Pharmaron Beijing Co., Ltd.*

康龍化成（北京）新藥技術股份有限公司

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

(Stock Code: 3759)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

FINANCIAL SUMMARY AND HIGHLIGHTS

	Year ended December 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Revenue	**7,443,770**	5,133,597	45.0
Gross profit	**2,672,044**	1,916,113	39.5
Profit attributable to owners of the parent	**1,661,029**	1,172,383	41.7
Non-IFRSs adjusted net profit attributable to owners of the parent	**1,461,985**	1,064,029	37.4
Net cash flows generated from operating activities	**2,058,044**	1,648,610	24.8

– During the Reporting Period, the Group recorded aggregate revenue of approximately RMB7,443.8 million, representing an increase of approximately RMB2,310.2 million, or 45.0%, as compared to the year ended December 31, 2020.

– During the Reporting Period, the profit attributable to owners of the parent was approximately RMB1,661.0 million, representing an increase of approximately 41.7% as compared to the year ended December 31, 2020.

– During the Reporting Period, the net cash flows generated from operating activities was approximately RMB2,058.0 million, representing an increase of approximately 24.8% as compared to the year ended December 31, 2020.

– The Board proposed to declare a final dividend as follows:

(i) a cash dividend of RMB4.5 (inclusive of tax) per 10 shares or an aggregate of approximately RMB357.4 million for the year ended December 31, 2021.

(ii) 5 new Shares for every 10 existing Shares to be issued out of reserve to all Shareholders.

The Board is pleased to announce the consolidated results of the Group for the year ended December 31, 2021 with the comparative figures for the year ended December 31, 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
REVENUE	*5*	**7,443,770**	5,133,597
Cost of sales		**(4,771,726)**	(3,217,484)
Gross profit		**2,672,044**	1,916,113
Other income and gains	*6*	**489,843**	493,006
Other expenses	*6*	**(13,792)**	(143,814)
Selling and distribution expenses		**(155,617)**	(92,643)
Administrative expenses		**(908,210)**	(684,705)
Research and development costs		**(151,775)**	(105,345)
Impairment losses on financial and contract assets, net of reversal		**(10,269)**	(14,823)
Finance costs	*7*	**(83,073)**	(23,854)
Share of profit/(loss) of associates		**71,845**	(24,565)
Profit before tax	*8*	**1,910,996**	1,319,370
Income tax expense	*9*	**(290,919)**	(172,378)
Profit for the year		**1,620,077**	1,146,992
Attributable to:			
Owners of the parent		**1,661,029**	1,172,383
Non-controlling interests		**(40,952)**	(25,391)
		1,620,077	1,146,992
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For profit for the year	*11*	**RMB2.0982**	RMB1.4825
Diluted			
For profit for the year	*11*	**RMB2.0537**	RMB1.4781

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**1,620,077**	1,146,992
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(99,140)**	(40,578)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**55,585**	–
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**(40,493)**	–
Income tax effect	**(2,264)**	–
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(86,312)**	(40,578)
Other comprehensive loss for the year, net of tax	**(86,312)**	(40,578)
Total comprehensive income for the year	**1,533,765**	1,106,414
Attributable to:		
Owners of the parent	**1,574,853**	1,131,835
Non-controlling interests	**(41,088)**	(25,421)
	1,533,765	1,106,414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,577,904**	3,841,445
Right-of-use assets		**726,800**	567,630
Investment properties		**–**	43,889
Goodwill		**2,096,265**	1,166,172
Other intangible assets		**227,163**	189,976
Investments in associates		**452,606**	280,474
Equity investments at fair value through profit or loss		**310,063**	121,230
Biological assets		**143,233**	–
Deferred tax assets		**15,595**	8,436
Other non-current assets		**195,993**	149,162
Total non-current assets		**9,745,622**	6,368,414
CURRENT ASSETS			
Inventories		**181,700**	128,757
Contract costs		**165,625**	152,860
Trade receivables	*12*	**1,228,849**	1,076,614
Contract assets		**194,981**	133,764
Biological assets		**332,715**	–
Prepayments, other receivables and other assets		**1,441,191**	196,020
Financial assets at fair value through profit or loss		**1,537,947**	825,312
Derivative financial instruments		**16,674**	84,698
Pledged deposits		**17,243**	7,263
Cash and cash equivalents		**3,526,577**	2,935,090
Total current assets		**8,643,502**	5,540,378
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**482,302**	386,146
Trade payables	*13*	**315,534**	191,497
Other payables and accruals		**1,327,910**	819,313
Contract liabilities		**679,621**	473,289
Lease liabilities		**95,292**	83,925
Tax payable		**81,337**	27,620
Total current liabilities		**2,981,996**	1,981,790
NET CURRENT ASSETS		**5,661,506**	3,558,588
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,407,128**	9,927,002

	Notes	2021 ***RMB'000***	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**956,095**	394,811
Deferred tax liabilities		**173,300**	106,906
Financial liabilities at fair value through profit or loss		**81,559**	146,810
Deferred income		**149,439**	158,128
Convertible bonds-debt component		**3,467,090**	–
Lease liabilities		**284,338**	186,608
Total non-current liabilities		**5,111,821**	993,263
NET ASSETS		**10,295,307**	8,933,739
EQUITY			
Share capital		**794,177**	794,387
Treasury shares		**(301,825)**	(45,475)
Equity component of convertible bonds		**198,554**	–
Reserves		**9,438,335**	8,121,407
Equity attributable to owners of the parent		**10,129,241**	8,870,319
Non-controlling interests		**166,066**	63,420
Total equity		**10,295,307**	8,933,739

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not adopted the following standards that have been issued but are not yet effective in the consolidated financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

[1] Effective for annual periods beginning on or after January 1, 2022

[2] Effective for annual periods beginning on or after January 1, 2023

[3] No mandatory effective date yet determined but available for adoption

[4] As a consequence of the amendments to IAS 1, International Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

[5] As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

4. BUSINESS SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable business segments as follows:

– The laboratory services segment includes laboratory chemistry (including medicinal chemistry, synthetic chemistry, analytical and purification chemistry, and computer-aided drug design (CADD)) and bioscience services (including *in vitro* and *in vivo* DMPK/ADME, *in vitro* biology and *in vivo* pharmacology, safety assessment and U.S. laboratory services)

– The CMC (small molecule CDMO) services segment includes process development and manufacturing, materials science/pre-formulation, formulation development and manufacturing, and analytical development services

– The clinical development services segment includes overseas clinical development services (including radiolabelled science services and early stage clinical trial services) and domestic clinical development services (including clinical research services and site management services)

– The Biologics and CGT services segment includes biologics discovery, development and manufacturing services (CDMO), CGT lab and Gene therapy CDMO services

– The "Others" segment

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

Year ended December 31, 2021	Laboratory services *RMB'000*	CMC (small molecule CDMO) services *RMB'000*	Clinical development services *RMB'000*	Biologics and CGT services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	**4,565,801**	**1,746,168**	**956,358**	**150,966**	**24,477**	**7,443,770**
Segment results	**1,979,967**	**607,952**	**98,567**	**(20,905)**	**6,463**	**2,672,044**
Unallocated amounts:						
Other income and gains						**489,843**
Other expenses						**(13,792)**
Selling and distribution expenses						**(155,617)**
Administrative expenses						**(908,210)**
Research and development costs						**(151,775)**
Impairment losses on financial and contract assets, net of reversal						**(10,269)**
Finance costs						**(83,073)**
Share of profits of associates						**71,845**
Group's profit before tax						**1,910,996**
Year ended December 31, 2020						
Segment revenue	3,236,069	1,221,985	629,350	26,645	19,548	5,133,597
Segment results	1,378,619	397,979	118,209	10,460	10,846	1,916,113
Unallocated amounts:						
Other income and gains						493,006
Other expenses						(143,814)
Selling and distribution expenses						(92,643)
Administrative expenses						(684,705)
Research and development costs						(105,345)
Impairment losses on financial and contract assets, net of reversal						(14,823)
Finance costs						(23,854)
Share of losses of associates						(24,565)
Group's profit before tax						1,319,370

Management monitors the results of the Group's business segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

(a) Revenue

	2021	2020
	RMB'000	*RMB'000*
North America	**4,778,853**	3,271,385
Mainland China	**1,274,974**	700,218
Europe	**1,163,111**	979,762
Asia (except Mainland China)	**192,874**	142,924
Others	**33,958**	39,308
	7,443,770	5,133,597

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

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**6,680,284**	4,529,104
Europe	**1,386,584**	430,988
North America	**1,318,092**	1,278,656
Asia (except Mainland China)	**35,004**	–
	9,419,964	6,238,748

The non-current asset information above is based on the locations of the assets and excludes equity investments at fair value through profit or loss and deferred tax assets.

Information about major customers

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during each reporting period.

5. REVENUE

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**7,442,167**	5,114,049
Revenue from other sources		
Revenue from investment property operating lease:	**1,603**	19,548
	7,443,770	5,133,597

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	**2021**	2020
	RMB'000	*RMB'000*
Types of services		
Laboratory services	**4,565,801**	3,236,069
CMC (small molecule CDMO) services	**1,746,168**	1,221,985
Clinical development services	**956,358**	629,350
Biologics and CGT services	**150,966**	26,645
Others	**22,874**	–
Total revenue from contracts with customers	**7,442,167**	5,114,049
Timing of revenue recognition		
Services transferred at a point of time	**4,047,238**	2,778,159
Services transferred over time	**3,394,929**	2,335,890
Total revenue from contracts with customers	**7,442,167**	5,114,049

(b) Performance obligations

The Group has different contractual arrangements with different customers under two different charge methods: Full-Time-Equivalent ("FTE") or Fee-For-Service ("FFS") model.

All services under the FTE model, revenue is recognised over time at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under the FTE model.

Similarly, for certain services under the FFS model, revenue is recognised over time and contracts are generally within an original expected length of one year or less. Therefore, the practical expedients are also applied.

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Other income		
Interest income	**64,407**	74,064
Government grants and subsidies related to		
– Assets	**11,912**	11,232
– Income	**54,689**	34,303
	131,008	119,599
Other gains		
Gains on fair value change of equity investment at fair value through profit or loss	**68,517**	75,460
Gains on fair value change of biological assets	**69,026**	–
Gains on disposal of equity investment at fair value through profit or loss	**59,455**	78,039
Gains on termination of lease contracts	**219**	46
Gains on financial assets at fair value through profit or loss	**52,522**	55,496
Gains on derivative financial instruments	**7,500**	140,797
Gains on fair value re-measurement of existing equity in business combination not under common control	**–**	23,123
Gains resulting from transfer of an investment in associates to equity investments at fair value through profit or loss	**25,452**	–
Gains on fair value change of financial liabilities at fair value through profit or loss	**72,854**	–
Others	**3,290**	446
	358,835	373,407
	489,843	493,006
Other expenses		
Foreign exchange loss, net	**(3,155)**	(131,226)
Losses on disposal of property, plant and equipment	**(1,590)**	(7,326)
Others	**(9,047)**	(5,262)
	(13,792)	(143,814)

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest expenses on bank and other borrowings	**46,589**	17,024
Interest expenses on convertible bonds – debt component	**57,120**	–
Interest expenses on lease liabilities	**14,030**	11,486
Total interest expense on financial liabilities not at fair value through profit or loss	**117,739**	28,510
Less: Interest capitalised	**(34,666)**	(4,656)
	83,073	23,854

8. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**451,229**	348,662
Depreciation of right-of-use assets	**101,484**	77,566
Depreciation of investment property	**344**	817
Amortisation of other intangible assets	**24,616**	10,971
Staff costs* (including directors' and chief executive's remuneration):		
Salaries and other benefits	**2,506,164**	1,796,881
Pension scheme contributions, social welfare and other welfare**	**686,739**	391,658
Share-based compensation expenses	**67,529**	62,458
Gains resulting from transfer of an investment in associates to equity investments at fair value through profit or loss	**(25,452)**	–
Gains on fair value re-measurement of existing equity in business combination not under common control	**–**	(23,123)
Gains on financial assets at fair value through profit or loss	**(52,522)**	(55,496)
Gains on fair value change of equity investments at fair value through profit or loss	**(68,517)**	(75,460)
Gains on fair value change of biological assets	**(69,026)**	–
Gains on fair value change of financial liabilities at fair value through profit or loss	**(72,854)**	–
Gains on disposal of an equity investment at fair value through profit or loss	**(59,455)**	(78,039)
Impairment losses on inventories, net of reversal	**2,842**	4,622
Impairment losses on financial and contract assets, net of reversal	**10,269**	14,823
Foreign exchange loss, net	**3,155**	131,226
Gains on derivative financial instruments	**(7,500)**	(140,797)
Auditor's remuneration	**4,760**	4,300

* The staff costs for the year are included in "Cost of sales", "Administrative expenses", "Selling and distribution expenses" and "Research and development costs" in the consolidated statement of profit or loss.

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

9. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax	**282,098**	143,934
Deferred tax	**8,821**	28,444
	290,919	172,378

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless subject to tax exemption set out below.

The Company was accredited as a "High and New Technology Enterprise" in 2017 which was subsequently renewed in 2020 and as an "Advanced Technology Enterprise" in 2015 which was subsequently renewed in 2020, and therefore the Company was entitled to a preferential EIT rate of 15% for each reporting period. These qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron Xi'an Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2018 and the qualification was subsequently renewed in 2020, and therefore Pharmaron Xi'an Co., Ltd. was entitled to a preferential EIT rate of 15% for each reporting period. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Beijing) TSP Service Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2015 and the qualification was renewed in 2020 and as an "High and New Technology Enterprise" in 2020, and therefore Pharmaron (Beijing) TSP Service Co., Ltd. was entitled to a preferential EIT rate of 15% for each reporting period. These qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Ningbo) Technology Development Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2020 and the qualification was renewed in 2021, and therefore Pharmaron (Ningbo) Technology Development Co., Ltd. was entitled to a preferential EIT rate of 15% for each reporting period. This qualification is subject to review by the relevant tax authority in the PRC annually.

Pharmaron Shanghai Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2019, and therefore Pharmaron Shanghai Co., Ltd. was entitled to a preferential EIT rate of 15% for each reporting period. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020, and therefore Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Beijing LinkStart Biotechnology Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020, and therefore Beijing LinkStart Biotechnology Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

RAMED (Beijing) Medical Technology Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020, and therefore RAMED (Beijing) Medical Technology Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020, and therefore Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

The group entities incorporated in U.S. were subject to the federal corporate tax at a rate of 21% and the state income tax at a rate ranging from 0% to 10% as at December 31, 2020 and 2021.

The group entities incorporated in U.K. were subject to tax at a rate of 19% for the years ended December 31, 2020 and 2021.

The group entities incorporated in Japan were subject to the national corporate tax at a rate of 23.2% and the local corporate tax at a rate of 2.4% as at December 31, 2020 and 2021.

The group entities incorporated in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended December 31, 2020 and 2021.

10. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed final – RMB0.45 (2020: RMB0.30) per ordinary shares	**357,380**	238,316

On May 28, 2021, the Company's shareholders approved the 2020 Profit Distribution Plan at annual general meeting, pursuant to which a final dividend of RMB0.30 (inclusive of tax) per share in respect of the year ended December 31, 2020 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB238,316,000 (inclusive of tax). Except for the dividend declared to the holders of restricted A shares that would be paid no earlier than the unlocking date, the rest of the dividend was paid in 2021.

The Board proposed to declare a final dividend as follows (i) a cash dividend of RMB0.45 (inclusive of tax) per share or an aggregate of approximately RMB357,380,000 (inclusive of tax) for the year ended December 31, 2021; (ii) 5 new Shares for every 10 existing Shares to be issued out of reserve to all Shareholders.

The proposed final dividend for the year ended December 31, 2021 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 791,488,773 (2020: 790,435,853) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is based on the number of ordinary shares used in the basic earnings per share calculation adjusted for the dilutive effect of share options and restricted A shares issued by the Company. For the year ended December 31, 2021, the calculation of the diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive impact of the share options and restricted A shares and the convertible bonds issued by the Company.

The calculations of basic and diluted earnings per share are based on:

	2021	2020
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,661,029**	1,172,383
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(334)**	(591)
Earnings for the purpose of calculating basic earnings per share	**1,660,695**	1,171,792
Effective of diluted potential ordinary shares:		
Add: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**334**	591
Interest on convertible bonds	**57,120**	–
Issuance expenses of convertible bonds	**2,882**	–
Less: Fair value gain on convertible bonds-embedded derivative component	**(72,854)**	–
Earnings for the purpose of calculating diluted earnings per share	**1,648,177**	1,172,383

	2021	2020
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**791,488,773**	790,435,853
Effect of diluted potential ordinary shares:		
Effective of restricted shares units and share awards issued by the Company	**11,048,150**	2,752,261
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**802,536,923**	793,188,114

12. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables – third parties	**1,267,340**	1,110,720
Allowance for impairment	**(38,491)**	(34,106)
	1,228,849	1,076,614

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

Included in the trade receivables was an amount due from related parties of RMB7,366,000 as at December 31, 2021 (2020: RMB7,412,000), which was repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of gross carrying amount of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**1,218,971**	1,072,221
1 year to 2 years	**27,892**	22,216
More than 2 years	**20,477**	16,283
	1,267,340	1,110,720

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**34,106**	19,275
Impairment losses, net	**9,478**	15,056
Write-offs	**(4,773)**	–
Exchange realignment	**(320)**	(225)
	38,491	34,106

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

An impairment analysis is performed at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting period about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	2021		
	Expected credit loss rate	**Gross carrying amount**	**Expected credit losses**
		RMB'000	***RMB'000***
Within 1 year	**0.79%**	**1,218,971**	**9,596**
1 to 2 years	**30.18%**	**27,892**	**8,418**
Over 2 years	**100.00%**	**20,477**	**20,477**
		1,267,340	**38,491**

	2020		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	*RMB'000*
Within 1 year	0.65%	1,072,221	7,018
1 to 2 years	48.64%	22,216	10,805
Over 2 years	100.00%	16,283	16,283
		1,110,720	34,106

13. TRADE PAYABLES

Trade payables are non-interest-bearing and normally settled on terms of one to three months.

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**309,449**	187,369
Over 1 year	**6,085**	4,128
	315,534	191,497

Included in the trade payables was an amount due to a related party of RMB4,000 as at December 31, 2021 (2020: RMB804,000), which was repayable within 30 days, which represents credit terms similar to those offered by the related party to their major customers.

MANAGEMENT DISCUSSION AND ANALYSIS

A. Business Review

1. Principal Business

The Company is a leading fully-integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for our customers. The Company provides fully-integrated drug research, development and manufacturing services throughout the research and development cycle and is continuously strengthening the integration of its service offerings both vertically and horizontally. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is strengthening the integration of different disciplines at the same pharmaceutical R&D stages, improving the science and technology of each discipline, expanding the service offerings, and promoting the interdisciplinary collaborations. In addition, the Company recently has been accelerating the establishment of R&D service capabilities for Biologics and CGT services, and committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities.

2. Operating Models

Our principal business is categorized into four business segments: laboratory services, CMC (small molecule CDMO) services, clinical development services, and biologics and CGT services.

(1) Laboratory services

Laboratory services of the Company include laboratory chemistry and bioscience services. Pharmaron's business started from laboratory chemistry.

Laboratory chemistry services include medicinal chemistry, synthetic chemistry, analytical and purification chemistry, and computer-aided drug design (CADD). Laboratory chemistry provide customers with chemistry services such as design and synthesis of compound library, discovery of hit and lead compounds, design and/or synthesis and optimization of lead compounds, and chiral and non-chiral separation and purification.

Bioscience services include *in vitro* and *in vivo* DMPK/ADME, *in vitro* biology and *in vivo* pharmacology, safety assessment and U.S. laboratory services. Bioscience services provide customers with drug discovery services such as target validation, structure activity relationship studies, candidate compound identification, and drugability studies. The Company's U.S. laboratory services provide customers with DMPK/ADME and bioanalysis required in the discovery and development of small molecule pharmaceutical products and in the areas of ophthalmology and medical devices.

(2) CMC (small molecule CDMO) services

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

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

(3) Clinical development services

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

The overseas clinical development services include radiolabelled science services and early stage clinical trial services. The radiolabelled science services of the Company help customers synthesize ^{14}C and tritium ^{3}H radiolabelled compounds and use for DMPK/ADME studies of various compounds in human, so as to accelerate their clinical development process. Through the independent early clinical R&D center with 96 beds in Maryland, U.S., the Company provides customers with clinical research services including comprehensive FIH studies, vaccine development/infectious challenge studies, comprehensive ^{14}C drug absorption, distribution and excretion trial, TQT/cardiac safety, and cross-ethnic bridging studies.

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

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

(4) Biologics and CGT services

Biologics and CGT Services include biologics discovery, development and manufacturing services (CDMO), CGT lab and Gene therapy CDMO services and other service platforms.

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

For biologics development and manufacturing services (CDMO), the Company is accelerating the build-up of the biologics CDMO service platform. It is expected that the biologics drug development and manufacturing facility with a facility of nearly 70,000 m^2 will be put into operation in 2023. After the project is completed, it will be able to provide services including cell line supply and cell culture development, upstream and downstream process development, formulation development and fill-and-finish process development, supported by analytics with method development, as well as drug substance and product manufacturing services armed with 200L to 2,000L production capacity to support projects from pilot to commercial stage production.

Biologics and CGT lab services include analytical method development and validation for various proteins, cells, and DNA and RNA products. The analytical platform also provides services in evaluation of activity, toxicity, tissue distribution and viral shedding, as well as quantitative analysis of gene and cell products, in compliance with GLP/GCP/GMP regulations during the pre-clinical and clinical development and marketing stages.

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

B. Financial Review

1. Overall Operation Results

In 2021, the Company continued to build a fully-integrated services platform, and further improved its small molecule drug R&D and manufacturing services platform throughout the drug discovery, preclinical, clinical development and commercial stages by further integrating its service offerings both vertically and horizontally. In addition, the Company further accelerated the establishment of R&D services capabilities for biologics and CGT services platform and committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities. Thanks to the joint efforts of all the employees, during the Reporting Period, the Company realized revenue of RMB7,443.8 million, with a year-on-year growth of 45.0% (or 52.2% if the weighted average USD exchange rate in the Reporting Period remains the same as the same period of last year); with the economy of scales, the Company realized gross profit of RMB2,672.0 million; gross margin was 35.9%, with an decrease of 1.4 percentage points over last year (if the weighted average USD exchange rate in the Reporting Period remains the same as the same period of last year, the gross margin shall be 38.6%, with an increase of 1.3 percentage points over last year); profit attributable to owners of the parent of RMB1,661.0 million, with a year-on-year growth of 41.7%, and the Non-IFRSs adjusted net profit attributable to owners of the parent of RMB1,462.0 million. During the Reporting Period, the Company recorded income tax expenses of RMB290.9 million, with an increase of 68.8% over the last year. With the growth in business demand, the Company continuously expanding its talent pool. As of December 31, 2021, the total number of employees reached 14,923, including 13,455 R&D, production technology and clinical services staffs, accounting for 90.2% of the total number of employees in the Company. As of December 31, 2021, the number of R&D, production technology and clinical services staffs increased by 3,628 compared with that of December 31, 2020.

In 2021, the Company continued to adhere to the "Customer Centric" corporate philosophy, with approximately 90% of the revenue coming from a large, diverse, loyal and repeated customer base that includes the global top 20 pharmaceutical companies, among which, the revenue of such customers from global top 20 pharmaceutical companies accounted for 19.0% of the revenue of the Company. In addition, the Company actively expanded its customer base, by introducing more than 800 new customers in 2021. In 2021, the revenue from customers in North America accounted for 64.2%, revenue from customers in EU (including U.K.) accounted for 15.6%, revenue from customers in China accounted for 17.1%, and revenue from customers in other regions accounted for 3.1%. With the increase of number of customers, the Company further optimizes its revenue structure by reducing the revenue concentration of the top 20 customers from 41.1% in 2020 to 33.8% in 2021. While the revenue concentration decreased, the average revenue from the top 20 customers increased by 19.2% when compared with 2020. The advantages of the fully-integrated service strategy have been further validated, and customer loyalty was further improved. In addition, the Company conducted extensive scientific collaboration with customers and jointly published research findings. In 2021, a total of 29 papers were published in *J. Med. Chem., Bioorg. Med. Chem. Lett.*, and *J. Pharm. Sci*. and other international scientific journals, together with 27 patent inventorship at home and abroad (with intellectual properties owned by customers).

With the strategy of building a fully-integrated service platform, the Company expanded its service capabilities to meet its business needs and further improved its international services platform and new services expansion through both internal construction and external expansion, providing new impetus for the mid-and long-term growth of the Company. During the Reporting Period, the Company's capital expenditure for internal construction and external expansion was RMB2,092.8 million and RMB1,436.9 million, increasing by 59.0% and 30.6% respectively over 2020. With the expansion of global footprint, the Company owns 10 operating facilities and has more than 1,100 employees in U.K. and U.S.. In 2021, the revenue of the overseas subsidiaries accounted for 13.7% of the revenue of the Company.

To better support the long-term development and expansion plan, the Company successfully issued H shares convertible bonds in the international capital market in June 2021. The net proceeds from the offering was approximately RMB3,776.0 million. The offering represented the first issuance of convertible bonds in both Renminbi and US dollars by a company listed on the Hong Kong Stock Exchange. The Company issued $300 million convertible bonds with zero interest and zero yield, and obtained the highest conversion premium of the USD convertible bonds among the medical enterprises listed in Hong Kong stock market. The offering effectively reflected the capital market's trust and recognition of the Company's operating ability market positions.

The Company attaches great importance to the improvement and constant optimization of the corporate governance, in order to maximize the long-term benefits of the Company. To improve the environmental, social and corporate governance ("ESG") structure, the Board reviewed and approved the ESG management measures of the Company in April 2021, built a three-level ESG governance structure consisting of the Board and the strategy committee as the "governance layer", the ESG executive committee as the "management layer", and the "execution layer" composed of all departments and tier 1 subsidiaries. The ESG executive committee of the Company shall regularly discuss and develop ESG work plan, work progress and the latest developments in the capital market and report to the governance layer. In addition, the Company set the sustainable development goals (SDGS) of 2021-2025 for emission target, waste reduction target, energy efficiency target and water efficiency target, and developed the future work plan and specific measures according to the feasibility and industry developments.

During the Reporting Period, the Company continued to improve its management system and included information security into our safety production efforts, with an aim to improve and upgrade the information system of our global operations. Our information security management system passed the ISO27001 international information security standard certification in November, 2021. In addition, by providing information security training to employees, the Company improved the information security awareness by its employees, so as to ensure that the security of customer information and intellectual property rights as well as personal information of clinical subjects is continuously and effectively safeguarded.

2. Operation results of each business segment

(1) Laboratory services

As global pharmaceutical R&D investment continues to grow and the penetration rate for pharmaceutical R&D outsourcing continues to increase, the business volume from high quality customers and potential projects is on the rising trend. During the Reporting Period, with solid foundation of our laboratory service capabilities, the Company supported our customers to advance their pharmaceutical R&D programs more efficiently, which contributed to the rapid growth of laboratory service revenue. During the Reporting Period, the laboratory services segment realized revenue of RMB4,565.8 million, with a year-on-year growth of 41.1%; and gross margin of 43.4%, with an increase of 0.8 percentage points over last year. The customers in North America, Europe (including U.K.), China and other regions accounted for 74.6%, 11.1%, 11.0%, and 3.3%, respectively, of the laboratory service revenue.

To meet the business needs, the Company continues to expand and improve its R&D team. As of December 31, 2021, the Company employed 7,136 employees in its laboratory services business, with an increase of 1,579 employees compared with that of December 31, 2020. The Company has nearly 4,900 laboratory chemists and technicians in laboratory chemistry which is one of the world leading laboratory chemistry group in terms of size and expertise. During the Reporting Period, the Company further strengthened the global services network of laboratory services, and provided customers with more flexible and comprehensive laboratory services through the collaboration of laboratory service teams in China, U.K. and U.S.. In addition, with the improvement of the technical capabilities and capacities of different biosciences service segment and the seamless integration with laboratory chemistry services, bioscience services experienced rapid growth with bioscience revenue contribution to the laboratory services increased to 46.6%, representing an increase of 5.8 percentage points as compared to last year.

With global R&D team and quality system put in place, the Company helps customers rapidly advance their R&D projects from preclinical to clinical in many countries by providing comprehensive drug discovery and development services. During the Reporting Period, the Company participated in 565 drug discovery projects. Also, the Company contributed to the development of global innovative drug R&D by applying our long-accumulated expertise in pharmaceutical R&D and conducted studies for 77 investigational new drugs (IND) or new drug applications (NDA) filing for our Chinese customers, of which, 56 projects applied simultaneously in multiple jurisdictions (including China, U.S. and EU), an integrated service package for IND enabling R&D services gained more and more customer recognition.

The Company continued to put emphasis on the improvement and optimization of the quality system. Our drug safety assessment services which passed three GLP field inspections by the U.S. FDA and Belgium OECD, required for IND and NDA applications to our global customers, passed the GLP re-inspection by NMPA in 2021. In addition, the San Diego division of U.S. laboratory services successfully passed the GLP field inspection by the FDA in 2021.

The Company continued expanding the laboratory facilities to meet the growing business demand. During the Reporting Period, the Company continued the construction of Phase II of the Campus I in Ningbo, of which, the first 120,000 m^2 of laboratory space was gradually in operation starting from the first quarter of 2021. The construction of the main structure of remaining 42,000 m^2 was completed and the internal installation has begun. Upon the completion of Phase II project, the number of laboratory service scientists and technicians will increase by nearly 2,000. During the Reporting Period, to further expand the Company's capacities for safety assessment, DMPK and pharmacology, the Company commenced the construction of 140,000 m^2 animal testing facility in Phase I of the Campus III in Ningbo. In addition, the Company continued to expand the laboratory spaces in Beijing and started the laboratory expansion in Qingdao and Chongqing. Also, in order to optimize the quality control and supply chains of laboratory animals, the Company acquired the controlling interest of Biomedical Research, and 100% equity of Zhongke Lingrui (Zhanjiang) Biotechnology Co., Ltd. (now "Kangruitai (Zhanjiang) Biotechnology Co., Ltd." 康瑞泰(湛江)生物技術有限公司). As of December 31, 2021, with both acquisitions, the Company had the NHP colony of nearly 10,000 which helps to improve the assurance of the supply chain for the laboratory animals.

(2) CMC (small molecule CDMO) services

During the Reporting Period, the CMC (small molecule CDMO) services realized revenue of RMB1,746.2 million, with a year-on-year growth of 42.9%; and gross margin of 34.8%, with an increase of 2.2 percentage points when compared with last year. The customers in North America, Europe (including U.K.), China and other regions accounted for 54.6%, 28.6%, 14.1%, and 2.7%, respectively, of the CMC (small molecule CDMO) service revenue.

With the seamless integration of the Company's fully-integrated R&D service platform and the coordination of different service segment, approximately 80% of CMC (Small molecule CDMO) revenue came from the existing customers of drug discovery services (laboratory chemistry and biological sciences). In addition, through international operation, we strengthened the capabilities of our fully integrated services platform and provided customized services and solutions with the cutting-edge technology to our customers by utilizing the R&D resources of our global service network. Our process development teams in China and U.K. cooperated closely to provide customized solutions in an innovative hybrid mode, gaining recognition from more and more customers and achieving growing order quantity and quality. The services covered 1,013 drug molecules or intermediates, including 754 projects in preclinical stage, 224 projects in Phase I-II clinical trials, 30 projects in Phase III clinical trial, five projects in process validation and commercialization stage. In 2021, approximately 80% of CMC (Small molecule CDMO) revenue was generated from preclinical to Phase II clinical trial stages. The revenue contribution from the later stage business will gradually increase as the early stage projects progress to the later stages and the Company's CMC (small molecule CDMO) manufacturing capacity increases.

During the Reporting Period, the Company continued to strengthen its quality management by adhering to the highest international quality control standards to pave the way for further development of CMC (small molecule CDMO) services. The plant in Hoddesden successfully passed the GMP inspection of MHRA by the end of June 2021. In addition, with the continuously global outbreak of COVID-19, our QA team continued to provide customers with a variety of flexible audit methods, including remote online audit and combination of online and offline audits. We completed 74 QA audits for customers including the global top 20 pharmaceutical enterprises, and all the audits were passed. After the implementation of the electronic quality document management system, the data integrity management performance of the Company was further improved. In addition, the Company was committed to continuously improving the EHS management by setting higher standard for employee's health protection and safety operation.

During the Reporting Period, Phase III of Tianjin plant (40,000 m^2) and Phase II of Ningbo Campus I gradually in operation, which provide laboratory spaces for nearly 1,000 process and analytical chemists and technicians. With our strategy to expand out CMC (small molecule CDMO) service downstream to late-stage clinical and commercial manufacturing services, we accelerated the construction of Shaoxing Phase I facility with an area of 81,000 m^2 and reactor volume of 600 m^3 in 2021, of which, 200 m^3 has commenced operation in early 2022 and the remaining 400 m^3 are expected to be completed and operational by mid-2022. In addition, the Company acquired Aesica Pharmaceuticals Limited (now "Pharmaron Manufacturing Services (UK) Ltd") in Cramlington, UK in January 2022. The facility has a reactor volume of over 100 m^3 and can provide cGMP API manufacturing services from pilot to commercial scale. The facility has been inspected and approved by a number of regulatory agencies including the FDA and MHRA. Our commercial production facility in Shaoxing together with the API commercial product plant in Cramlington will provide our customers with comprehensive, end-to-end API production services in China and U.K..

To meet the growing demand for CMC (Small molecule CDMO) services, the Company is actively expanding its CMC (Small molecule CDMO) service team. As of December 31, 2021, the Company had 2,621 employees engaged in CMC (Small molecule CDMO) services, representing an increase of 687 employees as compared to December 31, 2020.

(3) Clinical development services

During the Reporting Period, the Company continued to invest in clinical development services, especially the capabilities and capacities of domestic clinical development services. During the Reporting Period, the clinical development services enjoyed rapid growth and realized revenue of RMB956.4 million, with a year-on-year growth of 52.0%; and gross margin of 10.3%. The customers in North America, Europe (including U.K.), China and other regions accounted for 28.9%, 15.5%, 52.4% and 3.2%, respectively, of the clinical development service revenue. The low gross margin was mainly due to the rapid expansion of the team to support the growth strategy of clinical development services.

In May 2021, the Company established Pharmaron Clinical, and began to reorganize the clinical development capabilities of its subsidiaries and departments into Pharmaron Clinical so as to optimize the organizational structure of the teams and integrating the services in clinical operations, site management, data management and biostatistics, regulatory affairs, medical affairs, quantitative pharmacology, recruitment, bioanalysis, pharmacovigilance, and medical device services, and built a fully-integrated clinical development service platform, so as to provide customers with higher quality, more comprehensive and more efficient integrated clinical development services. While Pharmaron Clinical building fully-integrated clinical development service platform in China, it will also further strengthen the close collaboration between China and U.S., and provide end-to-end solutions to customers for clinical development solutions in both China and U.S. In addition, the seamless integration with drug discovery, preclinical R&D and CDMO service platforms in China, U.S., and U.K. will provide solid foundation for the growth of the Pharmaron Clinical.

To meet the needs for the increased business volume, the Company further increased the talent pool in clinical development service to support the growth strategy. As of December 31, 2021, the Company had 3,357 employees in clinical development services, representing an increase of 1,149 employees as compared to December 31, 2020.

In addition, Enyuan Pharmaceutical and DeltaMed and their subsidiaries were acquired during the Reporting Period, strengthening Pharmaron Clinical's capabilities in quantitative pharmacology, pharmacovigilance, medical monitoring, medical strategy and medical writing.

(4) Biologics and CGT services

As part of the mid and long-term growth strategy, the Company continued to invest in building the capabilities and capacities of biologics and CGT services and began to report it as a separate service segment in 2021. During the Reporting Period, the biologics and CGT services segment realized revenue of RMB151.0 million and gross margin of -13.8%. The customers in North America, Europe (including U.K.), China and other regions accounted for 93.4%, 4.6%, 1.7%, and 0.3%, respectively, of the biologics and CGT service revenue. The loss of biologics and CGT services segment was mainly because the biologics and gene therapy CDMO services were still in the investment stage with high operating cost for the newly acquired gene therapy CDMO services capabilities in 2021.

As of December 31, 2021, the Company had 341 employees engaged in biologics and CGT services, representing an increase of 213 employees as compared to December 31, 2020.

During the Reporting Period, the Company continued to strengthen the biologics discovery team. The biologics and CGT laboratory services in U.S. are gaining customer recognition with rapid increase in both revenue and market share. In the second quarter of 2021, the Company completed its acquisition of Pharmaron Biologics UK in Liverpool, England. Pharmaron Biologics UK is equipped with advanced and flexible cGMP biologics manufacturing facilities and has over 100 experienced science and technology and production personnel. It provides customers with comprehensive CDMO services covering process development and cGMP manufacturing for gene therapy products. Pharmaron Biologics UK has been holding a biologics production license issued by MHRA since 2007. The Company transformed Pharmaron Biologics UK from an in-house R&D center to gene therapy CDMO service platform and began to take third-party customer orders by the end of 2021.

In addition, to meet the capacity requirements of biologics CDMO, the Company continued to build the domestic biologics CDMO platform during the Reporting Period. As the Company's biologics development and production service center (covering nearly 70,000 m^2), the Phase I of Campus II in Ningbo is expected to undertake large molecule GMP production service projects in the first half of 2023. After the completion of the project, the Company will be able to provide development services for cell line and cell culture process, upstream and downstream process development, formulation development and fill-and-finish process development and analytics method development, as well as drug substances and product manufacturing services with 200L to 20,00L production capacity to support the project from pilot to commercial stage production.

3. Profit in the Reporting Period

The profit attributable to owners of the parent in the Reporting Period was approximately RMB1,661.0 million, increased by 41.7% as compared to approximately RMB1,172.4 million for the year ended December 31, 2020. The increase was mainly due to the further increase from economies of scale under the growth in revenue.

4. Basic and Diluted Earnings Per Share

The basic earnings per share was approximately RMB2.0982, increased by 41.5% as compared to approximately RMB1.4825 for the year ended December 31, 2020. The diluted earnings per share was approximately RMB2.0537, increased by 38.9% as compared to approximately RMB1.4781 for the year ended December 31, 2020. The increase in the basic and diluted earnings per share were primarily due to the increase in the profit attributable to owners of the parent resulting from the business growth.

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

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

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

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

	Year ended December 31, 2021 ***RMB'000***	Year ended December 31, 2020 *RMB'000*
Profit attributable to owners of the parent	**1,661,029**	1,172,383
Add:		
Share-based compensation expenses	**56,769**	51,949
Interest and issuance expense on convertible bonds	**60,002**	–
Gains on fair value change of convertible bonds-embedded derivative component	**(72,854)**	–
Foreign exchange related gains	**(23,415)**	(8,247)
Non-IFRS net profit attributable to owners of the parent	**1,681,531**	1,216,085
Add:		
Realized and unrealized gains or losses from equity investments	**(219,546)**	(152,056)
Non-IFRS adjusted net profit attributable to owners of the parent	**1,461,985**	1,064,029

The Non-IFRSs adjusted net profit attributable to owners of the parent in the Reporting Period was RMB1,462.0 million, increased by 37.4% as compared to RMB1,064.0 million for the year ended December 31, 2020.

6. Cash Flows

During the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB2,058.0 million, representing an increase of approximately RMB409.4 million or 24.8% as compared to the year ended December 31, 2020. The increase was mainly due to the increase in revenue and profit of the Group during the Reporting Period.

During the Reporting Period, net cash flows used in investing activities of the Group amounted to approximately RMB5,258.1 million, representing an increase of approximately RMB1,887.1 million or 56.0% as compared to the year ended December 31, 2020. The net cash flows used in investing activities during the Reporting Period was mainly from (1) net cash outflows used in purchase of time deposits over three months and some medium-risk and low-risk wealth management products purchased from a number of reputable international banks of RMB1,889.3 million; (2) construction of our Campus II in Ningbo, Shaoxing Phase I facility and purchases of other property, plant and equipment of approximately RMB2,082.5 million; (3) net cash outflows used in acquisition of subsidiaries and capital injection in associates and other equity investments of approximately RMB1,436.9 million; (4) net of cash inflows from disposal of an equity investment at fair value through profit or loss of RMB68.7 million.

During the Reporting Period, net cash flows generated from financing activities of the Group amounted to approximately RMB3,661.4 million, representing an increase of approximately RMB3,941.6 million or 1,406.8% as compared to the year ended December 31, 2020. The increase was primarily due to the proceeds of convertible bonds issued during the Reporting Period.

7. Liquidity and Financial Resources

The Group has maintained a sound financial position during the Reporting Period. As at December 31, 2021, the Group's cash and cash equivalents amounted to approximately RMB3,526.6 million. For the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB2,058.0 million.

The Group recorded total current assets of approximately RMB8,643.5 million as at December 31, 2021 (December 31, 2020: approximately RMB5,540.4 million) and total current liabilities of approximately RMB2,982.0 million as at December 31, 2021 (December 31, 2020: approximately RMB1,981.8 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 2.9 as at December 31, 2021 (December 31, 2020: approximately 2.8).

8. Borrowings and Gearing Ratio

As at December 31, 2021, the Group aggregated interest-bearing bank borrowings of approximately RMB1,438.4 million. Among the total borrowings, approximately RMB482.3 million will be due within one year and approximately RMB956.1 million will be due after one year.

As at December 31, 2021, the gearing ratio, calculated as total liabilities over total assets, was 44.0%, as compared with 25.0% as at December 31, 2020.

9. Pledge of Assets

As at December 31, 2021, the Group mortgaged property, plant and equipment with a net carrying amount of approximately RMB422.5 million (December 31, 2020: approximately RMB405.6 million); and the mortgaged right-of-use assets had a net carrying amount of approximately RMB135.3 million (December 31, 2020: approximately RMB180.5 million).

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

Besides, as at December 31, 2021, the Group pledged deposits of approximately RMB17.2 million (December 31, 2020: approximately RMB7.3 million) to issue letters of credit and for environmental protection.

10. Final Dividend

The Board proposed to declare a final dividend as follows: (i) a cash dividend of RMB4.5 (inclusive of tax) per 10 shares or an aggregate of approximately RMB357.4 million for the year ended December 31, 2021; (ii) 5 new Shares for every 10 existing Shares to be issued out of reserve to all the Shareholders.

The aforesaid proposal is subject to the consideration and approval at the AGM. If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended December 31, 2021 will be paid in 60 days after AGM to the Shareholders.

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

11. Contingent Liabilities

As at December 31, 2021, the Group did not have any material contingent liabilities.

12. Miscellaneous

(1) Acquisition of 100% equity interests of Allergan Biologics Limited

For details of such acquisition, please refer to the announcement dated March 1, 2021.

(2) Acquisition of 100% equity interests of Zhongke Lingrui (Zhanjiang) Biotechnology Co., Ltd.

In October 2021, the Company acquired 100% of equity interests of Zhongke Lingrui (Zhanjiang) Biotechnology Co., Ltd. for RMB205.7 million, following which Zhongke Lingrui (Zhanjiang) Biotechnology Co., Ltd. became a wholly-owned subsidiary of the Company. Zhongke Lingrui (Zhanjiang) Biotechnology Co., Ltd. was then renamed to Kangruitai (Zhanjiang) Biotechnology Co., Ltd. (康瑞泰(湛江)生物技術有限公司).

(3) Acquisition of the controlling interest of Biomedical Research (GZ), Ltd.

In June 2021, the Company acquired the controlling interest of Biomedical Research (GZ), Ltd. by way of equity purchase and capital increase. The amount of the acquisition was RMB68.6 million and the amount of the capital increase was RMB41.4 million. After the completion of this transaction, the Company held 50.01% of equity interests in of Biomedical Research (GZ), Ltd., which became a subsidiary of the Company.

(4) Restructuring of Pharmaron Clinical

In May 2021, the Company established Pharmaron Clinical, and began to integrate the clinical development capabilities of its subsidiaries and departments through Pharmaron Clinical to optimize the organizational structure of the experts and management teams. We have integrated clinical R&D services including clinical operations, clinical field management, data management and statistics, regulatory registration, medical affairs, quantitative pharmacology, subject recruitment, biological sample analysis, pharmacovigilance, and medical device services, and have built a fully-integrated clinical development service platform, so as to provide customers with higher quality, more comprehensive and more efficient integrated clinical development services.

During the Reporting Period, the Company completed the equity restructuring of the subsidiaries within the clinical segments through Pharmaron Clinical. Upon the completion of the restructuring, Pharmaron Clinical wholly owned such subsidiaries as Nanjing Sirui Biotechnology Co., Ltd., Beijing LinkStart Biotechnology Co., Ltd., Beijing Kangsida Health Management Co., Ltd., and RAMED (Beijing) Medical Technology Co., Ltd. In October 2021, the Company signed an agreement with Pharmaron Clinical to restructure and integrate Pharmaron CPC, Inc. (an early-stage clinical trial center in Baltimore, U.S.) into Pharmaron Clinical, further deepening the close cooperation between China and U.S..

In addition, Enyuan Pharmaceutical and DeltaMed and their subsidiaries were acquired during the Reporting Period, and completed the restructuring of Enyuan Pharmaceutical in February 2022, in order to strengthen Pharmaron Clinical' capabilities in quantitative pharmacology, pharmacovigilance, medical supervision, medical strategy and medical writing.

While carrying out equity restructuring in 2021, Pharmaron Clinical also optimized its organizational structure, business division and brand management, and promoted the building of a fully-integrated clinical development service platform, in order to provide one-stop solutions for our customers to carry out clinical research and complementary trials in China and U.S..

(5) Phase II of Campus I in Ningbo was put into service

During the Reporting Period, Ningbo Tech continued the construction of Phase II of Campus I in Ningbo, of which the first 120,000 m^2 of laboratory space has gradually been in operation starting from the first quarter of 2021. The construction of the main structure of remaining 42,000 m^2 was completed and the internal installation has begun. Upon the completion of Phase II project, the number of scientists and technicians can be increased by nearly 2,500, and the capacity of laboratory services and CMC (small molecule CDMO) services will be further expanded.

(6) Acquisition of 100% equity interests of Aesica Pharmaceuticals Limited

During the Reporting Period, Pharmaron UK Limited signed the relevant acquisition agreement to acquire 100% of equity interests in Aesica Pharmaceuticals Limited (now Pharmaron Manufacturing Services (UK) Ltd) in Cramlington, U.K., for approximately GBP55,000,000 (approximately RMB473,352,000) and completed the acquisition of Aesica Pharmaceuticals Limited in January 2022. The facility has a reactor volume of over 100m^3 and can provide cGMP API manufacturing services from pilot to commercial scale. The facility has been inspected and approved by a number of regulatory bodies including the FDA and MHRA. This acquisition will further enhance the overall capacity of the small molecule CDMO service platform of Pharmaron. With our commercial production facility in Shaoxing together with the acquisition of Pharmaron Manufacturing Services (UK) Ltd, the Company will provide our customers with comprehensive, end-to-end API production services in China and U.K..

C. Technical Investment Results

The Company has always focused on technology and innovation and continued to increase investment in new technologies during the Reporting Period. In terms of laboratory services, the high-throughput experimentation (HTE) platform for reaction condition screening, DNA-encoded chemical library technology platform, chemical proteomics platform, multi-Electrode array (MEA) platform on basis of human iPSC-derived cardiomyocyte, *in vivo* imaging technology platform, X-ray radiotherapy technology and screening assay platform of 3D spheroid and organoid of the company have been fully developed.

1. ***High-throughput experimentation (HTE) platform for reaction condition screening:*** the HTE platform rapidly identifies the best possible reaction condition using 24/48/96-well parallel reactors. Hundreds of conditions can be screened within 24 hours, to provide solutions to challenging reactions. In 2021, state-of-the-art automated HTE equipment was installed, which enabled the automation and miniaturization of the platform and improved the efficiency significantly. More than 220,000 conditions which have optimized nearly 5,000 reactions were screened in the platform in 2021.

2 ***DNA-encoded chemical library technology platform:*** in 2021, the platform had been fully upgraded. Currently, we have over 10 billion new small molecule drug-like compounds with innovative and unique structures in our collections. Many DNA-encoded chemical probes and DNA-encoded compound libraries were effectively synthesized for diverse clients' projects, and many series of biologically active compounds were successfully discovered using the Pharmaron's DEL libraries selected for screening against many customers' protein targets of interest during the Reporting Period. We have continuously expanded and optimized the technological capabilities of Pharmaron's DNA-encoded compound library platform by closely tracking and implementing the cutting-edge DEL technologies. We have continuously strengthened the expertise on new technologies by routinely developing new technologies capable of synthesis of DNA-encoded compound libraries, continuously creating novel DELs. We have submitted 9 patent applications to the Chinese Patent Office, and one research paper has also been accepted by a peer reviewed journal.

3. ***Chemical proteomics platform:*** The chemical proteomics is a comprehensive platform combining chemical probes with biological activity with proteome analysis, involving multiple disciplines including medicinal chemistry, biology, bioinformatics, pharmacology, and mass spectrometry. It can not only reveal new drug target proteins in a high-throughput manner, but also help discover potential new targets for the existing drugs. It will play the essential roles in preclinical drug development and greatly improve the development efficiency. In 2021, we fully utilized the strength of chemical proteomics platform by screening covalent binder libraries and established the high-throughput workflow to identify the new targets. Additionally, based on a variety of established quantitative proteomics methods, we not only are capable of determining the binding strength of effective drugs to targets in the cellular context, but also have developed the ability to explore the dynamic landscape of targets across times for protein post-translational modifications and level of highly active sites of amino acid.

4. ***Multi-Electrode array (MEA) platform on basis of human iPSC-derived cardiomyocyte:*** With the issuing of a guideline titled "Clinical and Nonclinical Evaluation of QT/QTc Interval Prolongation and Proarrhythmic Potential" in section of E14/S7B, by International Conference for Harmonization (ICH), the traditional one in-vitro cardiac safety index through hERG channel evaluation has been facing increasing challenges in industry. We have thus upgraded this *in vitro* cardiac safety evaluation platform by moving *in vitro* evaluation on single ion channel to the comprehensive cardiomyocyte study. We are able to induce the differentiation of human iPSC cells to human cardiomyocytes which is then evaluated for *in vitro* cardiac safety assessment for potential drugs. The unique feature of this platform allows test articles to be screened on human cardiomyocytes and access to measurement of electrophysiological process of action potentials. Moreover, the drug-evoked cardiac proarrhythmia is also evaluated based on MEA data with high spatial resolution in micrometer and sufficient sampling frequency in millisecond. The achievement of this technique enables our transition from single ion channel assessment to the comprehensive CiPA studies on human cardiomyocytes, in assistance to achieve the short time cycle for cardiac safety screening. We, therefore, become one of very few CRO companies in China owning both high-throughput patch clamp recording system for single ion channel study and MEA system for real time measurement of cardiac action potentials of human samples.

5. ***In Vivo Imaging Technology Platform:*** An image technique is widely used in mechanism based and efficacy evaluation on orthotopic and metastatic tumor models. The *in vivo* imaging system (IVIS) can help monitor the tumor growth in the orthotopic and metastatic models in-life through fluorescent and bioluminescent imaging technology. Currently, we have established 270 luciferase-expressed tumor cell lines and 112 orthotopic or metastatic tumor models, which cover 30 different cancer types and have been widely utilized in new drug research and development. Meanwhile, we have provided service for dozens of clients to evaluate the blood-brain-barrier permeability and antitumor effect of test articles by utilizing 31 orthotopic and metastatic brain tumor models.

6. ***X-ray radiotherapy technology:*** X-ray can be widely applied to multiple fields of stem cells and DNA damage, oncology, immunology and drug development. An X-ray irradiator with high energy was introduced in Pharmaron, with power up to 225 KV. With precisely targeted X-ray irradiation, a series of radiotherapy models for different tumors were developed for *in vitro* and *in vivo* studies. The combined therapy models based on radiotherapy sensitization can evaluate the effect of radiotherapy and chemotherapy on subcutaneous xenograft tumor models, orthotopic and metastasis models. Meanwhile, the related biomarkers of DNA damage response can be well analyzed using ex-vivo assays. In 2021, we had provided services to many clients for a large number of radiotherapy and chemotherapy studies *in vivo* and *in vitro*, which successfully verified mechanism of action and effects of several radiation sensitizers, and provided substantial important data for study of radiotherapy and chemotherapy induced DNA damage mechanism, as well as for precision radiotherapy.

7. ***Screening assay platform of 3D spheroid and organoid:*** Compared with traditional technique of 2D cell culture, 3D spheroid as well as the organoid is better in mimicking the complex human *in vivo* conditions that could reduce the variation between *in vitro* and *in vivo* study systems. Using 3D culture as an *in vitro* assay model to evaluate the drug efficacy and safety in the preclinical study is more clinically meaningful. The Company has already established a well characterized 3D liver spheroid model which has been validated by testing the chronic hepatotoxicity of 42 clinical drugs in 2021 that have been known and classified with different hepatotoxicity categories, against our 3D liver spheroid model and also primary human hepatocyte. We have analyzed several key biomarkers which indicate the mechanisms of liver injury and provided more insightful data for the drug candidates regarding its mechanism to induce the liver injury.

In addition, in order to continuously strengthen the production service efficiency and market competitiveness of CMC (small molecule CDMO) services, the Company has increased investment in the existing flow chemistry technology and biocatalysis technology during the Reporting Period and made great progress.

1. ***Flow chemistry:*** as a revolutionary green pharmaceutical technology, flow chemistry technology can reduce the use of catalyst and solvent, and reduce by-product during process, with high process safety, high product yield, less impurities, less waste discharge and other huge advantages. In 2021, our flow chemistry technology has made great progress. Multi-step continuous reaction technology, continuous extraction and separation technology, online process analysis PAT technology and automatic control system have been established. From process condition screening to DOE design, a comprehensive flow chemistry service platform has been established. A pilot scale automatic control continuous flow system was established with continuous reaction and continuous extraction, with the capacity of manufacturing of tons of products. In 2021, with the help of flow chemistry technology, a total of nearly 100 projects over kilogram scale had been completed. In 2022, we will continue to enhance our flow chemistry capabilities and build large-scale commercial production capacity of flow chemistry.

2. ***Biocatalysis:*** Biocatalysis refers to the application of biological enzymes to catalyze chemical reactions. Enzymes are nature occurring catalysts that have higher catalytic efficiency, about 107-1,012 times higher than the general chemical catalysts. Biocatalysts are non-toxic, low energy consumption, high stereoselectivity, and environment friendly. It is an essential technology for "green chemistry" and "green manufacture". Since the establishment of the biocatalysis department in 2020, we have produced about 2,000 catalytic enzymes, established the enzyme screening and directed-evolution platforms. We also provided services for our clients to identify high selective enzymes for chiral compound synthesis and production. We are going to clone and produce more biocatalytic enzymes, to optimize the enzyme screening and evolution platforms, to build the larger scale enzyme production plant. We expect the production plant will be in operation by end of 2022.

D. CORE COMPETITIVENESS ANALYSIS

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

1. Leading fully-integrated pharmaceutical R&D services platform with strong capabilities and comprehensive service offerings across the globe

The Company is committed to building a R&D and manufacturing service platform across multiple therapeutic modalities (including small molecule, biologics and CGT products) throughout drug discovery, pre-clinical and clinical development process. The Company has a well-established and fully integrated R&D and manufacturing service platform for small molecule drugs, and is building our biologics and CGT service platform. In addition, the Company is in a leading position in drug discovery, pre-clinical and early clinical-stage research, and is committed to expanding its capabilities downstream to late clinical-stage development and commercial manufacturing. In the process of expanding its R&D services, the Company has successfully evolved from a pure laboratory chemistry service provider to an end-to-end pharmaceutical R&D services platform with operations in China, U.S. and U.K.

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

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

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

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

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

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

The Company provides DMPK/ADME services covering the whole R&D process from drug discovery to development. The early DMPK/ADME studies are of great importance as they can provide a key basis for our customers to determine their late-stage drug development strategy. Radioisotopic analysis technology is critical as an important drug metabolism analysis technology during the clinical stage. Following the approval of the radioisotopic use license at the Company's clinical center in U.S. in early 2018, the Company is the only pharmaceutical R&D service provider that offers integrated pharmaceutical R&D solutions, which cover radioisotope compound synthesis and human ADME studies using regular isotope analysis technology or high-sensitivity AMS technology. In addition, with acquisition of Absorption Systems, the Company broadened its global service network and further strengthen its leading position in discovery and development DMPK platform.

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

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

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

(4) Fully-integrated clinical development services in China

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

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

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

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

In recent years, with the rapid advancement of gene and cell therapy technologies and their application for rare and incurable diseases as well as vaccines that have had significant impact on public health systems, the R&D of cell and gene therapies and disease prevention methods are flourishing. These gene and cell products play an irreplaceable role in the global medical and public health systems. Through acquisition and integration of related resources and platforms, the Company has completed the establishment of an integrated services platform of "laboratory testing – IND enabling – process development and manufacturing" for gene therapy products. With the acquisition in 2020, the Company established a complete and industry leading analytics platform for biologics and CGT products that are in compliance with ICH guidelines of biologics and CGT products of GLP/GCP/GMP. In 2021, the Company acquired capabilities in Pharmaron Biologics UK, which increases the gene therapy product development and GMP manufacturing in U.K.. By combining both the analytics and CMC platforms in gene therapy products with our safety assessment center which has been inspected and/or certified for GLP compliance by NMPA, FDA and OECD regulatory authorities, the Company offers customers a complete pre-clinical IND enabling solution for CGT products, as well as clinical testing material manufacturing and clinical sample analysis services for CGT products.

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

The Company operates globally through our 18 operating facilities, clinical and manufacturing facilities in China, U.S. and U.K., of which 10 operating facilities are from overseas. The Company's profound experience in global pharmaceutical R&D, together with its global operations and world-class technical capabilities offers our customers a unique proposition that combines our technical expertise in different geographic locations and efficient services with seamless integration. It is the Company's core strategy for each international acquisition to effectively integrate with our global services platform and introduce world class talent and facilities into our integrated services platform to further strengthen our overall services capabilities and increase the efficiency of our services. These strategies complement each other to effectively improve the Company's international operation capability and bring high value-added services to customers.

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

On the other hand, it is the Company's core strategy for each international acquisition to effectively integrate with our global services platform and brought in the world class talent and facilities into our integrated services platform to further strengthen our overall services capabilities and increase the efficiency of our services. These strategies complement each other to effectively improve the Company's international operation capability and bring high value-added services to customers. For example, by combining the recently acquired commercial manufacturing site in Cramlington, U.K., our U.K. process chemistry team and our advanced intermediates and API manufacturing sites in Tianjin and Shaoxing, China, the Company is able to provide our global customers with end-to-end API production services in a more flexible, larger scale and greener manner.

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

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

Since inception, the Company has put great emphasis on technology and innovation to fuel the constant grow of the business and satisfy the evolving R&D needs. It develops new technologies through multiple measures such as internal research and development, collaboration with academic and professional institutions, customer collaboration and acquisitions. In recent years, the Company has been strategically developing new technologies and capabilities in chemistry and bioscience areas, and committed to further strengthening of the integrated services platform. In the chemical synthesis and manufacturing technology area, the Company focuses on the application of the high throughput chemical reaction screening platform, flow chemical technology and biocatalysis technology; in the discovery and bioscience area, the Company had established DNA encoded Library (DEL) screening platform, chemopoteomics platform, *in vivo* imaging technology platform and 3D spheroid and organoid screening platform.

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

The Company's management team is led by Dr. LOU Boliang, our chairman and chief executive officer. With over 30 years of experience in the pharmaceutical industry, he is highly respected in the industry for his excellent leadership that contributes to the Company's rapid development. The Company's senior management team has been with us for more than 10 years. The Company has nearly 100 senior scientific and technical leaders, 2 of whom were named as National Talents and 15 named as Beijing Talents. Members of our highly skilled, experienced and international management team possess diverse expertise and extensive knowledge, and have significantly contributed to the growth of the Company's institutional knowledge base. The Company focuses on its home-grown scientific team consisting of selected, young and promising scientists, which enables us to form a cohesive and vibrant mid-level management team composed of over 2,400 technical managers and high-caliber scientific research talents across all scientific disciplines of the Company. In addition, the Company's visionary management team has established a highly experienced and skilled talent pool with strong execution efficiency. As of December 31, 2021, the Company had over 13,455 R&D, production technology and clinical services staff in China, U.K. and

U.S.. The highly professional technical team ensures the Company's continuous provision of high-quality R&D services for customers. The open platform for talent development ensures that the Company will continuously attract talents from around the globe.

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

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

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

The Company has a large, diverse and loyal customer base including the global top 20 pharmaceutical companies and numerous reputable biotech companies. In 2021, the Company introduced over 800 new customers, with approximately 90% of revenue contributed by the Company's large, diverse and loyal repeat customers The Company's fully-integrated solution and deep understanding of customers' needs allow it to provide customized pharmaceutical R&D services for customers according to their needs. With further progress made in the existing customers' projects, the loyal and growing customer base will enable us to develop new services in drug development and at the early clinical stage.

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

OUTLOOK FOR 2022

A. Discussion and Analysis of Future Development

1. Industry competition and development

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

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

With the accelerated growth of aging population globally, the expansion of the chronic disease patients population and the increase in the total investment in medical and healthcare industry in various countries, the global and Chinese pharmaceutical markets continue to develop, which in turn drives the continuous increase of the pharmaceutical R&D and manufacturing spending. In the future, the spending on research, development and manufacturing are expected to maintain solid growth both globally and in China. According to Sullivan's forecast, the size of the global pharmaceutical R&D and manufacturing spending was approximately US$566.1 billion in 2021, and it is estimated that the global pharmaceutical R&D and manufacturing spending will increase to US$777.1 billion by 2026, representing an expected CAGR of 6.5% from 2021 to 2026; of which, the pharmaceutical R&D and manufacturing spending in China was approximately RMB562 billion in 2021, and it is estimated that pharmaceutical R&D and manufacturing spending in China will increase to RMB956.6 billion, representing an expected CAGR of 11.2% from 2021 to 2026.

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

Under the pressure of increasing R&D costs and patent cliff, as well as the internal R&D capacity limitation, pharmaceutical companies gradually turn to pharmaceutical R&D and manufacturing outsourcing services with an aim to reduce their overall R&D costs and improve their R&D efficiency. The increasing trend of pharmaceutical R&D and manufacturing spending also provides a solid foundation for the growth of outsourcing services for R&D and manufacturing. According to Sullivan's forecast, the total size of global pharmaceutical R&D and manufacturing outsourcing services was approximately US$140.3 billion in 2021, and it is estimated that such size will increase to US$247.7 billion by 2026, representing an expected CAGR of 12% from 2021 to 2026. In addition, with the continuous improvement of the capabilities and capacities of Chinese drug R&D and manufacturing outsourcing service providers and the continuous increase in drug R&D and manufacturing spending in China, the market share of Chinese services providers in the global drug R&D and manufacturing outsourcing service market is also increasing. According to Sullivan's forecast, the size of Chinese drug R&D and manufacturing outsourcing services accounted for approximately 11.9% of the global market in 2021, and it is estimated that such size will increase to RMB342.4 billion by 2026, which represent 21.4% of the global market.

a. Trend on the drug discovery R&D services

Drug discovery is a multidisciplinary and systematic work and process. According to Sullivan's forecast, the size of global drug discovery CRO service market was estimated to be US$15.9 billion in 2021, representing a outsourcing penetration rate of 46.0% (market size of drug discovery CRO service over the addressable market of drug discovery spending). It is estimated that the size of global drug discovery service market will increase to US$32 billion by 2026, representing an expected CAGR of 15.0% from 2021 to 2026, and the penetration rate of global drug discovery R&D service market will reach 64.2%; meanwhile, the size of China's drug discovery R&D CRO service market was estimated to be RMB16.8 billion in 2021, accounting for approximately 16.3% of the total global size. It is estimated that the size of China's drug discovery R&D service market will increase to RMB51.2 billion by 2026 with the market share increase to 24.6% of the total global market.

b. Trend on the pharmaceutical development and manufacturing services

Pharmaceutical development and manufacturing (CDMO) services cover the whole process from preclinical, clinical, registration to commercial manufacturing. According to Sullivan's forecast, the size of global pharmaceutical CDMO service market was estimated to be US$63.7 billion in 2021. It is estimated that the size of global pharmaceutical CDMO service market will increase to US$118.8 billion by 2026, representing an expected CAGR of 13.3% from 2021 to 2026; meanwhile, the size of China's pharmaceutical CDMO service market was estimated to be RMB43.2 billion in 2021, accounting for 10.5% of the global pharmaceutical CMO service market. It is estimated that the size of China's pharmaceutical CDMO service market will increase to RMB152.6 billion by 2026 with the market share increase to 19.8% of the total global market.

c. Trend on the clinical development services

Clinical development services cover Phase I to Phase III clinical trials and post-market studies of pharmaceutical products. According to Sullivan's forecast, the size of global drug clinical development services market reached US$50 billion in 2021, with outsourcing penetration rate of 42.9% (market size of clinical development CRO service over the addressable market of clinical development spending). The size of global market is expected to reach US$79.7 billion by 2026, representing an expected CAGR of 9.8% from 2021 to 2026, and the outsourcing penetration rate will rise to 47.8%; meanwhile, the market for China's drug clinical development outsourcing services was estimated to be RMB31.6 billion in 2021, accounting for 9.8% of the global clinical development services market. With the growth of the Chinese pharmaceutical industry, it is expected that the size of China's clinical development services will reach RMB100.3 billion by 2026 with the market share increase to 19.4% of the total global market.

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

The Company adheres to our core growth strategy to build and improve our global end-to-end drug R&D services platform that is fully-integrated with highest international standard. In addition to continuously strengthen our leading position in the small molecule integrated R&D services, the Company will accelerate the establishment of R&D service capabilities for biologics and CGT products. For the small molecule integrated R&D service platform, through continued expanding and training our talent pools, investing in cutting-edge technologies, upgrading our service capabilities and strengthening the management capabilities for global multidisciplinary collaborations, the Company will further improve the fully-integrated services platform and provide customers with tailored, more flexible and efficient solutions. Cater to the specific needs of domestic and oversea customers, the Company establishes multidisciplinary and collaborative services teams for customers in a timely manner to address customers' R&D needs, so as to help customers successfully and efficiently advance their pharmaceutical R&D programs. For the new therapeutic modalities such as biologics and CGT products, the Company will continue accelerating the construction of a global end-to-end and integrated service platform for biologics and CGT products through both internal construction and external expansion, and is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities.

We will adhere to the business development strategy that puts emphasis on both domestic and oversea markets. With our established effort in developing oversea market and our large customers base with solid relationship, we will continuously improve the capabilities of our R&D service platform in order to provide higher service quality and expand our collaboration with our customers. Also, we will take advantage of our brand reputation and develop and introduce our services to more customers. For the domestic market, we will pay more attention to cultivating the domestic market and adopt a specific market strategy to address the domestic needs.

3. Main operational plan of the Company for 2022

Adhere to our growth strategy of building an "end-to-end, fully integrated and global" pharmaceutical R&D service platform, the Company will focus on the following works in 2022:

(1) Strengthen its leading position in the small molecule R&D service area

After years of efforts, the Company has built a small molecule pharmaceutical R&D and manufacturing service platform broadly covering the full process from drug discovery to preclinical and clinical development. In 2022, the Company will continue to deepen its efforts in strengthening its leading position in small molecule R&D services and further enhance its competitiveness globally. On one hand, we will continue to invest in new technology in small molecule services to ensure our leading position; on the other hand, we will continue to expand and deepen our services offerings. Specifically, in 2022, we will continue to treat laboratory chemistry as the core business and cornerstone of our growth strategy, actively expanding geographically while improving our global program management system, and expanding our service networks in the pharmaceutical R&D hotspots in China. We will also further strengthen the synergy and integration between laboratory chemistry and small molecule CDMO, accelerate the construction of the commercial manufacturing base in Shaoxing, and vigorously develop one-stop chemistry and manufacturing services globally. For bioscience services, while we continuously strengthen our bioscience services in the discovery stage, we will expand our services offerings based on customers' needs and make significant scientific and technical advancement assisted by cutting-edge technologies invested.

(2) Continue accelerating the build-up of biologics and CGT service platform

For building the biologics service platform, in 2022, we will accelerate the build-up of the CDMO service platform for biologics, further develop our biologics discovery service capabilities by expanding our team, hence broadening our services offerings. We will also accelerate the construction of biologics development and manufacturing facilities in Ningbo and establish a quality system that meets the highest international standard.

For cell and gene therapies service platform, in 2022, we will further integrate Absorption Systems, our CGT testing services in U.S. with our gene therapy CDMO services in U.K. with synergy while enhancing their corresponding capabilities and capacities, so as to further develop our CGT services platform.

(3) Continue to strengthen the fully integrated clinical development service platform

Building upon the established and integrated clinical development service platform in China, we will continue to deepen the integration and expand our service offerings to further complete and strengthen our end-to-end and fully integrated clinical development services platform in China. For our overseas clinical development services, we will continue to strengthen our healthy volunteer-based early clinical research services and expand to patient clinical studies for oncology and other therapeutic areas.

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

Talents are the foundation of innovation and the key to strengthening our core competitiveness. It is our long-standing human resources strategy to build an inclusive and open development platform to attract and train our talent pool. In 2022, we will continue to attract high calibre R&D talents globally, and further expand and enhance our multi-dimensional and comprehensive training system. In 2022, we will focus on the training of our middle and senior level of managers so as to provide strong support to the future growth of the Company.

(5) Further enhance management capabilities

In 2022, the Company will continue to take production safety and information security as the top priority in our daily operation so as to protect the health of employees and safeguard information and intellectual property of our customers. We will continue to provide high quality services and products to our customers by adhering to the highest international quality standards. While ensuring the safety and quality, in 2022, we will improve the execution efficiency of our management team and actively implement "transparent, timely, professional and efficient" project management, and system to further improve the international operation efficiency and effectiveness of our integrated services platform, so as to provide strong support to our global expansion strategy implementation.

(6) Continue to expand domestic and overseas market shares

For the overseas market growth, we will continue to maintain our solid relationships with our existing customer base, analyze and explore in-depth customer needs, expand our service offerings, increase customer loyalty through ensuring service quality, and introduce new customers with the help of our reputation and brand influence. For the domestic market, we will implement a China market strategy based on the characteristics of Chinese market, continue to expand customer base to better understand and address the domestic needs, emphasize team building and service quality building to improve our competitiveness in the domestic market.

(7) Develop infrastructure and expand capacity

In 2022, we will continue to carry out our ambitious plan of capacity expansion in China, U.K. and U.S. to support the future growth of the Company. In U.K., we will expand the laboratory and manufacturing spaces in Hoddesdon, Liverpool and Rusden sites to meet the growing business needs. In U.S., we will expand the laboratory spaces in both San Diego and Exton to support the growth of our U.S. laboratory and CGT laboratory services. In China, we will continue to accelerate the capacity expansion and ensure to complete the construction projects for laboratory spaces in Beijing, large molecule CDMO capacity in Ningbo Campus II and *in vivo* bioscience and safety assessment facilities in Ningbo Campus III, in a high-quality and timely manner. Also, in addition to commencement of construction for the new campus in Beijing and Xi'an, we will add in laboratory spaces in Qingdao, Chongqing and Zhuhai, so as to expand our footprints and increase our capacities in the hotspots of research talents in China in the next few years.

4. Potential risks

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

The Company is a leading fully-integrated pharmaceutical R&D service platform with global operations to accelerate drug innovation for our customers. While the global pharmaceutical industry is expected to keep growing driven by such factors as an aging population, higher disposable income and increased spending on healthcare, there is no guarantee, however, that the pharmaceutical industry will grow at the rate we project. If the growth of the global pharmaceutical market slows down in the future, customers may suspend their pharmaceutical R&D projects or reduce their pharmaceutical R&D budget, which will have an adverse impact on the Company's business performance and prospects. The Company will continue to implement its strategies, improve its scientific research capabilities and service quality and enhance its market competitiveness.

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

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

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

(3) Risks regarding intellectual property protection

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

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

(4) Risks regarding policies and regulation

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

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

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

(5) Risk of international policy changes

We are a pharmaceutical R&D service platform with well-established global operations and a substantial portion of our customers are pharmaceutical and biotechnology companies outside of China. The demand for our services by these customers may be impacted by trade policies promulgated by respective local governments against Chinese pharmaceutical R&D service providers as a result of the rise in trade protectionism and unilateralism in recent years. In the event the trade tension between China and other major countries continue to escalate, or any such countries impose restrictions or limitations on pharmaceutical R&D outsourcing, our business and results of operations may be adversely affected. We have been expanding our service capabilities in overseas markets from 2015 with an aim to mitigate any potential impact such policy changes may have on our business.

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

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

(7) Risks regarding exchange rates

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

In response to the risk of exchange rate fluctuations, the Company has reduced and will continue to reduce such risk through hedging transactions.

(8) Risks regarding market competition

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

(9) Risks regarding technological innovation

With the continuous market development and innovation of R&D technologies, advanced technologies are vital for the Company to maintain its leading position in the industry. The Company shall keep up with the development direction of new technologies and processes to maintain our leading position in the industry. The Company will continue to invest a large amount of human and capital resources to develop new technologies and upgrade our service platform. If target companies with new technologies appeal to us, the Company will consider acquisitions to inject new service capabilities into our platform.

(10) Risks regarding service quality

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

OTHER INFORMATION

A. Use of Proceeds from the Global Offering

Upon completion of the global offering of its H Shares (the "Global Offering"), the Company raised net proceeds of approximately RMB4,522.7 million. As at December 31, 2021, the balance of unutilized net proceeds amounted to approximately RMB521.7 million. The net proceeds from the Global Offering have been and will be utilized in accordance with the purposes set out in the prospectus of the Company dated November 14, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2021.

Use of proceeds		Allocation of net proceeds *(RMB million)*	Utilized amount as at December 31, 2021 *(RMB million)*	Unutilized net proceeds as at December 31, 2021 *(RMB million)*	Expected timeline for utilizing the net proceeds from the Global Offering[(1)]
Expand capacities and capabilities in laboratory and manufacturing facilities in the PRC	30.0%	1,356.8	1,356.8	–	Had been fully utilized by December 31, 2021
• upgrading and expanding our Ningbo facility	19.5%	881.9	881.9	–	Had been fully utilized by December 31, 2021
• upgrading and expanding our Tianjin facility	4.5%	203.5	203.5	–	Had been fully utilized by December 31, 2021
• upgrading and expanding other manufacturing facilities	6.0%	271.4	271.4	–	Had been fully utilized by December 31,2021
Fund further expansion of businesses in U.S. and U.K.	10.0%	452.3	259.9	192.4	Expected to be fully utilized by December 31, 2022
Establish pharmaceutical R&D services platform for discovery and development of biologics	20.0%	904.5	904.5	–	Had been fully utilized by December 31, 2021
Expand clinical development services	15.0%	678.4	349.1	329.3	Expected to be fully utilized by December 31, 2022
Expand our capacity and capabilities through potential acquisitions of CRO and CMO companies and businesses	15.0%	678.4	678.4	–	Had been fully utilized by December 31, 2021
General corporate and working capital	10.0%	452.3	452.3	–	Had been fully utilized by December 31, 2021
Total	**100%**	**4,522.7**	**4,001.0**	**521.7**	

Note: The Company intends to use the remaining unused net proceeds in the coming year in accordance with the purpose set out in the prospectus. The Company will continue to evaluate the Group's business objectives and will change or modify the plans against the changing market conditions to suit the business growth of the Group. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

B. Issue of and Use of Proceeds from Convertible Bonds

On June 18, 2021, the Company issued the Series 1 Bonds and Series 2 Bonds in an aggregate principal amount of US$300 million and RMB1,916 million, respectively. For details of the Convertible Bonds, please refer to the announcements of the Company dated June 8, 2021, June 9, 2021, June 11, 2021, June 18, 2021 and June 21, 2021, respectively. The net proceeds, after deduction of fees, commissions and expenses payable, was approximately RMB3,776.0 million. As at December 31, 2021, the balance of unutilized net proceeds amounted to approximately RMB2,861.8 million. The net proceeds from the Convertible Bonds have been and will be utilized in accordance with the purposes set out in the announcement of the Company dated June 21, 2021. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2021.

Use of proceeds		**Allocation of net proceeds** *(RMB million)*	**Utilized amount as at December 31, 2021** *(RMB million)*	**Unutilized net proceeds as at December 31, 2021** *(RMB million)*	**Expected timeline for utilizing the net proceeds**
Expanding capacities and capabilities of the Group's pharmaceutical process development and manufacturing facilities (i.e. CMC services) for small molecule drugs	33.3%	1,258.7	150.6	1,108.1	Expected to be fully utilized by December 31, 2024
Expanding the Group's R&D and manufacturing service platform for biologics	33.3%	1,258.7	125.4	1,133.3	Expected to be fully utilized by December 31, 2024
Expanding capabilities of the Group's laboratory services in drug safety assessment	13.3%	503.4	92.4	411.0	Expected to be fully utilized by December 31, 2024
Expanding capacities and capabilities of the Group's laboratory and manufacturing facilities in U.K.	10.0%	377.6	168.2	209.4	Expected to be fully utilized by December 31, 2023
Replenishing working capital and other general corporate purposes	10.0%	377.6	377.6	–	Had been fully utilized by December 31, 2021
Total	**100%**	**3,776.0**	**914.2**	**2,861.8**	

Note: Any discrepancies in the table between the total and the sum of the amounts listed are due to rounding.

C. Employee Remuneration and Relations

As at December 31, 2021, the Group had a total of 14,923 employees, as compared to 11,012 employees as at December 31, 2020. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides employees with opportunities to work on cutting-edge drug development projects with world-class scientists, as well as offer opportunities to continue academic learning in the Group's Pharmaron College.

D. Purchase, Sale or Redemption of the Company's Listed Securities

At the extraordinary general meetings held on May 28, 2021 and July 12, 2021, the Shareholders have approved the special resolution to repurchase (at the repurchase price of RMB17.85 per Share) and cancel a total of 210,364 Restricted A Shares due to the resignation of six participants. The repurchase and cancellation were completed in 2021.

E. Material Events after the Reporting Period

Acquisition of Aesica Pharmaceuticals Limited

In December 2021, Pharmaron UK Limited, a wholly-owned subsidiary of the Company, signed an agreement with Consort Medical Limited to acquire its 100% stake in Aesica Pharmaceuticals Limited for an expected consideration of approximately GBP55,000,000 (RMB473,352,000). The acquisition will further enhance the overall strength of Pharmaron's platform in small molecule CDMO service.

On January 7, 2022, the Group completed the acquisition of Aesica Pharmaceuticals Limited, which became a subsidiary of the Company. Aesica Pharmaceuticals Limited was renamed to Pharmaron Manufacturing Services (UK) Ltd.

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

F. Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' and Supervisors' securities transactions. Having made specific enquiry with the Directors and Supervisors, all of the Directors and Supervisors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

G. Compliance with the Corporate Governance Code

During the Reporting Period, the Company has complied with all the code provisions set forth in the Corporate Governance Code, with the exception that the roles of the chairman of the Board and the general manager of our Company have not been segregated as required by code provision C.2.1 of Part 2 of the Corporate Governance Code. In view of Dr. LOU Boliang's experience, personal profile and his roles in our Company and that Dr. LOU has assumed the role of chief executive officer of our Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Company that Dr. LOU assumes the roles of the chairman of the Board as well as the chief executive officer of our Company. The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

H. Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely, Mr. YU Jian, Mr. TSANG Kwan Hung Benson and Ms. CHEN Guoqin, who are all independent non-executive Directors of the Company. Mr. YU is the chairman of the Audit Committee, who possesses suitable professional qualifications.

The Audit Committee has reviewed the audited consolidated financial information of the Group for the Reporting Period and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

I. Scope of Work of Ernst & Young

The figures above in respect of this annual results announcement for the year ended December 31, 2021 have been agreed with the Company's auditor, Ernst & Young, certified public accountants ("**Ernst & Young**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

J. Annual General Meeting

At the 18th meeting of the 2nd session of the Board, the Board (i) approved the convening of the AGM; and (ii) authorized the chairman of the Board to approve the documents to be issued for the AGM, and to determine other matters relating to the AGM, including but not limited to the time and place of the AGM. The notice and circular for the AGM will be dispatched in due course.

K. Publication of the Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.pharmaron.com). The Company's 2021 annual report which include all the financial and other related information of the Company required by the Listing Rules will be dispatched to the Shareholders and will be published on the aforementioned websites in due course.

APPRECIATION

Lastly, I would like to thank all the staff and the management team for their hard work during the Reporting Period. I would also like to express heartfelt gratitude to all of our users and business partners on behalf of the Group, and wish for their continuous support in the future. We will keep working closely with our Shareholders and employees to steer the Group to a more modernized and sophisticated level of operation, through which we aspire to turn to a new chapter in the Group's development.

DEFINITIONS

"^{14}C"	Carbon-14 (^{14}C), or radiocarbon, a radioactive isotope of carbon with an atomic nucleus containing 6 protons and 8 neutrons
"^{3}H"	Tritium or Hydrogen-3, a radioactive isotope of hydrogen, whose nucleus contains one proton and two neutrons
"Absorption Systems"	Absorption Systems LLC, a Delaware limited liability company formerly known as Absorption Systems LP
"ADME"	Absorption, Distribution, Metabolism and Excretion, the analysis of the body's processes of altering, utilizing and eliminating ingested and administered drugs and xenobiotics, either in an *in vitro* or *in vivo* setting
"AGM"	the annual general meeting of the Company to be held for the purpose of, among others, approving the audited financial statements for the year ended December 31, 2021
"AMS"	accelerator mass spectrometry
"API"	Active Pharmaceutical Ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shenzhen Stock Exchange and traded in RMB

"Audit Committee"	the audit committee of the Board
"Bioanalysis"	a sub-discipline of analytical science covering the quantitative measurement of xenobiotics (drugs, their metabolites, and biological molecules in unnatural locations or concentrations) and biotics (macromolecules, proteins, DNA, biologics, metabolites) in biological systems
"biologics"	a subset of pharmaceuticals that include antibodies, proteins, nucleic acids and ADCs
"Biomedical Research"	Biomedical Research (GZ), Ltd. (肇慶創藥生物科技有限公司), a company incorporated in PRC on August 12, 2003, which is held as to 50.01% by our Company
"Board"	the board of Directors
"CADD"	computer-aided drug design, the use of computers (or workstations) to aid in the creation, modification, analysis, or optimization of novel compounds or biologics
"CAGR"	the compound annual growth rate
"Campus I in Ningbo"	Located at No. 800, Binhai 4th Road, Qianwan New District, Ningbo City, Zhejiang Province, it is mainly engaged in the laboratory services and CMC (small molecule CDMO) services, formerly known as Hangzhou Bay R&D service center
"Campus II in Ningbo"	Located in Qianwan New District, Ningbo City, Zhejiang Province, it is mainly engaged in the biologics product development and manufacturing services, formerly known as Hangzhou Bay service center II
"Campus III in Ningbo"	Located in Qianwan New District, Ningbo City, Zhejiang Province, it is mainly engaged in the safety assessment business
"CDMO"	contract development and manufacturing organization(s), a CMO that, in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
"cGMP" "	current Good Manufacturing Practice，regulations enforced by the FDA or other regulatory authorities on pharmaceutical and biotechnology firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"CGT"	Cell and Gene Therapy

"China" or "PRC"	the People's Republic of China
"chiral separation"	Separation of chiral compounds chiral using chiral chromatography and other technical means. Chirality is one of the essential attributes in nature. Different chiral compounds usually present different physiological activities. Chiral separation technologies can be used to obtain efficient chiral monomeric compounds that are beneficial to the human body
"CMC"	chemistry, manufacturing and controls
"CMO"	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
"commercialization"	the stage in drug development when a new drug is approved and released to the market
"Company" or "Pharmaron"	Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司), a joint stock limited company incorporated under the laws of the PRC on July 1, 2004, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 300759) and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3759)
"Convertible Bonds"	the (i) US$300.0 million zero coupon convertible bonds due 2026 (debt stock code: 40725) and the (ii) RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 (debt stock code: 40733) issued by the Company on June 18, 2021
"CRC"	Clinical Research Coordinator
"CRO"	Contract Research Organization, a company focused on providing pharmaceutical research and development services to companies in the pharmaceutical markets
"crystal screening"	Use the high-throughput screening technology to obtain various possible solid forms of the drug, employ multiple solid state analysis technologies to indicate physical and chemical properties of various forms and apply multidisciplinary comprehensive means to assess biopharmaceutical properties of advantaged forms for the purpose of screening those advantaged crystal forms of the drug that are suitable for production, have a high level of bioavailability if applicable, and conduce to preparation

"DeltaMed"	DeltaMed (Hangzhou) Co., Ltd. (德泰邁(杭州)醫藥科技有限公司), a company incorporated in PRC on September 13, 2018 and is held as to 100% by Pharmaron (Chengdu) Clinical Services Co., Ltd. (康龍化成(成都)臨床研究服務有限公司), which is held as to 57.74% by the Company
"Directors"	directors of the Company
"DNA"	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses
"DMPK"	drug metabolism and pharmacokinetics, the studies designed to determine the absorption, metabolism, excretion and the kinetic study of a drug or potential drug either in an in vitro or in vivo setting
"drugability"	The property that has received the preliminary pharmacological study and early assessment of pharmacokinetic property and safety and proved the potential for drug development
"EMA"	European Medicines Agency, a European Union body responsible for the protection and promotion of human and animal health by means of evaluating and monitoring medicines within the European Union and the European Economic Area
"Enyuan Pharmaceutical"	Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. (恩遠醫藥科技(北京)有限公司), a company incorporated in PRC on September 21, 2015, which is held as to 55% by our Company
"ESG"	Environmental, Social and Governance
"EU"	European Union
"FDA"	the Food and Drug Administration of the U.S.
"FIH"	phase I clinical studies which include evaluation of pharmacokinetics, safety and tolerability of an investigational drug in human
"GCP"	Good Clinical Practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"GLP"	Good Laboratory Practice, a quality system of management controls for research laboratories and organizations to try to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical and pharmaceuticals nonclinical safety tests

"GMP"	Good Manufacturing Practice, a quality system of management controls for laboratories and manufacturing facilities to ensure that a series of quality, health and safety management measures implemented in the drug production process, trying to achieve the uniformity, consistency, reliability, reproducibility, quality and integrity of pharmaceuticals manufactured
"Group", "we", "our" or "us"	the Company and its subsidiaries
"H Share(s)"	overseas-listed foreign shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Hong Kong Stock Exchange and traded in HK dollars
"IND applications"	an experimental drug for which a pharmaceutical company obtains permission to conduct clinical trials before a marketing application for the drug has been approved
"lead compounds"	A compound that displays certain biological activity and selectivity against certain targets or models and usually has a novel chemical structure. It satisfies certain requirements for physical and chemical properties, drug metabolism and pharmacokinetic properties, pharmaceutical property and safety, and has the drug-likeness and developable property. A lead compound usually has its chemical structure must be optimized to achieve the desired configuration of the aforesaid natures. The quality of the lead compound will directly affect the speed and success rate of new drug development
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"medical writing"	Prepare phase I-III clinical study protocols, study plans and documents in support of IND/NDA/BLA applications
"MHRA"	U.K. Medicines and Healthcare products Regulatory Agency
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"NHP"	Non-Human Primate

"Ningbo Tech"	Pharmaron (Ningbo) Technology Development Co., Ltd. (康龍化成(寧波)科技發展有限公司), formerly known as Ningbo KTB Technology Development Co., Ltd. (寧波康泰博科技發展有限公司), a company incorporated in the PRC on January 12, 2015, our wholly-owned subsidiary
"NMPA"	National Medical Product Administration (國家藥品監督管理局) (formerly known as China Food and Drug Administration), the authority responsible for approving drug and biologic products in China
"OECD"	the Organization for Economic Cooperation and Development
"pharmaceutical"	A type of chemical drug products classified in accordance with the chemical drug registration of regulatory authorities and a type of biological products classified in accordance with the biological product registration of regulatory authorities
"pharmacology"	the branch of medicine concerned with the uses, effects, and modes of action of drugs
"pharmacovigilance"	Pharmacovigilance (PV) is defined as the science and activities relating to the detection, assessment, understanding and prevention of adverse effects or any other drug-related problem
"Pharmaron Biologics UK"	Pharmaron Biologics (UK) Ltd, formerly known as Allergan Biologics Limited, a private company limited by shares incorporated under the laws of England and Wales
"Pharmaron Clinical"	Pharmaron (Chengdu) Clinical Services Co., Ltd. (康龍化成(成都)臨床研究服務有限公司), a company incorporated in PRC on May 27, 2021, which is held as to 57.74% by our Company
"pre-clinical"	of or relating to a stage preceding a clinical stage
"quantitative pharmacology"	A discipline uses advanced pharmacostatistical modeling and simulation techniques as tools to assess drugs' PK, dosage, efficacy and safety in human, including dosage prediction for child patients based upon adult dosage, adding value in clinical trial design, data analysis, translation medicine and regulatory decision-making
"R&D"	Research and development
"reactor"	A physical or chemical or biological reaction vessel, which, through the structural design and parameter setting, realizes the steaming, evaporation, cooling and high or low-speed mixing functions required by the process
"Reporting Period"	the year ended December 31, 2021
"Restricted A Shares"	A Share(s) granted to the participants by the Company on such conditions as stipulated under the A Share Incentive Scheme, which are subject to the attribution conditions stipulated under the A Share Incentive Scheme and can only be attributed and transferred after satisfaction of the attribution conditions

"RMB"	Renminbi, the lawful currency of the PRC
"RNA"	ribonucleic acid, complex compound of high molecular weight that functions in cellular protein synthesis and replaces DNA as a carrier of genetic codes in some viruses
"safety assessment"	"Safety Assessment" means evaluation of the safety of new drug candidates in a non-clinical environment, in support of IND filing with regulatory authorities for starting a clinical study and NDA/BLA filing for marketing authorization. The safety assessment includes studies from general toxicology, safety pharmacology, genetic toxicology, DART, immunotoxicity and immunogenicity to carcinogenicity
"Series 1 Bonds"	the US$300.0 million zero coupon convertible bonds due 2026 (debt stock code: 40725) issued by the Company on June 18, 2021
"Series 2 Bonds"	the RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 (debt stock code: 40733) issued by the Company on June 18, 2021
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the Shares
"small molecule drug"	Generally known as chemical drugs, that is, special chemicals that have the known chemical structures and are used to prevent, treat or diagnose diseases, or used to regulate human functions, improve the living quality and keep the physical health. Small molecule drugs are based on small molecule compounds in substance and based on the functions of the drug (biological effect) in application
"SSU"	Study Start up, the startup specialist of a clinical project
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sullivan"	Frost & Sullivan. Founded in 1961, it is a world-leading growth consultancy that owns 31 branches and more than 1,700 industry consultants, market analysts, technical analysts and economists in 21 countries across six continents
"synthesis process"	The single-step or multiple-step unit reaction process that turns the specific raw material into the required product

"target"	It means the biological large molecules that have the pharmaceutical effect and can be acted by the drug in the body, such as certain proteins, nucleic acid and other biological large molecules. Those genes that code target proteins are also known as target genes. It is the foundation for modern new drug development to determine target molecules related to the specific disease in advance
"TQT/cardiac safety"	This study means observing and describing all ECG changes of the subject in an all-round manner at the early stage of a clinical trial on the drug and measuring the extension of the QT/QTc interval to determine whether the drug will impact the heart repolarization and the extent of impact, judge the risk of malignant arrhythmia it will trigger, and provide the data support in deciding whether to enter the next drug research and development stage
"U.K."	the United Kingdom
"U.S."	the United States
"%"	percent

By order of the Board
Pharmaron Beijing Co., Ltd.*
康龍化成(北京)新藥技術股份有限公司
Dr. LOU Boliang
Chairman

Beijing, the PRC
March 27, 2022

As at the date of this announcement, the Board of Directors of the Company comprises Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei as executive Directors, Mr. CHEN Pingjin, Mr. HU Baifeng, Mr. LI Jiaqing and Mr. ZHOU Hongbin as non-executive Directors, and Mr. DAI Lixin, Ms. CHEN Guoqin, Mr. TSANG Kwan Hung Benson and Mr. YU Jian as independent non-executive Directors.

* *For identification purposes only*