in the Company

Name	Nature of Interest	Class of Shares	Number of Shares	Approximate percentage holding in the total issued share capital
JIANG Hua	Beneficial owner[1, 2, 3]	H Shares	9,000,000 (L)	1.68%
DOU Changlin	Beneficial owner[1, 2, 3]	H Shares	6,800,000 (L)	1.27%
LIU Yuanchong	Beneficial owner[1, 2, 3]	H Shares	4,000,000 (L)	0.75%
LI Li	Interest in a controlled corporation[1, 2, 3]	H Shares	47,638,668 (L)	8.89%

Remark: The Letter "L" denotes long position in such securities and "S" denotes short position in such securities.

Notes:

1. Yantai Bolian Investment Center Limited Partnership (煙台博聯投資中心(有限合伙)) ("Yantai Bolian") held 21,415,548 Shares. Ms. LI is the general partner of Yantai Bolian and is therefore deemed to be interested in the Shares held by Yantai Bolian. Pursuant to the partnership agreement among its partners, Yantai Bolian held 4,720,000 and 6,800,000 Shares on behalf of Ms. JIANG and Dr. DOU, respectively, who are deemed to be interested to these respective Shares held by Yantai Bolian.

2. Yantai Bofa Investment Center Limited Partnership (煙台博發投資中心(有限合伙)) ("Yantai Bofa") held 11,268,488 Shares. Ms. LI is the general partner of Yantai Bofa and is therefore deemed to be interested in the Shares held by Yantai Bofa. Pursuant to the partnership agreement among its partners, Yantai Bofa held 1,800,000 and 1,000,000 Shares on behalf of Ms. JIANG and Mr. LIU, respectively, who are deemed to be interested to these respective Shares held by Yantai Bofa.

3. Yantai Bosheng Investment Center Limited Partnership (煙台博晟投資中心(有限合伙)) ("Yantai Bosheng") holds 14,954,632 Shares. Ms. LI is the general partner of Yantai Bosheng and is therefore deemed to be interested in the Shares held by Yantai Bosheng. Pursuant to the partnership agreement among its partners, Yantai Bosheng held 2,480,000 and 3,000,000 Shares on behalf of Ms. JIANG and Mr. LIU, respectively, who are deemed to be interested to these respective Shares held by Yantai Bosheng.

Save as disclosed above, as at 31 December 2024, none of our Directors, Supervisors and chief executive of the Company has any interests 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 (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, to the best of the Directors' knowledge, the following persons (other than the Directors, Supervisors and chief executives of the Company) had, or deemed to have or taken to have an interest and/or short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the total issued share capital
Shandong Luye	Beneficial owner[1]	H Shares	360,596,456 (L)	67.28%
	Beneficial owner[1]	H Shares	74,387,153 (S)	13.88%
Yantai Luye Pharmaceutical Holdings Co., Ltd. (煙台綠葉醫藥控股(集團)有限公司) ("Yantai Luye")	Interest in a controlled corporation[1]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[1]	H Shares	74,387,153 (S)	13.88%
Luye Pharma Hong Kong Limited ("Luye HK")	Interest in a controlled corporation[1]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[1]	H Shares	74,387,153 (S)	13.88%
AsiaPharm Investments Ltd. ("AsiaPharm")	Interest in a controlled corporation[1]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[1]	H Shares	74,387,153 (S)	13.88%
Luye Pharma	Interest in a controlled corporation[1]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[1]	H Shares	74,387,153 (S)	13.88%
LuYe Pharmaceutical Investment Co., Ltd. ("LuYe Investment")	Interest in a controlled corporation[2]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[2]	H Shares	74,387,153 (S)	13.88%
LuYe Pharmaceutical International Co., Ltd. ("LuYe International")	Interest in a controlled corporation[2]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[2]	H Shares	74,387,153 (S)	13.88%
Luye Pharma Holdings Limited ("Luye Holdings")	Interest in a controlled corporation[2]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[2]	H Shares	74,387,153 (S)	13.88%

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the total issued share capital
Luye Life Sciences Group Ltd. ("Luye Life Sciences")	Interest in a controlled corporation[2]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[2]	H Shares	74,387,153 (S)	13.88%
Nelumbo Investments Limited ("Nelumbo")	Interest in a controlled corporation[2]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[2]	H Shares	74,387,153 (S)	13.88%
Ginkgo (PTC) Limited ("Ginkgo")	Trustee[2]	H Shares	360,596,456 (L)	67.28%
	Trustee[2]	H Shares	74,387,153 (S)	13.88%
Shorea LBG ("Shorea")	Interest in a controlled corporation[2]	H Shares	360,596,456 (L)	67.28%
	Interest in a controlled corporation[2]	H Shares	74,387,153 (S)	13.88%
Mr. LIU Dian Bo	Founder of a discretionary trust[2]	H Shares	360,596,456 (L)	67.28%
	Founder of a discretionary trust[2]	H Shares	74,387,153 (S)	13.88%
Central Huijin Investment Ltd.[(3)]	Interest in a controlled corporation	H Shares	74,387,153 (L)	13.88%

Remark: The Letter "L" denotes long position in such securities and "S" denotes short position in such securities.

Notes:

1. Shandong Luye is wholly owned by Yantai Luye, which in turn is wholly owned by Luye HK. Luye HK is in turn wholly owned by AsiaPharm and AsiaPharm is wholly owned by Luye Pharma. Accordingly, each of Luye Pharma, AsiaPharm, Luye HK and Yantai Luye is deemed under the SFO to be interested in the Shares held by Shandong Luye.

2. Luye Pharma is beneficially owned as to approximately 33.53% by LuYe Investment. LuYe Investment is indirectly wholly-owned by Luye Life Sciences, through LuYe International and Luye Holdings. Luye Life Sciences is owned as to 70% by Nelumbo. The entire issued share capital of Nelumbo is held by Ginkgo as trustee of the family trust of Mr. LIU. Ginkgo is wholly-owned by Shorea whose sole shareholder is Mr. LIU. Mr. LIU is a director of Luye Pharma. For the avoidance of doubt, LuYe Investment, LuYe International, Luye Holdings, Luye Life Sciences, Nelumbo, Ginkgo, Shorea and Mr. LIU are not substantial shareholders of the Company.

3. Jingu Ruida No.18 Fund Trust ("Jingu Ruida") held the Shares as collateral. Jingu Ruida is wholly owned by China Cinda Asset Management Co., Ltd. ("China Cinda"). Accordingly, China Cinda is deemed under the SFO to be interested in the Shares held by Jingu Ruida.

Save as disclosed above, as at 31 December 2024, the Directors are not aware of any person who had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in other session of this annual report, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2024.

TAX RELIEF

The Company is not aware of any taxation relief available to shareholders of the Company by reason of their holding of the Shares.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2024, no permitted indemnity provision (whether made by the Company or otherwise) was made which was or is in force for the benefit of the Directors of the Company or any directors of the associated companies of the Company (if made by the Company).

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

DIRECTOR'S AND CONTROLLING SHAREHOLDER'S INTEREST IN COMPETING BUSINESS

None of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2024.

CONNECTED TRANSACTION

A summary of the related party transactions entered into by the Group during the year ended 31 December 2024 is contained in note 31 to the consolidated financial statements in this report. None of the transactions summarised in such note constitute a non-exempt "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

After 31 December 2024 and up to the date of this report, save as disclosed in the section headed "Management Discussion and Analysis — Subsequent Events after the Reporting Period" and to the best of the Directors' knowledge, there was no event that had affected the Group significantly.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") has reviewed together with the management the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2024.

CODE OF CONDUCT REGARDING DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors and supervisors which are no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix C3 of the Listing Rules. Specific enquiry has been made to all the Directors and Supervisors and they have all confirmed compliance with the Model Code for the year ended 31 December 2024.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report at pages 57 to 73 of this annual report.

CLOSURE OF REGISTER OF SHAREHOLDERS

The AGM will be held on Thursday, 5 June 2025. For determining the entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Monday, 2 June 2025 to Thursday, 5 June 2025, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H Shares share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 30 May 2025.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with the public float requirements under Rule 8.08(1)(a) of the Listing Rules. Under the conditions of such waiver as described in the Prospectus, the minimum public float of the Company should be at the highest of (a) 18.14% of the Company's total issued share capital; (b) such percentage of Shares held by the public immediately after the completion of the Global Offering (assuming that the over-allotment option is not exercised); and (c) such percentage of Shares held by the public after the exercise of the over-allotment option, provided that the highest of (a), (b) and (c) above is below the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules. Based on the information that is publicly available to the Company and to the knowledge of the Directors, there was a sufficient public float of the issued shares of the Company as described above as at the date of this report.

AUDITOR

Ernst & Young has been appointed as the auditor of the Company for the year ended 31 December 2024.

Ernst & Young shall retire at the AGM and, if eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as independent auditor of the Company will be proposed at the AGM. There was no change in the auditor of the Company in the preceding three years.

COMPLIANCE WITH LAWS AND REGULATIONS

For the Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
JIANG Hua
Chief Executive Officer and Chairlady

Yantai, Shandong, The People's Republic of China, 27 March 2025

WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2024

In accordance with the requirements of the Company Law, the Articles of Association, the Rules of Procedures for the Board of Supervisors and other relevant laws and regulations, all members of the Board of Supervisors of Shandong Boan Biotechnology Co., Ltd. (hereinafter referred to as the "Company") prudently and carefully performed its duties and functions for the benefit of all Shareholders, protected the interests of the Shareholders of the Company, independently exercised its powers according to the laws and regulations, and proactively conducted its work in 2024 to regulate the operation of the Company and protect the interests of the Company and investors. In 2024, the Board of Supervisors conducted supervision and inspections on the production and operation, related party transactions, decision-making procedures, financial conditions and internal management system of the Company to protect the legitimate rights and interests of the Company and Shareholders. The report on the main work of the Board of Supervisors in 2024 are as follows:

I. MEETINGS OF THE BOARD OF SUPERVISORS

In 2024, the Board of Supervisors of the Company held three meetings in compliance with laws and regulations and the Articles of Association in relation to the procedures for convening and holding meetings, the qualifications of attendees, voting procedures, voting results and resolutions, where the financial conditions of the Company and other matters were considered and reviewed.

1. On 18 April 2024, the Company held the sixth meeting of the first session of the Board of Supervisors. 3 supervisors were eligible for attending the meeting and 3 supervisors attended the meeting in person.

   The Proposal on the Work Report of the Board of Supervisors for 2023, the Proposal on the Related Party Transactions of the Company, the Proposal on the Annual Auditor's Report, the Proposal on the Final Dividends, the Proposal on the Internal Control Report for 2023, the Proposal on the General Election of the Second Board of Supervisors and other proposals were considered and approved at the meeting.

2. On 26 July 2024, the Company held the first meeting of the second session of the Board of Supervisors. 3 supervisors were eligible for attending the meeting and 3 supervisors attended the meeting in person.

   The Proposal on the Company's New Issuance of H Shares within the Scope of General Authorization, the Proposal on Authorizing the Chairman of the Board of Directors and its Authorized Persons to Handle Matters Related to the Additional Issuance of H Shares and other proposals were considered and approved at the meeting.

3. On 27 August 2024, the Company held the second meeting of the second session of the Board of Supervisors. 3 supervisors were eligible for attending the meeting and 3 supervisors attended the meeting in person.

   The Proposal on the 2024 Interim Results Announcement and Auditor's Report, the Proposal on Non-payment of Interim Dividend and other proposals were considered and approved at the meeting.

II. SUPERVISION OF THE BOARD OF SUPERVISORS OVER RELEVANT MATTERS OF THE COMPANY IN 2024

In accordance with the requirements of the Company Law, the Securities Laws and regulations, the Articles of Association and other relevant regulations, the Board of Supervisors of the Company carefully performed its duties and functions for the benefit of Shareholders in 2024, and conducted supervision and inspections on financial conditions, internal control construction, related party transactions and other important matters of the Company.

(I) Legal Operation of the Company

The members of the Board of Supervisors of the Company carefully performed their responsibilities and fulfill their duties, and conducted supervision over the decision-making procedures and internal control systems according to the law as well as the performance of duties and powers by the Board of Directors and the implementation of decision-making procedures by way of attending the meetings of the Board of Directors. The Board of Supervisors believes that the Company carried out the standardized operation in strict accordance with the requirements of the Company Law, the Articles of Association and other relevant PRC laws and regulations, the decision-making procedures of the Company were legal and valid, the Board of Directors operated in a standardized manner and made decisions in a rational manner, and the Board of Directors and management can exercise their duties and powers according to the rules and regulations of the Company. The Company attached great importance to the construction of systems, and established and improved the internal control and management system to promote the standardized operation and management of the Company.

(II) Financial Conditions of the Company

The Board of Supervisors of the Company carefully reviewed the annual financial report issued by the accounting firm engaged by the Company. The Board of Supervisors believes that the Company has established a relatively sound financial system, constantly improved its systems and ensured the basically standardized financial operation, and that the regular financial reports of the Company can faithfully, accurately and fairly reflect the financial conditions of the Company and were in line with the requirements of the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises.

(III) Related Party Transactions of the Company

The Board of Supervisors of the Company reviewed the ordinary related party transactions of the Company in 2024 according to the requirements of the Articles of Association, the Listing Rules of the Hong Kong Stock Exchange (hereinafter referred to as the "Listing Rules") and other relevant laws and regulations. The Board of Supervisors believes that the matters relating to related party transactions of the Company in 2024 met the business development needs of the Company, the terms of such transactions were at arm's length and reasonable and in line with the interests of the Shareholders of the Company as a whole. The connected transactions of the Company in 2024 were in compliance with or fully exempted from the requirements of the Listing Rules, and relevant matters were not subject to the requirements relating to reports, announcements, circulars and approvals at general meetings.

(IV) Opinions of the Board of Supervisors on Internal Control Self-Assessment Report

In strict accordance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies and other laws and regulations as well as the relevant requirements of the Shanghai Stock Exchange, the Company regulated its operations and constantly improved its corporate governance rules to effectively enhance its business management and risk resistance capabilities. The Board of Supervisors reviewed the internal control assessment report and the establishment and implementation of internal management system of the Company.

III. HIGHLIGHTS OF THE WORK OF THE BOARD OF SUPERVISORS IN 2025

In 2025, all members of the Board of Supervisors will continue to strictly implement the relevant requirements of the Company Law, the Securities Law, the Listing Rules and the Articles of Association, faithfully and diligently perform their duties and responsibilities, and strengthen the supervision over major decisions, financial conditions and related party transactions of the Company according to the laws and regulations. Meanwhile, in order to promote the performance of supervisory functions, the Board of Supervisors will attend the general meetings and be present at meetings of the Board of Directors according to the laws and regulations, so as to keep informed of major decisions of the Company and the legality of decision-making procedures in a timely manner, procure the Company to further improve the quality of information disclosure, enhance the effective supervision of the Board of Supervisors over the standardized operation of the Company, effectively protect the legitimate rights and interests of all investors, and promote the sustainable and steady development of the Company.

The Board of Supervisors of Shandong Boan Biotechnology Co., Ltd.
ZHANG Xiaomei
Chairlady
Yantai, Shandong, The People's Republic of China
3 April 2025

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE AND VALUES

A healthy corporate culture across the Group is integral to attaining its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. Core values

Integrity, cooperation, innovation and excellence are core values of the Group. Integrity lays the foundation of the Company, cooperation guarantees the victory of the team, innovation drives the Group's development, and excellence is the Group's ultimate pursuit. The Group strives to maintain high standards of business ethics and corporate governance across all of our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies of the Group such as the Group's employee handbook, the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of core values.

2. Business Philosophy

The Group believes that customer orientation helps the Group to grasp market opportunities, efficient operation enables the Group to stay ahead of the competition, and achievement of employees promotes a long-lasting business. These are fundamentals for a strong and productive workforce that attracts, develops, and retains the best talent and produce the highest quality of work. Moreover, the business development and management strategies of the Company seek to achieve long-term, steady and sustainable growth, while having due considerations of the environment, social and governance aspects.

The Company is committed to ensuring that its affairs are conducted in accordance with good corporate governance practices. This ensures that the overall business risk of the Group is assessed and managed appropriately and sustainable returns can be delivered to its shareholders. The Corporate Governance Code (the "CG Code") published by the Stock Exchange sets out the principles of good corporate governance, and the Group manages its corporate affairs (such as its board composition, audit, internal control and risk management) in accordance with such principles. This corporate governance report provides a channel through which shareholders could evaluate the Group's implementation of such principles to its business.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Save for the deviation disclosed in this annual report in respect of code provision C.2.1 of the CG Code as further set out in the section headed "Chairlady and Chief Executive Officer" below, during the year ended 31 December 2024, the Company has complied with all the code provisions as set out in the CG Code contained in Part 2 of Appendix C1 to the Listing Rules.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group which oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established five Board committees, namely the Audit Committee, the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee"), the strategy committee (the "Strategy Committee") and the environmental, social and governance committee (the "ESG Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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

Board Composition

As at 31 December 2024, the Board comprises seven members, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors
Ms. JIANG Hua (*Chairlady of the Board and Chief Executive Officer)*
Dr. DOU Changlin *(Chief Operating Officer and President of R&D)*

Non-executive Directors
Mr. LIU Yuanchong
Ms. LI Li

Independent Non-executive Directors
Professor SHI Luwen
Mr. DAI Jixiong
Dr. YU Jialin

The biographies of the Directors are set out under the section headed "Directors, Supervisors and Senior Management" of this annual report.

During the year ended 31 December 2024, the Board has, at all times, met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors and among which at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise. The Company also complied at all times with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board which contribute to its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors.

The CG Code requires directors to disclose to the Company the number and nature of offices that they hold in public companies or organisations and other significant commitments as well as the identity of those public companies or organisations and an indication of the time involved. The Directors have agreed to disclose their commitments to the Company in a timely manner.

Continuous Professional Development

The Company arranges regular seminars to Directors regarding updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. The Directors are also provided with regular updates on the Company's performance, position and prospects so as to enable the Board and each Director to discharge their duties. The Company has also devised a training record in order to assist the Directors to record the training they have undertaken and they are requested to provide training records to the Company.

According to C.1.4 of the CG Code, all Directors should participate in continuous professional development so as to develop and refresh their knowledge and skills, and thereby ensuring that their contribution to the Board remains to be informed and relevant. According to the records kept by the Company, each of the Directors, namely, Ms. JIANG Hua, Dr. DOU Changlin, Mr. LIU Yuanchong, Ms. LI Li, Professor SHI Luwen, Mr. DAI Jixiong and Dr. YU Jialin have, during the Reporting Period, (a) attended seminars and/or trainings that are relevant to the Directors' professional knowledge and skills, and in performing their duties and responsibilities as Directors; and (b) read materials that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors.

Chairman and Chief Executive Officer

Under C.2.1 of the CG Code, the chairman and the chief executive should be separate and should not be performed by the same individual.

Under the current organisation structure of the Company, Ms. JIANG Hua is the Chairlady of the Board and the Chief Executive Officer. With extensive experience in the pharmaceutical industry, the Board considers that Ms. JIANG Hua should continue to assume the roles of chairman and chief executive officer as this arrangement will improve the efficiency of our decision-making and execution process given her knowledge of the Group's affairs. The Company has put in place an appropriate check-and-balance mechanism through the Board and its independent non-executive Directors.

Appointment and Re-Election of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Director has entered into an appointment letter with the Company commencing from 31 May 2024 until the end of the second session of the Board, and may be terminated in accordance with the respective terms of the appointment letters.

None of the Directors has a service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. A Director shall continue to perform his/her duties in accordance with the laws, administrative regulations and Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office, or if the resignation of directors results in the number of directors being less than the quorum. The Articles of Association also provides that each Director appointed to fill a casual vacancy or as addition to the Board shall hold office until the first general meeting after his/her appointment. The retiring Directors shall be eligible for re-election.

At the Board meeting held on 27 March 2025, Mr. Wang Shenghan was nominated as a candidate for executive Director of the Company, and Mr. Li Shixu was nominated as a candidate for non-executive Director of the Company (the "Proposed Appointments"), which shall be subject to the consideration and approval at the AGM to be held on 5 June 2025. Subject to the approval of the Proposed Appointments, the term of office of each of Mr. Wang Shenghan and Mr. Li Shixu will be effective from the date of the AGM until the expiry of the term of the second session of the Board. At the expiry of such terms of office, each of their terms is renewable upon reelection.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

BOARD INDEPENDENCE

The Board reviewed and considered that the following key features or mechanisms under the Company's governance structure are effective in ensuring that independent views and inputs are provided to the Board.

Board and committees' structure	• The Company is steered by a Board comprising a majority of non-executive Directors. The Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. • Members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive Directors, save for Mr. LIU Yuanchong who sits on the Audit Committee as a non-executive Director.
Independent non-executive Directors' tenure	• The directors' nomination policy of the Company sets a maximum tenure of nine consecutive years for independent non-executive Directors to be eligible for nomination by the Board to stand for re-election by Shareholders.
Independent non-executive Directors' remuneration	• Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board committee(s) as appropriate, and none of them has participated in share schemes of the Company.
Appointment of independent non-executive Directors	• Independent search firm(s) will be engaged to help identify potential candidates for appointment of independent non-executives Directors. • In assessing suitability of candidates of independent non-executive Directors, the Nomination Committee will review their profiles, including their qualification and time commitment, having regard to the Board's composition, the candidates' skill matrix, the list of selection criteria approved by the Board, its nomination policy and the board diversity policy.
Annual review of independent non-executive Directors' independence	• The Board assessed the annual independence confirmation received from each independent non-executive Director, having regard to the criteria under Rule 3.13 of the Listing Rules.
Conflict management	• The Articles of Association and internal guidelines of the Company provide guidance to the Directors on avoiding conflicts of interest and on the circumstances under which appropriate action(s) that shall be taken by the director in case of a conflict.
Professional advice	• To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company secretary or the in-house legal team as well as from independent professional advisers at the Company's expense.
Board evaluation	• The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance.

Board Meetings

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be included in the agenda for the board meeting.

For other Board and committee meetings, reasonable notice will generally be given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be informed on the matters to be discussed and given an opportunity to make their views known to the Chairlady of the Board prior to the meeting.

Minutes of the Board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees, and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the year ended 31 December 2024, four Board meetings, and one AGM were held and the attendance of each individual Director at these meetings is set out in the table below:

Name of Director	Attended/Eligible to attend Board meeting	Attended/Eligible to attend AGM
Ms. JIANG Hua	4/4	1/1
Dr. DOU Changlin	4/4	1/1
Mr. LIU Yuanchong	4/4	1/1
Ms. LI Li	4/4	1/1
Professor SHI Luwen	4/4	1/1
Mr. DAI Jixiong	4/4	1/1
Dr. YU Jialin	4/4	1/1

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms meeting the required standards as set out in the Model Code. Specific enquiry has been made to all the Directors and Supervisors and the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2024.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms meeting the required standard as set out in the Model Code. This ensures compliance by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves the power to decide on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors can seek independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board before the management arranges for any significant transactions to be entered into.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors which include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

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

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

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2024 are set out in note 8 to the consolidated financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. Remuneration paid to the top senior management (excluding the Directors) for the year ended 31 December 2024 fell within the following bands:

Remuneration Band	No. of employees
RMB1,000,001 to RMB1,500,000	1
RMB3,000,000 to RMB3,500,000	1

Directors' Liability Insurance

The Company has arranged for appropriate insurance coverage in respect of legal actions against its Directors.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises two independent non-executive Directors, namely Professor SHI Luwen (chairperson), and Dr. YU Jialin, and one non-executive Director, Ms. LI Li.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendation to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors. The Nomination Committee has adopted certain criteria and procedure in the nomination of new Directors. The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

In assessing the suitability of a proposed candidate before recommending to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies, the Nomination Committee will consider factors including, without limitation, character and integrity of the proposed candidates, qualifications of the proposed candidates including professional qualifications, skills, knowledge and experience, accomplishments and experience of the proposed candidates in the business from time to time, commitment of the proposed candidates in respect of available time and relevant interest, diversity and balance of the Board and such other perspectives appropriate to the Company's business.

The written terms of reference of Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2024, one meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Professor SHI Luwen	1/1
Dr. YU Jialin	1/1
Ms. LI Li	1/1

During the year ended 31 December 2024, the Nomination Committee has reviewed the Board composition and made recommendation to the Board on the re-election of retiring Directors, the Board Diversity Policy, Nomination Policy and the independence of the independent non-executive Directors.

Nomination Policy

The director nomination policy (the "Nomination Policy") adopted by the Board aims to enhance transparency and accountability of the nomination process of Directors and enable the Company to ensure the Board has a balance of skills, experience, and diversity of perspectives necessary to the Company's business.

The selection criteria for assessing the suitability of proposed candidates which shall be taken as reference by the Nomination Committee includes: character and integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and strategy, the potential contribution to the Board from the diversity aspects (including but not limited to age, gender, international background, and professional experience), the candidate's time commitment to the Company, the candidate's service on other boards of directors of the Group or of other companies (whether listed or non-listed) and any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and its shareholders. These above selection criteria are not exhaustive or conclusive. The Nomination Committee would consider any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.

For potential candidates who appear to meet the Board's selection criteria, the Nomination Committee shall convene a meeting to discuss and consider recommending the candidate to the Board for appointment as a Director upon obtaining the required information from the candidate. The Nomination Committee shall review whether the candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and the policies of the Company.

The Board and the Nomination Committee intend to review the Nomination Policy at least annually and anticipate that modifications may be necessary from time to time given the Company's evolving needs, changing circumstances which may include legal and regulatory changes in the Listing Rules or laws of Hong Kong, the People's Republic of China, and other relevant jurisdictions.

Board Diversity Policy

The Company views diversity at the Board level as essential in supporting the attainment of its strategic objectives and its sustainable development. To that end, the Company has adopted a Board Diversity Policy to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Ultimately, all Board appointments are merit-based, and candidates are assessed based on objective criteria, having due regard for the benefits of diversity on the Board.

To duly implement the Board Diversity Policy, the measurable objective of at least 2 female Board members has been adopted. As at the date of this report, the Board comprises five male Directors and two female Directors; in the opinion of the Directors, this composition has achieved the above objective on gender diversity of the Board. To ensure gender diversity of the Board in the long run, the Group will seek to identify and select several female individuals with a diverse range of skills, experience and knowledge in the field of the Group's business from time to time, and maintain a list of such female individuals who possess qualities to become the Board members in order to develop a pipeline of potential female successors to the Board to promote gender diversity of the Board.

The workforce of the Group (including its senior management) comprised approximately 36.1% male employees and 63.9% female employees as at 31 December 2024. The Company aims to achieve a men-to-women ratio of 45:55 by the end of 2025. Due to the nature of work in the pharmaceutical industry, the Group mainly considers factors such as the candidates' ability and experience, rather than their gender, in recruiting employees.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Dr. YU Jialin (chairperson), and Mr. DAI Jixiong, and one non-executive Director, Ms. LI Li.

The primary duties of the Remuneration Committee include the following:

– to make recommendations to the Board on the Company's remuneration policy and structure for all directors, supervisors and senior management and on the establishment of formal and transparent procedures for formulating the remuneration policy;

– to review and approve the management's remuneration proposals with reference to the corporate goals and objectives set by the Board (including benefits in kind, pensions and payment of compensation (including the compensation for losing or terminating the office or appointment));

– to determine the specific terms of the remuneration package for each executive director and senior management;

– to make recommendations to the Board on the remuneration of non-executive directors and supervisors; and

– to ensure that no director or any of his or her associates is involved in determining his or her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2024, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Dr. YU Jialin	1/1
Mr. DAI Jixiong	1/1
Ms. LI Li	1/1

During the year ended 31 December 2024, the Remuneration Committee assessed the performance of the Directors and reviewed the Company's policy and structure for all directors' and senior management remuneration.

Audit Committee

The Audit Committee comprises two independent non-executive Directors, namely Mr. DAI Jixiong (chairperson), and Dr. YU Jialin, and one non-executive Director, Mr. LIU Yuanchong. The main duties of the Audit Committee include the following:

– to review the financial statements and reports before submission to the Board;

– to review and monitor the independence of the external auditor, the objectivity and effectiveness of the audit process in accordance with applicable standard, and discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;

– to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and

– to oversee the risk management and internal control systems of the Group, report to the Board on any material issue, and make recommendations to the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2024, two meeting of the Audit Committee was held and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. DAI Jixiong	2/2
Dr. YU Jialin	2/2
Mr. LIU Yuanchong	2/2

During the year ended 31 December 2024, the Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2023, interim results of the Group for the period ended 30 June 2024, the risk management systems and processes for the re-appointment of the external auditor.

There are proper arrangements for employees to raise concerns about possible improprieties in financial reporting, internal control and other matters, in confidence.

Strategy Committee

The Strategy Committee comprises two executive Directors, namely Ms. JIANG Hua (chairlady), and Dr. DOU Changlin, and one independent non-executive Director, Professor SHI Luwen. The main responsibility of the Strategy Committee is to conduct research on the Company's long-term development strategies and significant investment decisions, and make recommendations to the Board of the Company, including the following:

- to study and make recommendations on the Company's long-term strategic development plan;

- to tackle other matters related to strategic investment as required by the laws, regulations, regulatory documents, the Listing Rules, Articles of Association and other internal management systems of the Company or authorized by the Board;

- to study and make recommendations on other significant events that affect the Company's development;

- to inspect the implementation of the above matters approved by the Board or the general meeting; and

- to study and make recommendations on significant investments, financing, significant capital operations, and asset operating projects subject to the approval by the Board or the general meeting as required by the Articles of Association or other internal management systems of the Company.

The written terms of reference of the Strategy Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2024, one meeting of the Strategy Committee was held.

ESG Committee

The ESG Committee comprises two executive Directors, namely Ms. JIANG Hua (chairlady), and Dr. DOU Changlin, and one non-executive Director, Ms. LI Li. The main responsibility of the ESG Committee is to identify and manage environmental, social and governance-related risks and opportunities, and to address and implement relevant governance strategies and initiatives. The ESG Committee has the following primary duties:

- to co-ordinate, identify, assess and manage the ESG matters of the Group and report to the Board on any significant issues;
- to develop and review the approach and strategy of the Group's ESG policies, and closely monitor the implementation and effectiveness of ESG policies and initiatives;
- to set ESG-related objectives according to the actual situation of the Group and to regularly review the progress and performance of the Group against these objectives;
- to assist the Board in reviewing the annual ESG Report, and coordinate the preparation of the ESG Report;
- to keep abreast of regulatory requirements and to oversee the Group's compliance with relevant laws and regulations; and
- to co-ordinate any other ESG-related work as may be assigned by the Board.

The written terms of reference of the ESG Committee are available on the websites of the Stock Exchange and the Company.

The ESG Committee was established on 27 March 2023. One meeting of the ESG Committee was held during the Reporting Period.

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2024 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board with necessary explanation and information in enabling the Board to conduct an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

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

The statement by the auditor of the Company regarding their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 74 to 78 of this annual report.

Risk Management and Internal Control

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard Shareholders' investments and the Company's assets. The effectiveness of such system is examined on an annual basis. The Board also clarifies that the system is purported to manage, but not eliminate, the risk of failure to fulfil business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established an internal audit department to review the financial condition, operational condition, risk management, compliance control and internal control of the Group. Management is responsible for performing risk assessment, and owning the implementation and maintenance of internal control. Well defined policies and procedures that are properly documented and communicated to employees are essential to the risk management and internal control systems.

At least annually, the Board, through the Audit Committee, review the effectiveness of the risk management and the internal control systems of the Company including the adequacy of resources, qualifications and experience of staff on the Company's accounting and financial reporting function, and their training programmes and budget, and considered the internal control system to be effective and adequate. For the year ended 31 December 2024, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget and considered the risk management and the internal control systems to be effective and adequate.

The Group's risk management and internal control system is embedded within our business processes so that it functions as an integral part of the overall operation of the Group. The system comprises a comprehensive organisation structure with assignment of definite accountabilities and delegation of corresponding authorities to each post. Based on our organization structure, a reporting system has been developed including reporting channels from division heads of business units to the Board.

The risk management and internal control systems and accounting system of the Group are aimed at identifying and evaluating the Group's risk and formulate risk mitigation strategies, and to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation, and the accounting records are reliable for preparing financial information used within the business for publication, maintaining accountability for assets and liabilities, and ensuring that the business operations are in accordance with relevant legislation, regulations and internal guidelines.

The Group has a defined organisational structure with clear defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to report to executive Directors on a regular basis. Policies and procedures are set for each department, which includes establishing and maintaining effective policies to enhance risks identification to which the Group are exposed and taking appropriate action to manage such risks, establishing a structure with defined authorities and proper segregation of duties; monitoring the strategic plan and performance; designing an effective accounting and information system; controlling price sensitive information, and ensuring swift actions and timely communication with our stakeholders.

Whistle-blowing Policy

The Company has in place the Whistle-blowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, about possible improprieties in any matters related to the Company.

Anti-Fraud and Anti-Bribery Policy

The Company also has in place the Anti-Fraud and Anti-Bribery Policy to safeguard against fraud and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected fraud and bribery. Employees can also make anonymous reports set out in the Whistle-blowing Policy.

DISSEMINATION OF INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has internal policy and procedures which strictly prohibit unauthorised use of inside information and has communicated to all staff; the Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the remuneration paid or payable to the external auditor of the Company, Ernst & Young, for audit services and non-audit services were RMB3.0 million and nil, respectively.

The Audit Committee and the Board have agreed on the re-appointment of Ernst & Young as the independent auditor of the Group for 2025 and the proposal will be submitted for approval at the AGM to be held on 5 June 2025.

COMPANY SECRETARY

Ms. LAI Siu Kuen ("Ms. LAI") has been appointed as the company secretary of the Company since 10 March 2022. Ms. LAI is a director of the Corporate Services Division of Tricor Services Limited, and she is communicating closely with Ms. JIANG Hua, our Chairlady of the Board and the Chief Executive Officer.

During the year ended 31 December 2024, Ms. LAI undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The AGM of the Company provides opportunity for Shareholders to communicate directly with the Directors. The Chairlady of the Board, the chairperson of each Board committee of the Company will attend the AGMs to answer shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the independence of auditor.

To promote effective communication, the Company adopts a shareholders' communication policy which aims to establish a two-way relationship and communication between the Company and its shareholders. The Company maintains a website at www.boan-bio.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board has reviewed the implementation of the shareholders' communication policy and considers its implementation as effective. Investors may write directly to the Company or via email to BAIR@boan-bio.com for any inquiries. Having considered the multiple channels of communication in place, the Board is satisfied that the shareholders' communication policy conducted during the year has been properly implemented and is effective.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll in accordance with the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 55 of the Articles of Association, if Shareholders request the convening of an extraordinary general meeting, the following procedures shall be carried out:

(i) any shareholder(s) individually or jointly holding 10% or more of the shares of the Company is/are entitled to request in writing the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply to such shareholder(s) stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receipt of such requisition.

(ii) in the event that the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be given within 5 days after the relevant Board resolution is passed and consent of the relevant shareholder(s) shall be obtained in case of any changes to the original proposal in the notice.

(iii) in the event that the Board disagrees to convene an extraordinary general meeting or does not furnish any reply within 10 days after having received such requisition, any shareholder(s) individually or jointly holding 10% or more of the shares of the Company is/are entitled to propose in writing to the Board of Supervisors to convene an extraordinary general meeting.

(iv) in the event that the Board of Supervisors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be given within 5 days after receipt of such requisition and consent of the relevant shareholder(s) shall be obtained in case of any changes to the original proposal in the notice.

(v) in the event that the Board of Supervisors fails to serve any notice of a general meeting within the prescribed period, the Board of Supervisors is deemed not to convene and preside over the meeting, in which case the shareholder(s) individually or jointly holding 10% or more of the shares of the Company for more than 90 consecutive days may convene and preside over the meeting on its/their own.

Where the Shareholders convene and preside over a meeting by themselves as the Board fails to convene the meeting pursuant to the aforesaid request, the reasonable expenses incurred therefrom shall be borne by the Company and deducted from the amounts due from the Company to the defaulting Directors.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to Article 60 of the Articles of Association, where the Company convenes a general meeting, the Board, the Board of Supervisors and shareholder(s) individually or jointly holding more than 3% of the shares of the Company shall have the right to put forward proposals to the Company.

Shareholder(s) individually or jointly holding more than 3% of the shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting. The convener shall serve a supplemental notice of the general meeting within 2 days after receipt of the provisional proposals and notify the contents of the said provisional proposals.

Save as specified above, the convener shall not change the proposals set out in the notice of the general meeting or add any new proposal after the said notice is served.

Proposals not set out in the notice of the general meeting or not complying with the Articles of Association shall not be voted on or resolved at the general meeting.

DIVIDEND POLICY

It is the policy of the Board, in considering payment of dividends, to allow Shareholders to share the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending dividends:

- the Company's earnings and financial position;
- the Group's working capital, operating and capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic condition, business cycle of the Group's business and other internal or external factors that may affect the business or financial performance and position of the Company; and
- other factors that the Board considers relevant.

The payment of dividends is also subject to applicable laws and regulations including the laws and regulations of the PRC and the Articles of Association. The Board will continually review the dividend policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period.

Enquiries to the Board and Proposals for General Meetings

Written enquiries to the Board and proposals for general meetings may be made at the Company's principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong for the attention to the Chairlady of the Board. Other enquiries may be made by telephone at (86) 0535-4379111.

CHANGE IN CONSTITUTIONAL DOCUMENTS

As disclosed in the Company's announcement dated 7 August 2024, the Company completed the placing of 26,655,600 new Shares on the same day. Accordingly, it was proposed that the Articles of Association be amended to reflect the corresponding changes to the capital structure and registered capital of the Company (the "Amendments"). Details of such Amendments are set out in the announcement dated 23 August 2024. The general mandate obtained at the annual general meeting of the Company held on 31 May 2024 provided authority to the Board for the proposed Amendments as a result of the placing and the proposed Amendments did not have to be further considered and approved by the shareholders at a general meeting of the Company. The updated Articles of Association took effect on 28 August 2024.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Shandong Boan Biotechnology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 156, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other 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 IFRS Accounting Standards as 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") as issued by 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 MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs	
During the year, expenditure of RMB321,328,000 incurred on projects to develop new pharmaceutical products was capitalised in intangible assets in the consolidated financial statements. The expenditure on development activities is capitalised when all the criteria mentioned in note 2.4 *Material accounting policies* were satisfied. Significant management estimation and judgement were required in determining whether the capitalised costs met the capitalisation criteria. The Group's disclosures about the capitalisation of development costs are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 15 *Intangible assets*, which specifically explain the accounting policies and management's assumptions and accounting estimates.	We evaluated management's judgement on the distinction between the research and development phase and the satisfaction of capitalisation criteria through comparison to industry practice and the Group's policy. We obtained an understanding of the Group's internal approval process regarding the capitalisation of development costs by conducting interviews with key management members in charge of research, development and commercialisation of various projects. We also examined technical feasibility reports and certifications related to different stages of development activities and reviewed the expenditure documents relevant to separately accounted development costs.
Impairment testing of intangible assets not yet available for use	
As at 31 December 2024, intangible assets not yet available for use amounted to RMB670,695,000. The Group performs its impairment test for intangible assets not yet available for use on an annual basis. The impairment reviews performed by the Group contained significant judgement and estimates on assumptions including growth rate, profit margin and discount rate. The Group's disclosures on intangible assets not yet available for use are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 15 *Intangible assets*, which specifically explain the accounting policies and management's assumptions and accounting estimates.	We reviewed the key assumptions including the product's projected market share, expected selling price and associated costs to be incurred by comparing them against industry analyst commentaries, consensus forecasts of certain therapeutic areas and benchmark data for comparable companies where available. We involved our internal valuation specialists to assist us in evaluating the methodologies used in the impairment analysis, particularly the discount rate and growth rate.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairlady's Statement, the Report of Directors and the Corporate Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairlady's Statement, the Report of Directors and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Hooi Wan Yee.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**726,316**	618,129
Cost of sales		**(183,663)**	(209,161)
Gross profit		**542,653**	408,968
Other income and gains	5	**45,088**	27,654
Research and development costs		**(149,274)**	(230,682)
Administrative expenses		**(46,460)**	(51,687)
Selling and distribution expenses		**(285,844)**	(256,533)
Other expenses		**(323)**	(3,010)
Finance costs	7	**(32,651)**	(14,087)
PROFIT/(LOSS) BEFORE TAX	6	**73,189**	(119,377)
Income tax expense	10	**–**	–
PROFIT/(LOSS) FOR THE YEAR		**73,189**	(119,377)
Attributable to:			
Owners of the parent		**73,189**	(119,377)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(45)**	228
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(45)**	228
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**73,144**	(119,149)
Attributable to:			
Owners of the parent		**73,144**	(119,149)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	12	**0.14**	(0.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**594,765**	615,417
Advance payments for property, plant and equipment		**47,224**	32,765
Right-of-use assets	14(a)	**10,035**	11,693
Intangible assets	15	**1,242,984**	950,504
Total non-current assets		**1,895,008**	1,610,379
CURRENT ASSETS			
Inventories	16	**168,251**	165,291
Trade and notes receivables	17	**453,604**	276,195
Prepayments, other receivables and other assets	18	**128,520**	57,381
Pledged deposits	19	**7,038**	12,290
Cash and cash equivalents	19	**198,867**	201,850
Total current assets		**956,280**	713,007
CURRENT LIABILITIES			
Lease liabilities	14(b)	**1,787**	3,567
Trade and notes payables	20	**213,594**	217,572
Other payables and accruals	21	**168,096**	239,464
Interest-bearing bank and other borrowings	22	**254,047**	167,839
Due to related parties	31(c)	**11,157**	24,907
Total current liabilities		**648,681**	653,349
NET CURRENT ASSETS		**307,599**	59,658
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,202,607**	1,670,037

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	**4,807**	6,175
Interest-bearing bank and other borrowings	22	**424,898**	228,324
Government grants	23	**5,342**	3,000
Other non-current liabilities	24	**123,522**	112,670
Total non-current liabilities		**558,569**	350,169
Net assets		**1,644,038**	1,319,868
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**535,934**	509,278
Reserves	27	**1,108,104**	810,590
Total equity		**1,644,038**	1,319,868

Ms. Jiang Hua
Director

Mr. Dou Changlin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent						
	Share capital RMB'000 (note 26)	Share premium* RMB'000 (note 27)	Other reserves* RMB'000 (note 27)	Safety production reserve* RMB'000 (note 27)	Exchange fluctuation reserve* RMB'000 (note 27)	Accumulated losses* RMB'000	Total equity RMB'000
At 1 January 2024	509,278	1,329,450	104,549	5,893	1,803	(631,105)	1,319,868
Profit for the year	–	–	–	–	–	73,189	73,189
Exchange differences on translation of foreign operations	–	–	–	–	(45)	–	(45)
Total comprehensive income for the year	–	–	–	–	(45)	73,189	73,144
Issue of shares *(note 26)*	26,656	202,871	–	–	–	–	229,527
Appropriation to safety production reserve	–	–	–	1,962	–	(1,962)	–
Safety production reserve used	–	–	–	(620)	–	620	–
Share-based payment arrangements *(note 28)*	–	–	21,499	–	–	–	21,499
At 31 December 2024	535,934	1,532,321	126,048	7,235	1,758	(559,258)	1,644,038

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent						
	Share capital RMB'000 (note 26)	Share premium* RMB'000 (note 27)	Other reserves* RMB'000 (note 27)	Safety production reserve* RMB'000 (note 27)	Exchange fluctuation reserve* RMB'000 (note 27)	Accumulated losses* RMB'000	Total equity RMB'000
At 1 January 2023	509,278	1,329,450	83,909	5,227	1,575	(511,062)	1,418,377
Loss for the year	–	–	–	–	–	(119,377)	(119,377)
Exchange differences on translation of foreign operations	–	–	–	–	228	–	228
Total comprehensive income for the year	–	–	–	–	228	(119,377)	(119,149)
Appropriation to safety production reserve	–	–	–	1,783	–	(1,783)	–
Safety production reserve used	–	–	–	(1,117)	–	1,117	–
Share-based payment arrangements *(note 28)*	–	–	20,640	–	–	–	20,640
At 31 December 2023	509,278	1,329,450	104,549	5,893	1,803	(631,105)	1,319,868

* These reserve accounts comprise the consolidated reserves of RMB1,108,104,000 (2023: RMB810,590,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		73,189	(119,377)
Adjustments for:			
Finance costs	7	32,651	14,087
Bank interest income		–	(1,159)
Depreciation of property, plant and equipment		42,834	51,454
Depreciation of right-of-use assets		1,754	5,861
Amortisation of intangible assets		28,317	25,451
Impairment/(reversal of impairment) of trade receivables, net	17	2,168	(26)
Impairment of other receivables, net	18	509	–
Share-based payment expense	28	21,499	20,640
Foreign exchange differences, net		(48)	2,831
		202,873	(238)
Increase in inventories		(2,960)	(21,657)
Increase in trade and notes receivables		(179,577)	(60,208)
Increase in prepayments, other receivables and other assets		(71,648)	(9,270)
Decrease/(increase) in pledged deposits		5,252	(5,130)
(Decrease)/increase in trade and notes payables		(3,978)	57,369
(Decrease)/increase in other payables and accruals		(65,052)	7,014
Increase in government grants		2,342	3,000
(Decrease)/increase in amounts due to related parties		(15,188)	8,215
Increase in other non-current liabilities		10,000	2,337
Cash used in operations		(117,936)	(18,568)
Net cash flows used in operating activities		(117,936)	(18,568)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Net cash flows used in operating activities		**(117,936)**	(18,568)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(66,598)**	(67,324)
Increase in intangible assets		**(296,306)**	(227,434)
Proceeds from disposal of items of property, plant and equipment		**11**	–
Bank interest received		**–**	1,187
Net cash flows used in investing activities		**(362,893)**	(293,571)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**421,922**	132,845
Repayment of bank loans		**(143,813)**	(30,000)
Withdrawal of pledged deposits		**–**	200,000
Advances from a related party		**1,438**	1,374
Proceeds from issue of shares		**229,527**	–
Principal portion of lease payments		**(3,264)**	(7,025)
Interest paid		**(27,978)**	(14,108)
Net cash flows from financing activities		**477,832**	283,086
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,997)**	(29,053)
Cash and cash equivalents at beginning of year		**201,850**	233,498
Effect of foreign exchange rate changes, net		**14**	(2,595)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**198,867**	201,850
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**205,905**	164,140
Time deposits	19	**–**	50,000
		205,905	214,140
Less:			
Pledged deposits for notes payable	19	**(7,038)**	(12,290)
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**198,867**	201,850

1. CORPORATE AND GROUP INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at No. 39 Keji Avenue, High-Tech Industrial Development Zone, Yantai, Shandong Province, China.

During the year, the Company and its subsidiaries were principally engaged in the development, manufacture and commercialisation of high quality biologics in Mainland China and worldwide.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are Shandong Luye Pharmaceutical Co., Ltd. ("Shandong Luye"), which is established in the PRC, and Luye Pharma Group Ltd., which is incorporated in Bermuda, respectively.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nanjing Boan Biotechnology Co., Ltd. ("Boan Nanjing")*	PRC/ Mainland China	RMB2,000,000	100	–	Early-stage research and development in new anti antibody drugs
Boan Singapore Innovation Center Pte. Ltd.	Singapore	US$10,780,001	100	–	Overseas market development
Boan Boston LLC	United States of America ("USA")	US$1	–	100	Early-stage research and development in new antibody drugs
Shenzhen Bonuo Biotechnology Co., Ltd. *	PRC/ Mainland China	RMB1,000,000	100	–	Research and development and manufacture of pharmaceutical products

* These entities are limited liability enterprises established under PRC law.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (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 less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

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

The financial information of the subsidiaries is 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 Company 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 accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

The Group has reassessed the terms and conditions of its liabilities as at 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 IFRS ACCOUNTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards 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 and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income 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 IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards 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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (CONTINUED)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. 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 IFRS Accounting Standards. 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 *Amendments to the Classification and Measurement of Financial Instruments* 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.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (CONTINUED)

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.

- 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

Fair value measurement

The Group measures certain notes receivable 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

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.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and deferred tax 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 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 profit or loss in the period in which it arises.

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.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Buildings	20 to 40 years
Machinery and equipment	5 to 10 years
Office equipment	3 to 5 years

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets

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

Intangible assets not yet available for use are tested for impairment annually either individually or at the cash-generating unit level, irrespective of whether there is any indication that they may be impaired. Such intangible assets are not amortised.

Technology know-how

Purchased technology know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years, which is determined by the expected usage period after considering the technical obsolescence and estimates of useful lives of similar assets.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 9 to 10 years, which is determined by the expected usage period after considering the technical obsolescence and estimates of useful lives of similar assets.

Research and development costs

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

The expenditures on an internal research and development project are classified into expenditures in the research phase and expenditures in the development phase based on their nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure in the development phase is capitalised and deferred if, and only if, all of the following have been demonstrated: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) the ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Research and development costs (continued)

The specific criteria for the capitalisation of development costs are as follows:

As for biosimilar products, expenditures incurred after the commencement of Phase III clinical trial for the medicines are capitalised and recognised as assets when the above six criteria are met.

As for innovative products, expenditures incurred after obtaining the new drug application approval from the drug regulatory organisation are capitalised and recognised as assets when the above six criteria are met.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding twenty years, commencing from the date when the regulatory and marketing approval is received, which is determined based on the management's expectation of the period over which the deferred development assets are expected to be available for use by the Group, by considering product life cycles for the asset, the estimates of useful lives of similar products and the market condition.

Leases

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

Group as a lessee

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

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

Leasehold land	38 years
Laboratory	5.5 years

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

(b) Lease liabilities

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

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment and buildings (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 are recognised as an expense on a straight-line basis over the lease term.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

Purchases or sales 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 profit or loss when the asset is derecognised, modified or impaired.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

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 profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, 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.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

For trade receivables 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 market 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 financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade and notes payables, other payables and accruals, interest-bearing bank and other borrowings, lease liabilities and amounts due to related parties.

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, and borrowings)

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

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

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.

2.4 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.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where 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 and an associate, 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.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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 difference 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 and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the products.

(b) Provision of research and development services

Revenue from the provision of research and development services is recognised over time, using an output method to measure progress by using services transferred to the customer to date, because 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.

(c) Out-licensing agreements

The Group grant commercialisation licenses or intellectual property licenses of certain products. Revenue is recognised at the point in time when the control of the license is transferred to the customer. The consideration for license comprises fixed element and variable elements. The variable elements are included in the transaction price when the Group can conclude that it is highly probable there will not be a significant reversal of revenue.

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.

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, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to 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 a share-based payment scheme. 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 the back-solve method and equity value allocation based on the option pricing model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in expenses, 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 profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred. The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The 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 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).

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of 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 interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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:

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions and judgements regarding to technical feasibility of completing the intangible asset, future economic benefits and so forth.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing period for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements.

Impairment of non-financial assets

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 the reporting period. Intangible assets with indefinite useful lives or not yet available for use 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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

All external revenue of the Group during the year was attributable to customers in Mainland China.

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Mainland China	1,888,577	1,602,155
Other countries	6,431	8,224
Total non-current assets	1,895,008	1,610,379

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2024 RMB'000	2023 RMB'000
Customer A	149,881	188,433
Customer B	105,179	N/A*
Customer C	97,231	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	726,316	618,129

Revenue from contracts with customers

(a) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Types of goods or services		
Sale of products	689,853	615,272
Provision of research and development services	1,953	2,857
Out-licensing agreements	34,510	–
Total	726,316	618,129
Timing of revenue recognition		
Goods transferred at a point in time	724,363	615,272
Services transferred over time	1,953	2,857
Total	726,316	618,129

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China during the year.

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:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	12,346	6,081
Provision of research and development services	–	943
Total	12,346	7,024

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations

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

Sale of products

The performance obligation is satisfied upon acceptance of the goods and payment is generally due within one month to three months.

Provision of research and development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing.

Out-licensing agreements

The performance obligation is satisfied upon granting the license and payment is generally due within 30 days from the date of billing.

	2024 **RMB'000**	2023 RMB'000
Other income and gains		
Government grants*	**43,420**	25,768
Bank interest income	**405**	1,159
Others	**1,263**	727
Total other income and gains	**45,088**	27,654

* The government grants mainly represent subsidies received from local government authorities to support the Group's research and development activities and operation. During the year, government grants amounting to RMB267,000 (2023: RMB200,000) were released from deferred government grants (note 23).

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**179,669**	195,723
Cost of services provided		**36**	428
Depreciation of property, plant and equipment		**42,834**	51,454
Depreciation of right-of-use assets		**1,754**	5,861
Amortisation of intangible assets*		**28,317**	25,451
Research and development costs		**149,274**	230,682
Lease payments not included in the measurement of lease liabilities	14(c)	**4,574**	4,128
Auditor's remuneration		**2,972**	2,736
Write-down of inventories to net realisable value**		**3,958**	13,010
Foreign exchange differences, net		**239**	3,006
Government grants		**(43,420)**	(25,768)
Impairment/(reversal of impairment) of trade receivables, net	17	**2,168**	(26)
Impairment of other receivables, net	18	**509**	–
Bank interest income		**(405)**	(1,159)
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration *(note 8)*):			
Wages and salaries		**64,709**	92,274
Pension scheme contributions***		**19,383**	21,076
Staff welfare expenses		**3,674**	5,939
Share-based payment expense		**11,368**	9,617
Total		**99,134**	128,906

* The amortisation of technology know-how and software is included in "Research and development costs" in the consolidated statement of profit or loss and other comprehensive income. The amortisation of deferred development costs is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings	31,366	12,276
Interest on lease liabilities *(note 14(b))*	326	361
Interest on discounted notes receivable	959	1,450
Total	32,651	14,087

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' 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:

	Group	
	2024 RMB'000	2023 RMB'000
Fees	300	300
Other emoluments:		
Salaries, allowances and benefits in kind	6,012	5,951
Performance related bonuses	719	2,377
Pension scheme contributions	430	496
Share-based payment expense	10,131	11,023
Subtotal	17,292	19,847
Total	17,592	20,147

In prior years, certain directors were granted equity interests in respect of their services to the Group, further details of which are set out in note 28 to the financial statements. The fair value of the equity interests granted, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current year is included in the above directors', chief executive's and supervisors' remuneration disclosures.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (CONTINUED)

(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
Mr. Shi Luwen	100	100
Mr. Dai Jixiong	100	100
Dr. Yu Jialin	100	100
Total	300	300

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

(b) Executive directors, non-executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payment expense RMB'000	Total remuneration RMB'000
2024					
Executive directors:					
Ms. Jiang Hua*	2,223	277	125	3,913	6,538
Dr. Dou Changlin	3,608	420	239	2,957	7,224
Subtotal	5,831	697	364	6,870	13,762
Non-executive directors:					
Ms. Li Li	–	–	–	1,522	1,522
Mr. Liu Yuanchong	–	–	–	1,739	1,739
Subtotal	–	–	–	3,261	3,261
Total	5,831	697	364	10,131	17,023

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payment expense RMB'000	Total remuneration RMB'000
2023					
Executive directors:					
Ms. Jiang Hua*	2,233	1,172	122	4,166	7,693
Dr. Dou Changlin	3,538	1,175	317	2,951	7,981
Subtotal	5,771	2,347	439	7,117	15,674
Non-executive directors:					
Dr. Li Youxin	–	–	–	651	651
Ms. Li Li	–	–	–	1,519	1,519
Mr. Liu Yuanchong	–	–	–	1,736	1,736
Mr. Chen Jie	–	–	–	–	–
Subtotal	–	–	–	3,906	3,906
Total	5,771	2,347	439	11,023	19,580

* Ms. Jiang Hua was appointed as the chief executive of the Company.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (CONTINUED)

(c) Supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payment expense RMB'000	Total remuneration RMB'000
2024					
Ms. Zhang Xiaomei	–	–	–	–	–
Ms. Ning Xia	181	22	66	–	269
Ms. Liu Xiangjie	–	–	–	–	–
Total	181	22	66	–	269
2023					
Ms. Zhang Xiaomei	–	–	–	–	–
Ms. Ning Xia	180	30	57	–	267
Ms. Liu Xiangjie	–	–	–	–	–
Total	180	30	57	–	267

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

There were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

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

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	5,014	5,754
Performance related bonuses	618	1,912
Pension scheme contributions	236	223
Share-based payment expense	3,887	3,880
Total	9,755	11,769

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees 2024	 2023
HK$2,500,001 to HK$3,000,000	1	–
HK$3,500,001 to HK$4,000,000	2	2
HK$5,000,001 to HK$5,500,000	–	1
Total	3	3

In prior years, equity interests were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are set out in note 28 to the financial statements. The fair value of the equity interests granted, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiary of the Group as determined in accordance with the PRC Corporate Income Tax Law. During the year, the Company was accredited as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2023: 15%).

Pursuant to the relevant tax laws of Singapore, the subsidiary which operates in Singapore was subject to corporate income tax at the rate of 17% (2023: 17%) on the taxable income.

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (2023: 21%) on the taxable income arising in the USA.

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2024 **RMB'000**	2023 RMB'000
Profit/(loss) before tax	**73,189**	(119,377)
Tax charged at the statutory tax rate of 25%	**18,297**	(29,844)
Effect of different tax rates enacted by local authorities	**644**	780
Effect of preferential income tax rate enacted by local authority	**(10,370)**	8,284
Additional deductible allowance for research and development costs	**(23,204)**	(30,538)
Expenses not deductible for tax	**646**	251
Deductible temporary differences and tax losses not recognised	**13,987**	51,067
Tax charge at the Group's effective tax rate	**–**	–

11. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2023: Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 535,933,694 (2023: 509,278,094) outstanding during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024					
At 1 January 2024:					
Cost	126,380	615,608	10,202	77,461	829,651
Accumulated depreciation	(12,177)	(198,170)	(3,887)	–	(214,234)
Net carrying amount	114,203	417,438	6,315	77,461	615,417
At 1 January 2024, net of accumulated depreciation	114,203	417,438	6,315	77,461	615,417
Additions	–	20,716	1,379	23,737	45,832
Disposals	–	(9)	(2)	–	(11)
Depreciation provided during the year	(4,067)	(60,903)	(1,503)	–	(66,473)
At 31 December 2024, net of accumulated depreciation	110,136	377,242	6,189	101,198	594,765
At 31 December 2024:					
Cost	126,380	636,075	11,572	101,198	875,225
Accumulated depreciation	(16,244)	(258,833)	(5,383)	–	(280,460)
Net carrying amount	110,136	377,242	6,189	101,198	594,765

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	121,379	553,911	9,297	40,799	725,386
Accumulated depreciation	(8,110)	(142,757)	(2,427)	–	(153,294)
Net carrying amount	113,269	411,154	6,870	40,799	572,092
At 1 January 2023, net of accumulated depreciation	113,269	411,154	6,870	40,799	572,092
Additions	5,001	45,980	905	52,374	104,260
Depreciation provided during the year	(4,067)	(55,408)	(1,460)	–	(60,935)
Transfers	–	15,712	–	(15,712)	–
At 31 December 2023, net of accumulated depreciation	114,203	417,438	6,315	77,461	615,417
At 31 December 2023:					
Cost	126,380	615,608	10,202	77,461	829,651
Accumulated depreciation	(12,177)	(198,170)	(3,887)	–	(214,234)
Net carrying amount	114,203	417,438	6,315	77,461	615,417

At 31 December 2024, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB243,549,000 (2023: RMB266,098,000) were pledged to secure bank and other borrowings (note 22).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of laboratory and office premises, and machinery and equipment used in its operations. Lump sum payment was made upfront to acquire the leased land from the owner with a lease period of 38 years, and no ongoing payments will be made under the terms of the land lease. Lease of laboratory has lease term period of 5.5 years. Other machinery, equipment and office premises generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Laboratory and office premises RMB'000	Machinery and equipment RMB'000	Total RMB'000
At 1 January 2023	4,313	3,408	2,881	10,602
Additions	–	8,717	–	8,717
Depreciation charge	(111)	(4,628)	(2,551)	(7,290)
Reduction as a result of lease modifications	–	–	(330)	(330)
Exchange realignment	–	(6)	–	(6)
At 31 December 2023 and 1 January 2024	**4,202**	**7,491**	**–**	**11,693**
Depreciation charge	**(111)**	**(1,643)**	**–**	**(1,754)**
Exchange realignment	**–**	**96**	**–**	**96**
At 31 December 2024	**4,091**	**5,944**	**–**	**10,035**

At 31 December 2024, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB4,091,000 (2023: RMB4,202,000) were pledged to secure bank loans (note 22).

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**9,742**	8,384
New leases	**–**	8,717
Accretion of interest recognised during the year	**326**	361
Payments	**(3,590)**	(7,386)
Reduction as a result of lease modifications	**–**	(330)
Exchange realignment	**116**	(4)
Carrying amount at 31 December	**6,594**	9,742
Analysed into:		
Current portion	**1,787**	3,567
Non-current portion	**4,807**	6,175

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**326**	361
Depreciation charge of right-of-use assets	**1,754**	5,861
Expense relating to short-term leases (included in cost of sales, research and development costs and administrative expenses)	**4,574**	4,128
Total amount recognised in profit or loss	**6,654**	10,350

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

15. INTANGIBLE ASSETS

	Technology know-how RMB'000	Deferred development costs RMB'000	Software RMB'000	Total RMB'000
31 December 2024				
Cost at 1 January 2024, net of accumulated amortisation	900	949,508	96	950,504
Addition	–	321,328	–	321,328
Amortisation provided during the year	(900)	(27,936)	(12)	(28,848)
At 31 December 2024	–	1,242,900	84	1,242,984
At 31 December 2024:				
Cost	36,000	1,318,984	116	1,355,100
Accumulated amortisation	(36,000)	(76,084)	(32)	(112,116)
Net carrying amount	–	1,242,900	84	1,242,984
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation	4,500	726,904	101	731,505
Addition	–	245,904	7	245,911
Amortisation provided during the year	(3,600)	(23,300)	(12)	(26,912)
At 31 December 2023	900	949,508	96	950,504
At 31 December 2023:				
Cost	36,000	997,660	116	1,033,776
Accumulated amortisation	(35,100)	(48,152)	(20)	(83,272)
Net carrying amount	900	949,508	96	950,504

15. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of deferred development costs

The intangible assets of the Group include the deferred development costs which are the expenditure incurred in the development phase of each project. The management of the Company tests the deferred development costs which are not yet available for use for impairment at least annually, and whenever there is an indication that the unit may be impaired, by comparing their carrying amounts with their recoverable amounts.

The recoverable amounts of the deferred development costs were determined based on the value in use. The value in use of the deferred development costs was determined by using the risk-adjusted net present value method through taking into account the possibility of success, using cash flow projections based on financial budgets approved by the management of the Company covering ten to fourteen years which consist of development periods of one years, growth and mature periods of four to eight years and fast-declining periods of five years, reflecting the periods before reaching a perpetual growth mode. Considering it generally takes longer for a biotechnology company to reach a perpetual growth mode compared to companies in other industries and taking into account of the expected timing of commercialisation, market size and penetration of related products, the management of the Company prepared the financial forecasts up to the year of 2038 in the impairment tests. Other key assumptions used in the value-in-use calculations are listed as follows:

	2024	2023
Discount rate	**14%**	14%
Budgeted gross margin	**66% to 86%**	86%
Terminal growth rate	**–3%**	–3%

Discount rate – The discount rate used is before tax and reflect specific risks relating to deferred development costs.

Budgeted gross margin – The basis used to determine the value assigned to budgeted gross margin is the market gross margins where the biopharmaceuticals are located, taking into account the expected efficiency improvements and expected market development.

Terminal growth rate – The terminal growth rates used to extrapolate the cash flows beyond the forecast period is based on the estimate to the life cycle of biosimilars and the characteristics of biopharmaceuticals.

The values assigned to the key assumptions are consistent with historical experience of the Group and external information sources.

15. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of deferred development costs (continued)

The recoverable amounts of deferred development costs and the carrying amounts of each project are listed as follows:

	Recoverable amounts RMB'000	Carrying amounts RMB'000	Headroom RMB'000
2024			
BA9101	**216,083**	**174,942**	**41,141**
BA5101	**1,311,624**	**134,679**	**1,176,945**
BA6101 overseas	**941,557**	**141,906**	**799,651**
BA1102 overseas	**520,592**	**83,086**	**437,506**
BA1104	**982,572**	**136,082**	**846,490**
Total	**3,972,428**	**670,695**	**3,301,733**
2023			
BA1102	562,451	177,708	384,743
BA9101	169,847	140,545	29,302
BA5101	1,132,032	80,116	1,051,916
BA6101 overseas	788,301	65,496	722,805
BA1102 overseas	433,013	30,412	402,601
BA1104	804,717	40,699	764,018
Total	3,890,361	534,976	3,355,385

16. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**61,043**	67,429
Work in progress	**56,427**	44,443
Finished goods	**50,781**	53,419
Total	**168,251**	165,291

17. TRADE AND NOTES RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	435,237	213,199
Notes receivable	20,535	62,996
	455,772	276,195
Impairment	(2,168)	–
Net carrying amount	453,604	276,195

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to three months, depending on the specific payment terms in each contract. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables is an amount due from a related party of RMB249,000 (2023: RMB554,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2024, notes receivable of RMB7,043,000 (2023: RMB62,996,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant.The remaining notes receivable of RMB13,492,000 (2023: Nil) were measured at amortised cost.

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 RMB'000	2023 RMB'000
Within 3 months	432,204	206,276
3 to 6 months	2,820	5,730
6 to 12 months	171	1,193
1 to 2 years	42	–
Total	435,237	213,199

17. TRADE AND NOTES RECEIVABLES (CONTINUED)

The movement in the loss allowance for impairment of trade receivables is as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	–	26
Impairment losses, net	2,168	(26)
At end of year	2,168	–

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing 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. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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	1 year to 2 years	Total
Expected credit loss rate	0.50%	23.02%	0.50%
Gross carrying amount (RMB'000)	435,195	42	435,237
Expected credit losses (RMB'000)	2,158	10	2,168

As at 31 December 2023

	Within 1 year	1 year to 2 years	Total
Expected credit loss rate	0.00%	50.00%	0.00%
Gross carrying amount (RMB'000)	213,199	–	213,199
Expected credit losses (RMB'000)	–	–	–

At 31 December 2024, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB24,013,000 (2023: RMB25,497,000) (the "Endorsement"). In addition, the Group discounted certain notes receivable accepted by banks in Mainland China (the "Discounted Notes") to finance its operating cash flows with a carrying amount in aggregate of RMB61,917,000 (2023: RMB200,919,000) (the "Discount"). The Endorsed Notes and the Discounted Notes had a maturity from one to twelve months as at the end of the reporting period. In accordance with the Law of Negotiable Instruments and relevant discounting arrangements with the certain banks in Mainland China, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if that certain banks default (the "Continuing Involvement").

17. TRADE AND NOTES RECEIVABLES (CONTINUED)

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to certain Endorsed Notes and Discounted Notes with amounts of RMB16,989,000 (2023: RMB11,191,000) and RMB59,917,000 (2023: RMB177,001,000), respectively, accepted by large and reputable banks (the "Derecognised Notes"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

For the remaining Endorsed Notes and Discounted Notes, the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes and Discounted Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the Discounted Notes. Subsequent to the Endorsement or the Discount, the Group did not retain any rights on the use of the Endorsed Notes or the Discounted Notes, including the sale, transfer or pledge of the Endorsed Notes or the Discounted Notes to any other third parties. At 31 December 2024, the aggregate carrying amount of the trade and other payables settled by such Endorsed Notes to which the suppliers have recourse was RMB7,024,000 (2023: RMB14,306,000), and the aggregate carrying amount financed by such Discounted Notes to which the banks have recourse was RMB2,000,000 (2023: RMB23,918,000).

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments	**48,640**	37,710
Prepaid expenses	**17,252**	–
Value-added tax recoverable	**5,188**	15,750
Other receivables	**55,812**	1,171
Other current assets	**2,137**	2,750
	129,029	57,381
Impairment	**(509)**	–
Net carrying amount	**128,520**	57,381

Other receivables mainly represent deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2024, the probability of default applied ranged from 1.50% to 1.84% and the loss given default was estimated to be 55.91%. As at 31 December 2023, the loss allowance of the Group was assessed to be minimal and the expected credit loss rate for other receivables was close to zero.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**205,905**	164,140
Time deposit	**–**	50,000
Subtotal	**205,905**	214,140
Less:		
Pledged deposits for notes payable *(note 20)*	**(7,038)**	(12,290)
Cash and cash equivalents	**198,867**	201,850
Denominated in:		
RMB	**194,483**	199,958
United States dollar ("US$")	**3,905**	1,694
Singapore dollar	**265**	168
Hong Kong dollar ("HK$")	**214**	30
Cash and cash equivalents	**198,867**	201,850

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 earns interest at floating rates based on daily bank deposit rates. Short term time deposit is made for period of one day and earns interest at the short term time deposit rate. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

20. TRADE AND NOTES PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	125,137	185,691
Notes payable	88,457	31,881
Total	213,594	217,572

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 3 months	64,322	120,678
3 to 6 months	11,970	30,234
6 to 12 months	19,507	27,828
1 to 2 years	24,794	4,999
Over 2 years	4,544	1,952
Total	125,137	185,691

Trade payables are non-interest-bearing and are normally settled on 90-day terms.

The maturity of notes payable is within twelve months.

Notes payable were secured by certain of the deposits amounting to RMB7,038,000 (2023: RMB12,290,000) (note 19).

21. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Payroll payables		**13,833**	26,303
Other payables	(a)	**64,682**	53,636
Taxes payable other than income tax		**8,848**	5,678
Accrued promotion expenses		**69,314**	141,501
Contract liabilities	(b)	**11,419**	12,346
Total		**168,096**	239,464

Notes:

(a) Other payables are non-interest-bearing and repayable on demand.

(b) Details of contract liabilities are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Short-term advances received from customers			
Sale of products	**11,419**	12,346	6,081
Provision of research and development services	**–**	–	943
Total	**11,419**	12,346	7,024

Contract liabilities include short-term advances received to deliver products and render research and development services. The decrease in contract liabilities in 2024 was mainly due to the decrease in short-term advances received from customers in relation to the sale of products at the end of the year. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances received from customers in relation to the sale of products at the end of the year.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Interest rate (%)	Maturity	2024 RMB'000	2023 RMB'000
Current				
Bank loans – secured	1-year LPR+0.45~1.05	2025	144,012	62,066
Current portion of long-term bank loans – secured	5-year LPR+0.05	2025	70,208	50,273
Current portion of long-term other borrowings – secured	5.10~6.00	2025	37,827	31,676
Discounted notes receivable	1.42~1.43	2025	2,000	23,824
Total – current			254,047	167,839
Non-current				
Bank loans – secured	5-year LPR+0.05	2026	90,000	160,000
Long-term other borrowings – secured	5.10~6.00	2026~2027	334,898	68,324
Total – non-current			424,898	228,324
Total			678,945	396,163
Analysed into:				
Bank loans and other borrowings repayable:				
Within one year			254,047	167,839
In the second year			224,898	103,287
In the third to fifth years, inclusive			200,000	125,037
Total			678,945	396,163

The Group's bank loans and other borrowings are denominated in RMB and are secured by:

(i) mortgages over the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB243,549,000 (2023: RMB266,098,000) (note 13); and

(ii) mortgages over the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of RMB4,091,000 (2023: RMB4,202,000) (note 14).

Shandong Luye, the Company's immediate holding company, and Yantai Luye, shareholder of Shandong Luye, have guaranteed certain of the Group's bank loans and other borrowings amounting to RMB160,208,000 (2023: RMB210,273,000) as at the end of the reporting period (note 31(b)).

23. GOVERNMENT GRANTS

	2024 **RMB'000**	2023 RMB'000
At beginning of year	**3,000**	–
Grants received during the year	**2,609**	3,200
Amounts released to profit or loss	**(267)**	(200)
At end of year	**5,342**	3,000

The grants were related to the subsidies received from local government authorities to support the Group's research and development activities with conditions to fulfil and the Group's improvement of manufacturing facilities on certain special projects. Upon completion of the related projects and having passed the final assessment from the relevant government authorities, the grants related to the expense items would be recognised as other income directly in the statement of profit or loss and the grants related to an asset would be released to the statement of profit or loss over the expected useful life of the relevant asset.

24. OTHER NON-CURRENT LIABILITIES

The Group entered into collaboration agreements with OcuMension Therapeutics (Zhejiang) Co., Ltd. ("OcuMension"), pursuant to which the Company agreed to conduct certain initial stages of the Phase 3 clinical trial and commercial production and to obtain the biologic licence application of BA9101 and OcuMension agreed to complete the rest of Phase 3 clinical trial and to promote and commercialise BA9101 in Mainland China. Other non-current liabilities represent the considerations received for the collaboration arrangement.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2024 **Right-of-use assets** **RMB'000**
At 31 December 2023	**1,869**
Deferred tax credited to profit or loss during the year	**(386)**
Gross deferred tax liabilities at 31 December 2024	**1,483**

25. DEFERRED TAX (CONTINUED)

Deferred tax assets

	2024 Lease liabilities RMB'000
At 31 December 2023	**1,869**
Deferred tax charged to profit or loss during the year	**(386)**
Gross deferred tax assets at 31 December 2024	**1,483**

Deferred tax liabilities

	2023 Right-of-use assets RMB'000
At 31 December 2022	990
Deferred tax charged to profit or loss during the year	879
Gross deferred tax liabilities at 31 December 2023	1,869

25. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

	2023 Lease liabilities RMB'000
At 31 December 2022	990
Deferred tax credited to profit or loss during the year	879
Gross deferred tax assets at 31 December 2023	1,869

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	**–**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	–

The Group has accumulated tax losses in Mainland China of RMB2,398,913,000 (2023: RMB2,281,663,000) that can be carried forward for five to ten years to offset against future taxable profits of the entities in which losses were incurred. The Group has deductible temporary differences in Mainland China of RMB185,927,000 (2023: RMB247,697,000).

The Group has accumulated tax losses in the USA and Singapore of RMB73,603,000 (2023: RMB60,963,000) and RMB4,052,000 (2023: RMB2,327,000), respectively, that can be carried forward indefinitely to offset against future taxable profits of the entity in which the losses incurred.

Deferred tax assets have not been recognised in respect of these losses and temporary differences as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. SHARE CAPITAL

Shares

	2024 RMB'000	2023 RMB'000
Issued and fully paid:		
535,933,694 (2023: 509,278,094) ordinary shares	**535,934**	509,278

A summary of movements in the Company's share capital is as follows:

	Number of shares	Share capital RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024	509,278,094	509,278
Shares issued *(note)*	26,655,600	26,656
At 31 December 2024	**535,933,694**	**535,934**

Note:

On 7 August 2024, a total of 26,655,600 shares were placed at a placing price of HK$9.5 per placing share, resulting in the issue of 26,655,600 shares for a total proceeds, before expenses, of HK$253,228,000 (equivalent to RMB231,861,000). A portion of the gross proceeds amounted to HK$29,113,000 (equivalent to RMB26,656,000) was credited to share capital and the remaining balance after deducting expenses of HK$221,566,000 (equivalent to RMB202,871,000) was credited to the share premium account.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity of the financial statements.

Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company.

Other reserves

Other reserves of the Group represent the share premium contributed by the shareholders of the Company before its conversion into a joint stock company, exempted payables to shareholders and share-based payment reserve.

Safety production reserve

The Group has appropriated a certain amount of accumulated losses to the safety production reserve fund for safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to accumulated losses.

Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

28. SHARE-BASED PAYMENT

In December 2020, the board of directors of the Company passed a resolution to grant equity interests in the Company to the eligible employees (including directors) in order to provide incentives and rewards to participants for the business development of the Group. Subsequently, Yantai Bolian Investment Center Limited Partnership ("Yantai Bolian"), Yantai Bosheng Investment Center Limited Partnership ("Yantai Bosheng") and Yantai Bofa Investment Center Limited Partnership ("Yantai Bofa"), three employee incentive platforms established in the PRC, subscribed paid-in capital of RMB21,380,000, RMB14,930,000 and RMB11,250,000 of the Company for total considerations of RMB64,140,000, RMB44,790,000 and RMB33,750,000, respectively.

On 27 January 2021, 4.4247% of the then equity interest in the Company was granted to 36 selected directors and employees of the Company for a consideration of RMB64,140,000 through Yantai Bolian. 3.0898% of the then equity interest in the Company was granted to 45 selected directors and employees of the Company for a consideration of RMB44,790,000 through Yantai Bosheng. 2.3282% of the then equity interest in the Company was granted to 47 selected directors and employees of the Company for a consideration of RMB33,750,000 through Yantai Bofa. The management has the power to select the eligible employees and the Group derive benefits from the services of the employees who have been granted the then equity interest through their continued employment with the Group.

Pursuant to the partnership agreements of Yantai Bolian, Yantai Bosheng and Yantai Bofa (collectively referred to as the "ESOP Entities"), (i) the ESOP Entities shall not dispose of any of the shares they held within 36 months immediately following the date of the Company's listing (the "ESOP Lock-up Period"); and (ii) a partner is entitled to direct the ESOP Entities to dispose of his/her share of the shares held by the ESOP Entities (based on his/her shareholding percentage in the ESOP Entities) (the "ESOP Shares") in the following manner: (a) 25% of his/her ESOP Shares upon the expiry of 12 months following the day after the ESOP Lock-up Period; (b) 50% of his/her ESOP Shares upon the expiry of 24 months following the day after the ESOP Lock-up Period; (c) 75% of his/her ESOP Shares upon the expiry of 36 months following the day after the ESOP Lock-up Period; and (d) 100% of his/her ESOP Shares upon the expiry of 48 months following the day after the ESOP Lock-up Period. If a person cease to be qualified as a partner during the vesting period, the general partner shall have the right to purchase or appoint other eligible employees to purchase the share of that person at cost or cost plus market interest. In August 2021, the ESOP Lock-up Period was revised as 12 months immediately following the date of the Company's listing pursuant to the updated partnership agreements.

The fair value of services received in return for equity interests granted is measured by reference to the fair value of the equity interests granted less the consideration received by the Group.

The fair value of the equity interests granted is determined by the back-solve method and equity value allocation based on the option pricing model at the grant date.

The following table lists the inputs to the model used:

	2021
Risk-free interest rate (%)	2.9%
Volatility (%)	42.0%

The Group recognised a share-based payment expense of RMB21,499,000 during the year (2023: RMB20,640,000).

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to other non-current liabilities of RMB852,000 (2023: RMB9,942,000) in respect of a collaboration arrangement.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Amounts due to related parties RMB'000
At 1 January 2023	293,339	8,384	15,318
Changes from financing cash flows	89,098	(7,386)	1,374
New leases	–	8,717	–
Reduction as a result of lease modifications	–	(330)	–
Interest expense	13,726	361	–
Changes from non-financing activities	–	–	8,215
Exchange realignment	–	(4)	–
At 31 December 2023 and 1 January 2024	**396,163**	**9,742**	**24,907**
Changes from financing cash flows	**250,457**	**(3,590)**	**1,438**
Interest expense	**32,325**	**326**	**–**
Changes from non-financing activities	**–**	**–**	**(15,188)**
Exchange realignment	**–**	**116**	**–**
At 31 December 2024	**678,945**	**6,594**	**11,157**

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

	2024 RMB'000	2023 RMB'000
Within operating activities	4,574	4,128
Within financing activities	3,590	7,386
Total	8,164	11,514

30. COMMITMENTS

At the end of the reporting period, the Group had contractual commitments for the acquisition of property, plant and equipment with an amount of RMB217,273,000 (2023: RMB225,008,000).

31. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Shandong Luye	The immediate holding company
Mr. Liu Dian Bo	Director of Shandong Luye
Yantai Luye Pharmaceutical Holdings Co., Ltd. ("Yantai Luye")	Shareholder of Shandong Luye
Luye Pharma Hong Kong Limited ("Luye Hong Kong")	Shareholder of Yantai Luye
Nanjing Luye Pharmaceutical Co., Ltd. ("Nanjing Luye")	Controlled by Yantai Luye
Yantai Luye Drugs Trading Co., Ltd. ("Luye Trading")	Controlled by Shandong Luye
Nanjing Junshi Management Consulting Co., Ltd. ("Nanjing Junshi")	Controlled by Shandong Luye
Nanjing Jimai Biological Technology Co., Ltd. ("Nanjing Jimai")	Controlled by Nanjing Luye
Shandong International Biotechnology Development Co., Ltd. ("Biotech Park Development")	Controlled by Mr. Liu Dian Bo
GeneLeap Biotechnology LLC ("GeneLeap Biotechnology")	Controlled by Mr. Liu Dian Bo
Yantai Yunyue Winery Management Co., Ltd. ("Yunyue Winery")	Controlled by Mr. Liu Dian Bo
Yantai Pull Valley Winery Management Co., Ltd. ("Pull Valley Winery")	Controlled by Mr. Liu Dian Bo
Yantai Cellzone Medical Diagnostics Center Co., Ltd. ("Yantai Cellzone")	Controlled by Mr. Liu Dian Bo

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following transactions with related parties during the year:

	Notes	2024 RMB'000	2023 RMB'000
Sales of goods to:			
Luye Trading	(i)	**692**	1,607
Lease and property management services from:			
Shandong Luye	(ii)	**1,834**	413
Biotech Park Development	(ii)	**4,697**	494
Nanjing Luye	(ii)	**726**	256
Luye Trading	(ii)	**14**	23
Testing services from:			
Shandong Luye	(ii)	**23**	30
EHS management services from:			
Shandong Luye	(ii)	**423**	854
Operation services from:			
Nanjing Luye	(ii)	**750**	1,218
Nanjing Jimai	(ii)	**340**	–
Accommodation services from:			
Yunyue Winery	(ii)	**74**	74
Purchase of welfare goods from:			
Pull Valley Winery	(ii)	**161**	–
Advances from:			
Luye Hong Kong	(ii)	**1,438**	1,374
Payments on behalf by:			
Shandong Luye	(iii)	**7,256**	18,422
Biotech Park Development	(iii)	**2,065**	2,080
GeneLeap Biotechnology	(iii)	**2,624**	2,368
Yantai Luye	(iii)	**–**	132
Repayments to:			
Shandong Luye	(iii)	**22,212**	14,863
Biotech Park Development	(iii)	**3,013**	1,512
GeneLeap Biotechnology	(iii)	**2,645**	2,347
Yantai Luye	(iii)	**38**	294

Notes:

(i) The transaction price was determined on normal commercial terms, negotiated on arm's length basis, and on similar basis as the Group conducted businesses with major customers.

(ii) The transaction prices were determined on terms mutually agreed between the parties with reference to the actual cost and fees for similar transactions in the market.

(iii) The payments on behalf and advances were unsecured, interest-free and repayable on demand.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties:

Shandong Luye, the Company's immediate holding company, and Yantai Luye, shareholder of Shandong Luye, have guaranteed certain bank loans made to the Group amounting to RMB160,208,000 (2023: RMB210,273,000) as at the end of the reporting period.

Shandong Luye, the Company's immediate holding company, has guaranteed certain bank and other borrowings made to the Group amounting to RMB510,809,000 (2023: RMB100,000,000) as at the end of the reporting period.

(c) Outstanding balances with related parties:

	2024 RMB'000	2023 RMB'000
Trade receivables:		
Luye Trading	249	554
Due to related parties:		
Shandong Luye*	2,684	17,499
Biotech Park Development**	2,059	2,031
Nanjing Luye	482	1,237
GeneLeap Biotechnology***	–	21
Yantai Luye***	–	38
Yantai Cellzone	1,164	1,164
Luye Hong Kong***	2,876	1,374
Nanjing Junshi	1,532	1,532
Nanjing Jimai	360	–
Yunyue Winery	–	11
Total	11,157	24,907
Lease liabilities:		
Biotech Park Development	–	1,190
Nanjing Luye	–	739
GeneLeap Biotechnology	6,594	7,813
Total	6,594	9,742

* As at the end of the reporting period, the outstanding balance of RMB1,011,000 (2023: RMB1,647,000) was trade in nature and RMB1,673,000 (2023: RMB15,852,000) was non-trade in nature.

** As at the end of the reporting period, the outstanding balance of RMB880,000 (2023: Nil) was trade in nature and RMB1,179,000 (2023: RMB2,031,000) was non-trade in nature.

*** The balances were non-trade in nature.

Other outstanding balances with related parties were all trade in nature.

The balances with related parties except for lease liabilities are unsecured, interest-free and have no fixed terms of repayment.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	9,560	10,469
Performance related bonuses	1,104	3,767
Pension scheme contributions	821	870
Share-based payment expense	14,409	15,294
Total compensation paid to key management personnel	25,894	30,400

Further details of directors', supervisors' and chief executive's remuneration are included in note 8 to the financial statements.

32. 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:

Financial assets

2024

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	433,069	433,069
Notes receivable	7,043	13,492	20,535
Financial assets included in prepayments, other receivables and other assets	–	55,200	55,200
Pledged deposits	–	7,038	7,038
Cash and cash equivalents	–	198,867	198,867
Total	7,043	707,666	714,709

32. 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)

Financial assets (continued)

2023

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	213,199	213,199
Notes receivable	62,996	–	62,996
Financial assets included in prepayments, other receivables and other assets	–	349	349
Pledged deposits	–	12,290	12,290
Cash and cash equivalents	–	201,850	201,850
Total	62,996	427,688	490,684

Financial liabilities at amortised cost

	2024 RMB'000	2023 RMB'000
Lease liabilities	**6,594**	9,742
Trade and notes payables	**213,594**	217,572
Financial liabilities included in other payables and accruals	**133,996**	195,137
Interest-bearing bank and other borrowings	**678,945**	396,163
Due to related parties	**11,157**	24,907
Total	**1,044,286**	843,521

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade and notes payables, financial liabilities included in other payables and accruals, amounts due to related parties and current portion of interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the financial 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 each 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 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 fair values of the non-current portion of interest-bearing bank and other borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk were assessed to be insignificant.

The fair values of the notes receivable classified as debt investments at fair value through other comprehensive income have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within twelve months, and thus, their fair values approximate to their carrying values.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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
Notes receivable	–	7,043	–	7,043

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
Notes receivable	–	62,996	–	62,996

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).

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities for which fair values are disclosed:

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
Interest-bearing bank and other borrowings	–	532,933	–	532,933

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
Interest-bearing bank and other borrowings	–	310,273	–	310,273

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash. 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.

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 loans with a floating interest rate. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

At 31 December 2024, if the interest rates on bank loans had been 50 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have decreased/increased by RMB1,291,000 (2023: the loss before tax for the year would have increased/decreased by RMB1,156,000), as a result of higher/lower interest expenses on bank loans.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group has currency exposures mainly arising from cash at banks denominated in US$. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. The Group constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from US$ denominated financial instruments) and the Group's equity (due to exchange differences on translation of foreign operations).

	Increase/ (decrease) in rate of foreign currency RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
If the RMB weakens against the US$	**5**	**195**	**2,804**
If the RMB strengthens against the US$	**(5)**	**(195)**	**(2,804)**
2023			
If the RMB weakens against the US$	5	85	1,727
If the RMB strengthens against the US$	(5)	(85)	(1,727)

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.

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. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed with different customers.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the reporting period. The amounts presented are gross carrying amounts for financial assets.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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	RMB'000
Trade receivables*	–	–	–	435,237	435,237
Notes receivables	20,535	–	–	–	20,535
Financial assets included in prepayments, other receivables and other assets					
– Normal**	55,200	–	–	–	55,200
Pledged deposits					
– Not yet past due	7,038	–	–	–	7,038
Cash and cash equivalents					
– Not yet past due	198,867	–	–	–	198,867
Total	281,640	–	–	435,237	716,877

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	–	–	–	213,199	213,199
Notes receivables	62,996	–	–	–	62,996
Financial assets included in prepayments, other receivables and other assets					
– Normal**	349	–	–	–	349
Pledged deposits					
– Not yet past due	12,290	–	–	–	12,290
Cash and cash equivalents					
– Not yet past due	201,850	–	–	–	201,850
Total	277,485	–	–	213,199	490,684

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of financial assets included in prepayments, other receivables and other assets are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

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 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Lease liabilities	177	466	1,397	4,936	6,976
Trade and notes payables	60,815	100,044	52,735	–	213,594
Financial liabilities included in other payables and accruals	133,996	–	–	–	133,996
Interest-bearing bank and other borrowings	–	26,915	253,699	448,643	729,257
Due to related parties	11,157	–	–	–	11,157
Total	206,145	127,425	307,831	453,579	1,094,980

	2023				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Lease liabilities	2,078	453	1,817	6,241	10,589
Trade and notes payables	65,013	128,054	24,505	–	217,572
Financial liabilities included in other payables and accruals	195,137	–	–	–	195,137
Interest-bearing bank and other borrowings	–	20,989	161,190	237,157	419,336
Due to related parties	24,907	–	–	–	24,907
Total	287,135	149,496	187,512	243,398	867,541

34. 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 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 total borrowings divided by total equity. The gearing ratios as at the end of the reporting periods were as follows:

	2024 RMB'000	2023 RMB'000
Interest-bearing bank and other borrowings *(note 22)*	**678,945**	396,163
Total equity	**1,644,038**	1,319,868
Gearing ratio	**41.30%**	30.0%

35. EVENT AFTER THE REPORTING PERIOD

There were no other significant events that required additional disclosure or adjustments occurred after the end of the reporting period.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	583,919	602,352
Advance payments for property, plant and equipment	47,224	32,765
Right-of-use assets	4,091	4,202
Intangible assets	1,242,984	950,504
Investments in subsidiaries	85,709	73,445
Total non-current assets	1,963,927	1,663,268
CURRENT ASSETS		
Inventories	168,251	165,291
Trade and notes receivables	453,577	276,167
Prepayments, other receivables and other assets	122,085	52,177
Due from a subsidiary	76,288	92,130
Pledged deposits	7,038	12,290
Cash and cash equivalents	198,239	169,892
Total current assets	1,025,478	767,947
CURRENT LIABILITIES		
Lease liabilities	–	1,190
Trade and notes payables	212,176	216,413
Other payables and accruals	165,647	235,898
Interest-bearing bank and other borrowings	254,047	167,839
Due to a subsidiary	10,384	10,150
Due to related parties	5,907	20,743
Total current liabilities	648,161	652,233
NET CURRENT ASSETS	377,317	115,714
TOTAL ASSETS LESS CURRENT LIABILITIES	2,341,244	1,778,982

36. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowing	424,898	228,324
Government grants	5,342	3,000
Other non-current liabilities	123,522	112,670
Total non-current liabilities	553,762	343,994
Net assets	1,787,482	1,434,988
EQUITY		
Equity attributable to owners of the parent		
Share capital	535,934	509,278
Reserves *(note)*	1,251,548	925,710
Total equity	1,787,482	1,434,988

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserves RMB'000	Safety production reserve RMB'000	Accumu-lated losses RMB'000	Total RMB'000
At 1 January 2023	1,329,450	83,909	5,227	(430,669)	987,917
Loss and total comprehensive income for the year	–	–	–	(82,847)	(82,847)
Appropriation to safety production reserve	–	–	1,783	(1,783)	–
Safety production reserve used	–	–	(1,117)	1,117	–
Share-based payment arrangements	–	20,640	–	–	20,640
At 31 December 2023 and 1 January 2024	1,329,450	104,549	5,893	(514,182)	925,710
Profit and total comprehensive income for the year	–	–	–	101,468	101,468
Issue of shares	202,871	–	–	–	202,871
Appropriation to safety production reserve	–	–	1,962	(1,962)	–
Safety production reserve used	–	–	(620)	620	–
Share-based payment arrangements	–	21,499	–	–	21,499
At 31 December 2024	1,532,321	126,048	7,235	(414,056)	1,251,548

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2025.

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