Asymchem Laboratories (Tianjin) Co., Ltd.
凱萊英醫藥集團(天津)股份有限公司

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

(Stock Code: 6821)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the "**Board**") of directors (the "**Directors**") of Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司) (the "**Company**" or "**Asymchem**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**", "**we**", or "**us**") for the year ended December 31, 2021 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2020 (the "**Corresponding Period**"). The consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee and audited by the Company's auditors, Ernst & Young. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings ascribed thereto in the prospectus of the Company dated November 30, 2021 (the "**Prospectus**").

Certain amount and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

	2021 ***RMB'000*** **(except percentages)**	2020 *RMB'000* (except percentages)	Change proportion
Revenue	**4,632,121**	3,136,724	47.7%
Gross profit	**2,049,725**	1,453,224	41.0%
Gross profit margin	**44.3%**	46.3%	
Net profit attributable to shareholders of the listed company	**1,069,274**	719,742	48.6%
Net profit margin attributable to Shareholders of the Company	**23.1%**	22.9%	
Non-IFRS measures:			
Adjusted net profit attributable to Shareholders of the Company *(note)*	**1,122,997**	790,242	42.1%
Adjusted net profit margin attributable to Shareholders of the Company *(note)*	**24.2%**	25.2%	
	RMB	*RMB*	
Earnings per share			
– Basic	**4.40**	3.09	42.4%
– Diluted	**4.39**	3.07	43.0%

Note: Please refer to "Management Discussion and Analysis — II. Financial Review — (26) Non-IFRS Measures."

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
CONTINUING OPERATIONS			
REVENUE	*4*	**4,632,121**	3,136,724
Cost of sales		**(2,582,396)**	(1,683,500)
Gross profit		**2,049,725**	1,453,224
Other income and gains	*4*	**173,817**	119,773
Selling and distribution expenses		**(99,559)**	(84,253)
Administrative expenses		**(494,775)**	(320,599)
Research and development expenses		**(387,478)**	(258,934)
Losses on impairment of financial and contract assets, net		**(22,380)**	(25,751)
Other expenses		**(15,232)**	(70,583)
Finance costs	*6*	**(7,328)**	(3,728)
Share of (losses)/profits of Associates		**(3,840)**	2,084
Profit before tax	*5*	**1,192,950**	811,233
Income tax expense	*7*	**(123,694)**	(91,530)
Profit for the year		**1,069,256**	719,703
Attributable to:			
Owners of the parent		**1,069,274**	719,742
Non-controlling interests		**(18)**	(39)
		1,069,256	719,703
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB4.40**	RMB3.09
Diluted	*9*	**RMB4.39**	RMB3.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
PROFIT FOR THE YEAR		**1,069,256**	719,703
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(5,132)**	(11,685)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(5,132)**	(11,685)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,064,124**	708,018
Attributable to:			
Owners of the parent		**1,064,142**	708,057
Non-controlling interests		**(18)**	(39)
		1,064,124	708,018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,336,854**	2,208,297
Right-of-use assets		**362,649**	284,328
Goodwill		**146,183**	43,186
Other intangible assets		**62,960**	24,049
Deferred tax assets		**186,930**	118,006
Investments in associates		**291,848**	269,689
Prepayments, deposits and other receivables		**354,709**	169,547
Financial assets at fair value through profit or loss		**103,766**	35,000
Total non-current assets		**4,845,899**	3,152,102
CURRENT ASSETS			
Inventories		**1,396,115**	726,384
Trade receivables	*10*	**1,816,201**	978,149
Contract assets		**742**	9,046
Prepayments, deposits and other receivables		**457,514**	189,598
Tax recoverable		**4,171**	2,756
Financial assets at fair value through profit or loss		**401,198**	–
Cash and cash equivalents		**6,234,457**	2,124,615
Total current assets		**10,310,398**	4,030,548
CURRENT LIABILITIES			
Trade payables	*11*	**551,866**	378,616
Other payables and accruals		**1,201,140**	518,089
Interest-bearing bank and other borrowings		**375,392**	10,034
Lease liabilities		**13,217**	2,925
Tax payable		**63,190**	18,919
Total current liabilities		**2,204,805**	928,583

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
NET CURRENT ASSETS		**8,105,593**	3,101,965
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,951,492**	6,254,067
NON-CURRENT LIABILITIES			
Other payables and accruals		**179,049**	151,445
Lease liabilities		**45,877**	25,882
Deferred tax liabilities		**116,554**	86,990
Total non-current liabilities		**341,480**	264,317
Net assets		**12,610,012**	5,989,750
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**263,044**	242,451
Restricted shares under share-based payment		**(481,820)**	(137,358)
Other reserves		**12,828,788**	5,884,696
		12,610,012	5,989,789
Non-controlling interests		**–**	(39)
Total equity		**12,610,012**	5,989,750

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, had been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2020. They have been prepared under the historical cost convention, except for derivative financial instruments, wealth management products and equity investments which have been measured at fair value. These consolidated financial statements are presented in Chinese Yuan ("Renminbi" or "RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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 1 January 2022
2 Effective for annual periods beginning on or after 1 January 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.

3. OPERATING SEGMENT INFORMATION

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

Operating segment

In 2021, there was only one operating segment as the Group's operations relate to contract development and manufacturing which focuses on innovation and commercial application of global pharmaceutical technology.

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
Overseas	**3,991,775**	2,767,463
Mainland China	**640,346**	369,261
	4,632,121	3,136,724

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

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**4,554,818**	2,998,719
United States	**385**	377
	4,555,203	2,999,096

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

Information about major customers

In 2021, revenue of approximately RMB1,764,914,000 was derived from a single customer, including a group of entities which are known to be under common control with that customer.

In 2020, revenue of approximately RMB640,795,000 and RMB431,991,000 were derived respectively from two customers, including a group of entities which are known to be under common control with those customers.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Transfer of goods and services	**4,629,138**	3,134,901
Others	**2,983**	1,823
	4,632,121	3,136,724

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of goods or services		
Clinical Stage CDMO Solutions	**1,720,871**	1,247,437
Commercial Stage CDMO Solutions	**2,511,307**	1,651,006
Emerging Services	**396,960**	236,458
Others	**2,983**	1,823
Total revenue from contracts with customers	**4,632,121**	3,136,724
Geographical markets		
Overseas	**3,991,775**	2,767,463
Mainland China	**640,346**	369,261
Total revenue from contracts with customers	**4,632,121**	3,136,724
Timing of revenue recognition		
Goods transferred at a point in time	**4,478,190**	3,049,210
– Clinical Stage CDMO Solutions	**1,654,502**	1,207,460
– Commercial Stage CDMO Solutions	**2,511,307**	1,651,006
– Emerging Services	**309,398**	188,921
– Others	**2,983**	1,823
Services transferred over time	**153,931**	87,514
– Clinical Stage CDMO Solutions	**66,369**	39,977
Total revenue from contracts with customers	**4,632,121**	3,136,724

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

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**91,552**	20,152
	91,552	20,152

Other income and gains

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Other income and gains			
Government grants		**107,233**	99,257
Bank interest income		**12,992**	15,111
Gain on fair value changes of derivative financial instruments		**–**	5,311
Gain on wealth management products		**32,201**	–
Foreign exchange gain		**1,285**	–
Fair value gains on investment properties		**17,766**	–
Others		**2,340**	94
		173,817	119,773

5. PROFIT BEFORE TAX

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

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Cost of sales		**2,582,396**	1,683,500
Depreciation of property, plant and equipment		**196,937**	153,977
Depreciation of right-of-use assets		**15,704**	7,772
Amortisation of other intangible assets		**4,104**	3,585
Research and development costs:			
Current year expenditure		**387,478**	258,934
		3,186,619	2,107,768
Lease payments not included in the measurement of lease liabilities		**1,345**	1,043
Auditor's remuneration		**3,700**	1,600
Employee benefit expense (excluding directors' and chief executive's remuneration)			
Wages and salaries		**928,279**	630,065
Share-based payment expense		**45,133**	16,835
Pension scheme contributions		**290,654**	97,414
		1,269,111	746,957
Foreign exchange differences, net		**5,132**	11,685
Bank interest income		**(12,992)**	(15,111)
Changes in fair value of derivative financial instruments		**–**	(5,311)
Fair value gain on financial assets/liabilities at fair value and other intangible assets		**(18,965)**	–
Loss on disposal of items of property, plant and equipment and other intangible assets		**874**	335
Losses on impairment of financial and contract assets, net		**22,380**	25,751
Impairment of contract assets, net		**1,265,540**	764,306

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	**5,632**	2,502
Interest on lease liabilities	**1,696**	1,226
	7,328	3,728

7. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, that were accredited as "High and New Technology Enterprises" and entitled to a preferential rate of 15% in 2021.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Asymchem Inc., a subsidiary of the Group incorporated in the United States, is based on the federal tax rate of 21% in 2021. The provision for current income tax of Asymchem Limited, a subsidiary of the Group incorporated in the United Kingdom, is based on a rate of 19%.

	2021	2020
	RMB'000	*RMB'000*
Current	**168,412**	105,054
Deferred	**(44,719)**	(13,524)
Total tax charge for the year from continuing operations	**123,694**	91,530

8. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends declared:		
RMB0.50 for 2019, RMB0.60 for 2020 per ordinary share	**145,560**	115,637

Subsequent to the end of the Reporting Period, the Board proposed the 2021 profit distribution plan ("2021 Profit Distribution Plan") as follows: (1) a dividend of RMB0.80 (inclusive of tax) per share for the year ended December 31, 2021. The total amount of the proposed final dividend is approximately RMB211,474,000 (tax inclusive). and (2) 4 new shares for every 10 existing shares of the parent to be issued out of reserves to the Shareholders as at the record date for determining Shareholders' entitlements to the 2021 Profit Distribution Plan.

The proposed 2021 Profit Distribution Plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts 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 242,597,000 (2020: 232,571,000) in issue during the year, as adjusted to reflect the rights issue during the year.

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

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,069,274**	719,742
Less: Cash dividends attributable to the Shareholders of restricted shares expected to be unlocked in the future	**(1,013)**	(494)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,068,261**	719,248

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**242,597**	232,571
Effect of dilution – weighted average number of ordinary shares: Restricted A shares	**1,217**	1,594
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**243,814**	234,165

10. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**1,898,005**	1,034,766
Impairment	**(81,804)**	(56,617)
	1,816,201	978,149

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**1,777,657**	958,128
1 to 2 years	**34,631**	18,961
2 to 3 years	**3,913**	1,060
	1,816,201	978,149

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**56,617**	35,366
Impairment losses, net	**25,187**	21,194
Acquisition of a subsidiary	**–**	57
At end of year	**81,804**	56,617

11. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**536,914**	362,841
1 to 2 years	**9,561**	5,311
Over 2 years	**5,391**	10,464
	551,866	378,616

The trade payables are non-interest-bearing and are normally settled on 15 to 90 day terms.

The trade payables are measured at amortised cost, and the carrying amounts are reasonably approximate to fair values.

12. SHARE CAPITAL

Shares

	2021	2020
	RMB'000	*RMB'000*
Issued and fully paid:		
ordinary shares	**263,044**	242,451

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

	Number of ecapital shares in issue	**Share capital** *RMB'000*
At 1 January 2021	242,450,693	242,451
Issue of H shares (Note (a))	18,415,400	18,415
Restricted A share scheme (Note (b))	2,224,200	2,224
Cancellation of restricted A shares (Note (c))	(46,775)	(46)
At 31 December 2021	**263,043,518**	**263,044**

Notes:

(a) On 10 December 2021, the Company completed the allotment and issuance of 18,415,000 H Shares to specific investors. The net proceeds received from the issuance amounted to RMB5,632,329,000 after the deduction of issue expenses of RMB40,966,000. Part of the proceeds amounting to RMB18,415,000 was credited as share capital, and RMB5,572,948,000 was credited to share premium.

(b) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company.

(c) During the twelve months ended 31 December 2021, some of the Company's original incentive recipients resigned and lost their right to receive the incentives, therefore, the Company repurchased and cancelled the restricted A-shares previously held by the incentive recipients with a deduction from the restricted A-shares under share-based payments.

I. BUSINESS REVIEW

(I) Industry in Which the Company Operates During the Reporting Period

1. Development trends in the industry in which the Company operates

The basic value of CDMOs is to tackle the incompatibility between the growing high demand for new drugs and the escalating R&D cost, and to leverage the trend of more refined and specialized division of labor in pharmaceutical R&D to achieve more rapid drug development. In terms of industry indicators, the R&D investment and outsourcing penetration rate of downstream customers are among the key factors affecting the development of the CDMO industry. According to the market research report issued by Frost & Sullivan, the R&D input for new drugs reached US$204.8 billion in 2020, of which 20.2% was in the drug discovery stage, 11.3% the pre-clinical stage, and 68.5% the clinical stage, the costliest part of drug R&D. The compound annual growth rate between from 2016 to 2020 was 7.2%. It is expected to continue to rise from 2020 to 2025, and the growth rate of expenditure scale in all stages of new drug R&D is basically the same. Among others, China's pharmaceutical market boasts huge potential, with R&D spending increasing from US$11.9 billion in 2016 to US$24.7 billion in 2020, at a compound annual growth rate (CAGR) of 20.1%, and is expected to reach US$49.6 billion in 2025. It accounted for 12.1% of total global pharmaceutical R&D spending in 2020, which is expected to increase to 16.8% in 2025. Statistics of Pharma Intelligence indicated that the number of drug candidates in the global drug R&D pipeline that are in pre-clinical stage and in Phase I clinical stage increased by around 6% in 2021 as compared to the previous year, reflecting a relatively healthy momentum in early drug discovery and development, while the number of drugs in Phase II and Phase III clinical stages increased respectively by 2% and 0.9% as compared to the previous year due to the impact of the COVID-19 pandemic; and the number of drug candidates in late clinical trials has been growing steadily in recent years. The number of global new drug R&D pipelines in 2021 hit 18,582, representing an increase of 4.76% as compared to 2020. The continuous heavy R&D investment and sufficient number of R&D pipelines provide a broad market space for CDMOs.

While the number of global drug R&D pipelines is increasing year by year, there is also a restructuring and a trend towards fragmentation. The data from Pharma Projects indicated that the number of R&D pipelines in the world's top 25 pharmaceutical companies accounted for more than 18% in 2011, and this figure dropped to 9.36% in 2021. The proportion of only one or two drug companies increased to 19.36%. Against the backdrop of continuous rise in R&D costs of innovative drugs and fierce competition in post-marketing sales, large pharmaceutical companies and small and medium-sized innovative drug companies are more willing to outsource part of their R&D and manufacturing processes by adopting the CDMO model. The choice of CDMO outsourcing by large pharmaceutical companies has become an inevitable trend and has accelerated in recent years. Biotech companies usually invest most of their financing in core R&D, and most of them lack production plants and equipment, resulting in a more prominent demand for R&D and production outsourcing services when taking into consideration R&D promotion, capital allocation and the scale effect.

According to the analysis from Frost & Sullivan, the CDMO market growth rate, which is 6%, is higher than the drug sales growth rate, which is 4%, with the overall outsourcing penetration rate keeping rising. The global CDMO market space for intermediates and APIs is expected to be US$83 billion in 2020, of which about a third of the market consists of orders from Asia Pacific. The CDMO market space for drug product is approximately US$26 billion, with market size and penetration rate smaller than those of intermediates and APIs. Emerging market countries represented by China are in the rapid development period of pharmaceutical outsourcing and have successfully cut into the global innovative pharmaceutical companies' cGMP supply chain system, gradually crowding out the CMO/CDMO market space in Europe and America, and are in the transition stage from intermediate CDMOs to APIs and drug product CDMOs. As of January 2021, there were a total of 5,099 companies engaging in drug R&D, 46% of which were headquartered in the United States, while the companies headquartered in China accounted for 9%. Such figure has increased by 94, representing an increase of 23%, to 522 over the last year. This reflects the rapid expansion of the pharmaceutical industry in China. While 55% of the global R&D pipelines have part of their development activities based in the United States, one sixth of the drugs have part of the development activities based in China, revealing China's potential in drug development. It also offers domestic CDMOs with a pool of engineers and a continuously improved process and engineering platforms on the supply side a chance to raise their voice in the global industry chain shift.

In addition, since 2015, the reform of domestic pharmaceutical regulations has boosted the R&D of new drugs in China, and pharmaceutical companies have transformed themselves for R&D innovation. With the accelerated reform of the pharmaceutical system and the constant improvement of the legal system of drug supervision and management, as well as intellectual property protection in recent years, the domestic pharmaceutical industry has ushered in a wave of innovative drug R&D. Based on CDE statistics, in 2020, CDE accepted 1,062 applications for registration of domestic Class 1 innovative drugs (597 varieties), of which 1,008 clinical applications (559 varieties) and 54 marketing applications (38 varieties) were accepted. By type of drugs, there were 752 chemical drugs (360 varieties) and 296 biological products (223 varieties). The indications of innovative drugs are primarily concentrated in the fields of anti-tumor, anti-infection and digestive system diseases. Against the macro context of increasing domestic healthcare spending and sustained expansion of the pharmaceutical market, coupled with the policy orientation that encourages innovative R&D, the domestic CDMO market will also usher in a golden period of development accompanying the rise of domestic innovative drugs. Data from Frost & Sullivan revealed that the scale of domestic CDMO industry increased from RMB10.5 billion in 2016 to RMB31.7 billion in 2020, with a compound growth rate of 32.0%, and is expected to increase from RMB31.7 billion in 2020 to RMB123.5 billion in 2025, with a compound growth rate of 31.3%.

2. Position of the Company in the industry

Relying on the technological advantages formed throughout the years and the advantages of a sustainably evolutionary R&D platform, the Company has accumulated a wealth of industry-leading advantages by taking technological innovation as its core driver, designing, developing and producing the best pharmaceutical solutions that can be reasonably developed and achieve significant benefits through rapid response to diversified customer needs, and providing the highest standard of CDMO services in the industry. The Company provides customized products in accordance with the highest regulatory standards in the international industry, helps more innovative drugs worldwide shorten their R&D cycles and accelerate their approval for marketing with its outstanding process development capabilities, and significantly reduces the cost of commercial manufacturing of post-market drugs with its continuous process optimization capabilities. It also empowers innovative drug companies by creating a sustainable development model with low energy consumption, low emissions and high efficiency for them, allowing such companies to achieve differentiated operations while enjoying higher technology-added profit margins. With all these efforts, the Company aims at leading the healthy development of the pharmaceutical outsourcing industry at home and abroad and maintaining industry-leading standards. Continuous reaction and bioenzyme catalysis are considered the most cutting-edge technological solutions for the drug manufacturing industry. The Company is one of the few companies in the world that manages to scale up continuous reactions in the laboratory to large-scale drug manufacturing. New technologies such as continuous reaction and bioenzyme catalysis are used in more than 30% of the Company's mid- to late-stage clinical projects.

As a global, industry-leading one-stop integrated CDMO solution provider, the Company has implemented all standards with high requirements, high standards and high-quality work specifications, and adhered to the cGMP quality management system and EHS management system with first-class international standards, thereby improving its production and project management capabilities and building a moat in the CDMO industry. It has also established a "customer-centric" business orientation in the global cooperative pharmaceutical network that has taken shape for years and is increasingly improved. These efforts have contributed to the Company's position as a "trusted and reliable CDMO partner" in the industry, enabling it to create value for global customers with diverse needs and provide them with efficient and high-quality R&D and production services. The Company has built up a marketing network covering global mainstream pharmaceutical companies through technical marketing, and is therefore able to undertake blockbuster drug orders at the same time. It also has formed deep embedded relationships with international pharmaceutical giants and emerging pharmaceutical companies, and become a long-term strategic partner of many multinational pharmaceutical companies.

(II) Principal Businesses of the Company during the Reporting Period

1. Company overview

Asymchem is a world-leading, technology-driven one-stop integrated CDMO service provider. It accelerates the clinical research and commercial application of innovative drugs by providing domestic and international pharmaceutical and biotech companies with one-stop CMC services throughout the drug lifecycle, as well as efficient and high-quality R&D and manufacturing services. According to the data from the Frost & Sullivan, in terms of revenue in 2020, the Company was the fifth-largest innovative pharmaceutical API CDMO company in the world and the largest commercial stage chemical drug CDMO company in China. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers, the Company has become an integral part of the global industry chain for innovative drugs. Starting from "every person, every product, every service," we provide excellent CDMO services and solutions throughout the drug lifecycle, ranging from development to commercialization, and are committed to becoming a reliable partner of first choice for the global pharmaceutical industry.

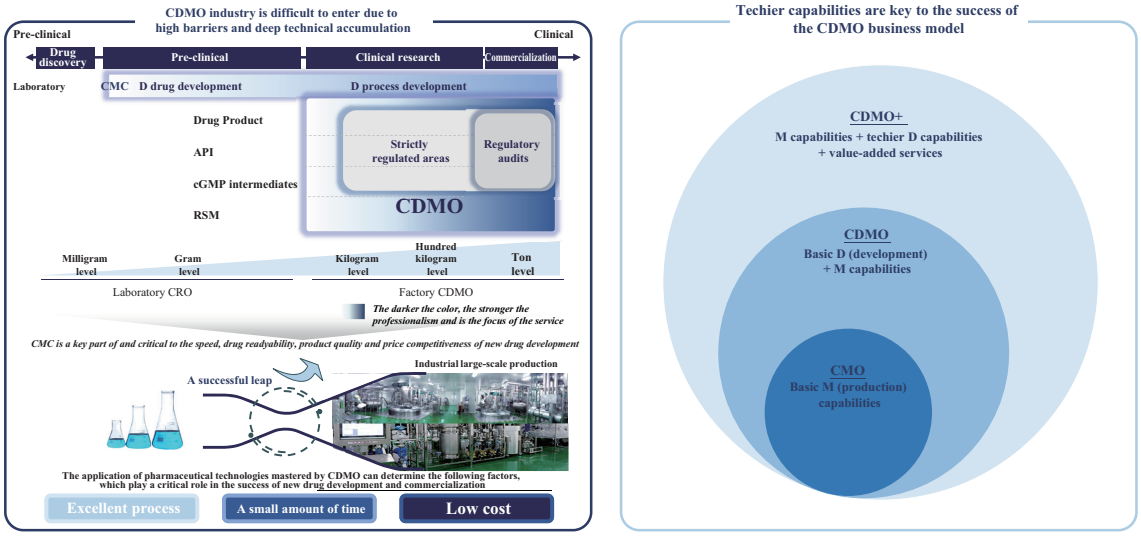
We have 20 years of experience in the small molecule CDMO field and are actively exploring and rolling out new businesses to build a professional one-stop service platform.

(1) Small molecule CDMO service

At the stage of drug development and clinical research, we help new drug R&D companies develop and improve their process routes to enhance their R&D efficiency and success rate, and reduce R&D costs. At the stage of drug commercialization and supply, we reduce production costs and improve production efficiency through continuous process optimization, while ensuring product quality and supply stability, which can also greatly save pharmaceutical companies' investment in fixed assets and allow them to devote more resources to R&D. The Company provides such services as process development, process optimization and analysis, scale-up manufacturing and clinical supply manufacturing, new drug application validation and approval, etc. in the clinical stage of small molecule CDMO, and cGMP commercial manufacturing and lifecycle management in the Commercial stage, focusing on drugs for the treatment of major diseases such as viruses, infections, tumors, cardiovascular diseases, nervous system, diabetes and so on.

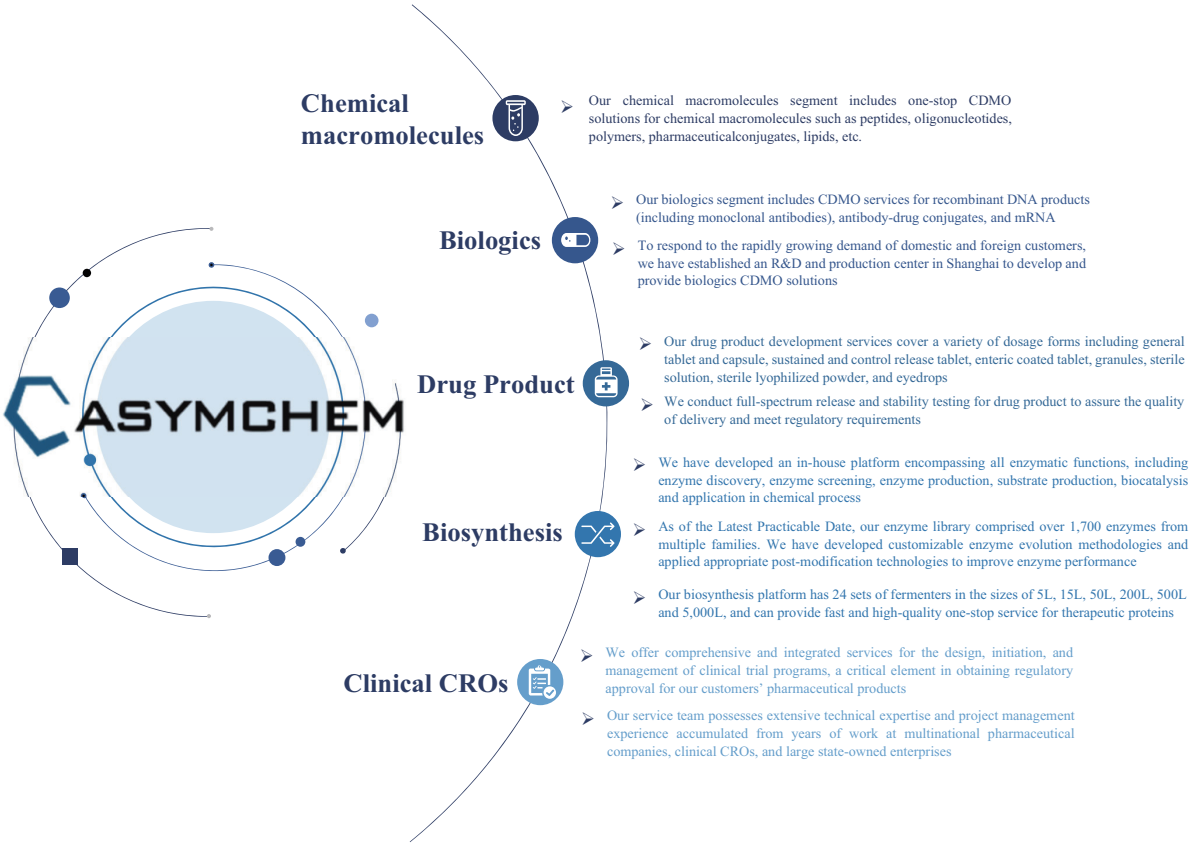
With more than 20 years of industry experience, the Company has become an integral part of the global value chain of innovative drugs by providing process development and manufacturing services for small molecule drugs across the entire industry chain, with the vision of "being a partner of global drug manufacturing and R&D, starting from every person, every product, every service."

Our position in the industrial value chain



(2) Emerging services

With technological innovation as our core driver, we have expanded our service chain and service areas and transmitted our competitive advantages by relying on our technological advantages, quality control and operation management system and platform advantages accumulated over the years, and steadily laid out new business areas. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers, we have expanded our CDMO solutions to include other drug modalities, such as polypeptides, oligonucleotides, monoclonal antibodies (mAb), antibody-drug conjugates (ADC) and messenger RNA (mRNA), and broadened our service scope to include drug product solutions, biosynthesis solutions and clinical CRO solutions.



2. *Major performance drivers during the Reporting Period*

(1) Small molecule CDMO business witnessed significant growth

The Company has maintained its global leadership in small molecule CDMO by practicing the business philosophy of "technology-driven, market-oriented and lean management" and has seen significant growth in orders and rapid growth in revenue as new production capacity was delivered in the second half of the year. Revenue from our small molecule CDMO business grew over 46% year-over-year, and the figure was over 60% in the fourth quarter of 2021. Without taking into account the impact of exchange rate, the growth rates would be over 50% and 70%, respectively.

(2) Emerging business entered the fast track

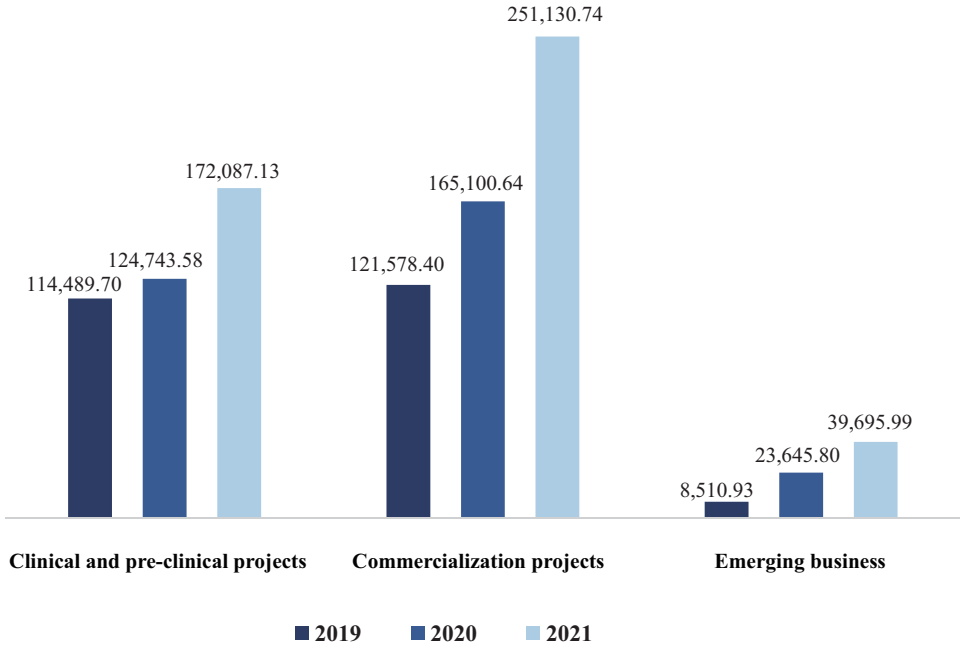
In accordance with the "two-wheel drive" strategy, the Company promoted the development of emerging business segments such as chemical macromolecule, biomolecule CDMO, drug product, clinical CRO, etc. The annual revenue of emerging business segments increased by more than 67% year-on-year. Without taking into account the impact of exchange rate, the figure would be over 70%.

(III) Business Summary

1. Business overview and analysis during the Reporting Period

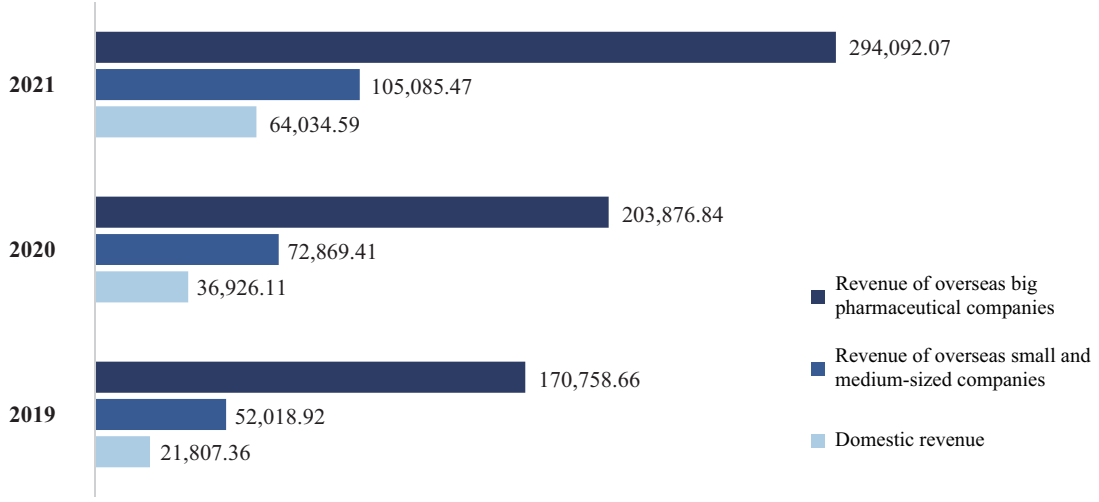
During the Reporting Period, the Company recorded a total revenue of RMB4.632 billion, representing an increase of 47.67% year-on-year. Without taking into account the impact of exchange rate, the figure would be 56.38%. In the fourth quarter of 2021, the Company recorded a revenue of RMB1.715 billion, representing an increase of 60.83% year-on-year. Without taking into account the impact of exchange rate, the figure would be 67.47%. The revenue of small molecule clinical business, small molecule commercialization business and emerging businesses increased by 37.95%, 52.11%, and 67.88%, respectively.

Sales revenue of each business segment of the Company from 2019 to 2021 (Unit: RMB 0'000)



During the Reporting Period, the Company's revenue from large pharmaceutical companies, small and medium-sized overseas pharmaceutical companies and domestic pharmaceutical companies increased by 41.84%, 51.40%, and 73.41% year-on-year, respectively.

Revenue from different markets of the Company in 2019-2021 (Unit: RMB 0'000)

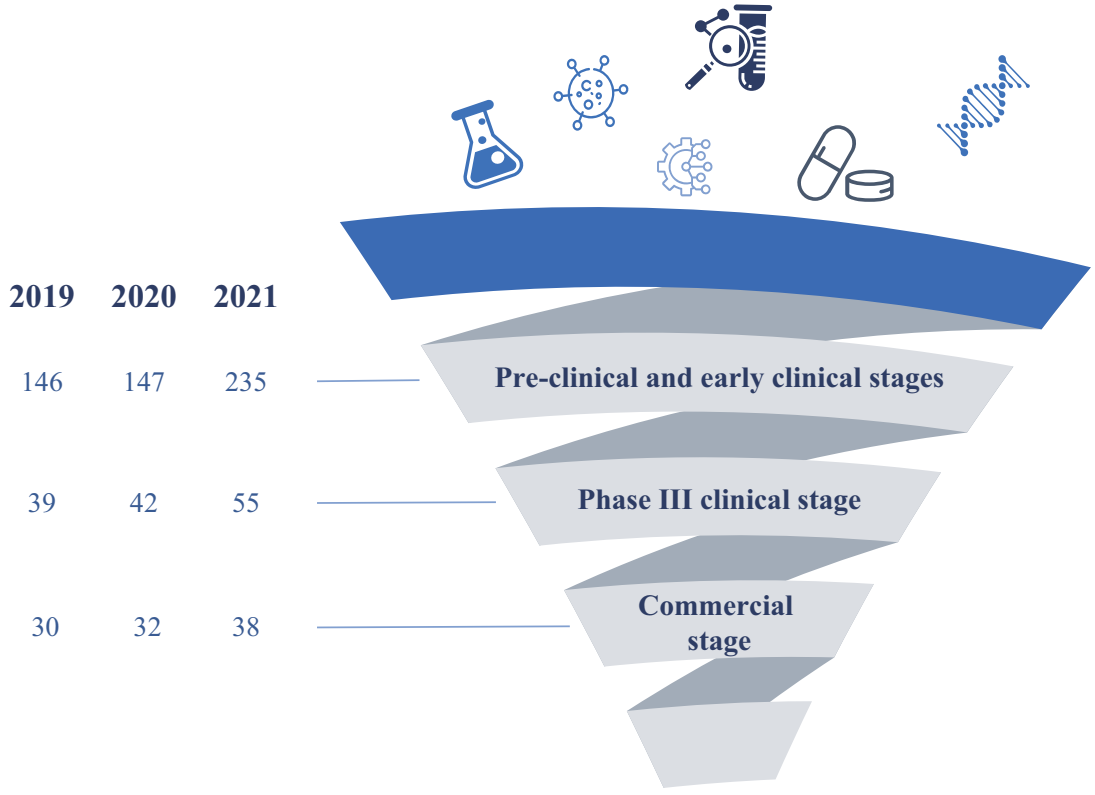


During the Reporting Period, net profit attributable to shareholders of listed companies was RMB1.069 billion, representing an increase of 48.08% year-on-year. Benefiting from the industry boom, the continued improvement of the Company's competitiveness, robust growth in its orders, as of the date of this announcement, the total orders under execution was US$1.898 billion, representing an increase of 320% compared to the same period last year.

(1) Small molecule CDMO business

At present, the global small molecule CDMO business features a broad market, low industry concentration, and a sustained increase in industry penetration. Based on 20 years of experience, the Company has been able to occupy the commanding heights of "D" in the industry and built an evolving R&D platform and a first-class operation system, which enables the Company to continue to improve its competitiveness and seize market opportunities thereby increasing its revenue scale and market share. During the Reporting Period, the Company's small molecule CDMO business recorded a revenue of RMB4.232 billion, representing an increase of 46.02% year-on-year. A total of 328 projects recognized revenue during the Reporting Period, including 290 clinical stage projects, of which 55 were clinical Phase III projects and 38 commercial stage projects. The project structure was optimized and the funnel effect highlighted.

Number of projects at different stages of the Company from 2019 to 2021 (Unit: Number)



- Continued deepening of R&D pipeline coverage of large customers

  The Company's cooperation with overseas large pharmaceutical companies was further deepened. We participated in more than 30% of the Phase II or Phase III clinical stage small molecule candidates of the top five multinational pharmaceutical companies in the United States, and the ratio of one of such companies reached 50%. We secured an important breakthrough when undertaking the production order for the innovative drug API commercialization project of an afore-mentioned multinational pharmaceutical company in the United States, whose commercial manufacturing of innovative drug API was rarely outsourced in the past. During the Reporting Period, the Company secured the first commercialization project order from a major Japanese pharmaceutical company.

- Domestic market ushers in the harvest period

  With years of in-depth cultivation, the domestic small molecule market has ushered in the harvest period. During the Reporting Period, the domestic revenue from the Company's small molecule business increased by 73.41% year-on-year. Based on the good service record and demonstration effect, as of the date of this announcement, the Company had more than 30 domestic orders in NDA stage in hand. 2 NDA projects we served during the Reporting Period successfully passed the on-site verification of NMPA. The landing of NDA and commercialization projects in the later stage will promote the sustained and rapid growth of domestic business revenue.

- Initial success achieved in the development of overseas small and medium-sized innovative drug company customers

  Relying on our competitive advantages, market reputation and brand value accumulated in the small molecule CDMO market for many years, the Company tapped overseas small and medium-sized pharmaceutical customers through various forms. During the Reporting Period, the Company's revenue from overseas small and medium-sized innovative drug companies continued to rise, with an increase of 51.40% year-on-year, representing an increase in proportion of revenue from 21.93% in 2017 to 22.69%. We also played an active role in innovative drug projects for popular targets such as KRAS, while deeply partnering with biotech companies, the forerunner of PROTAC technology, accumulating a scale effect of knowledge. Starting from the Snapdragon and Boston R&D Centers, we promoted the development of the biotech market in the United States.

- Classic project cases completed during the Reporting Period

  During the COVID-19 epidemic, the Company undertook the R&D and production of two innovative small molecule antiviral drugs. For one drug, the Company reduced the key sequence from four steps to one by applying a continuous response, and scaled up the production of the small-molecule drug from gram-level process to ton-level process within only six months, significantly shortening the clinical development time and greatly reducing the production cost. For the other drug, thanks to the efficient operation and management system of the Company, the core project team actively mobilized the CEPS, CFCT, CED, raw material coordination production, analysis and testing and quality control teams to quickly solve many technical problems, including adopting the continuous low-temperature reaction technology to replace the traditional low-temperature reaction of liquid nitrogen by batch in a key step. We completed the project within only eight months from receiving RSM process optimization from the customer to ton-level API validation production, and helped the customer complete the drug development and marketing approval within 18 months, providing the customer with the first batch of API products under the new global process route smoothly. This project has clearly demonstrated our ability to develop and supply small molecule drugs from clinical to commercial large orders and our leading competitive advantage on a global scale. The industry demonstration effect will help deepen the cooperation with other key customers, and the accumulated service reputation and industry popularity will be conducive to the continuous expansion of business coverage in the future. This drug can not only bring high revenue from commercialization projects for the Company, but also is an important event recorded in the development history of CDMO industry. It is also an important contribution made by the Company to the cause of global public health through years of accumulated technical capabilities and platform system.

  The Company completed the process optimization and large-scale production of an overseas biotech company's innovative drug in the field of anti-tumor therapy within 6 months, and delivered several batches of samples in time for clinical, registration and validation steps. Moreover, we designed and optimized the API synthesis process within 4 months, and shortened the production cycle of each batch from 130 days to less than 60 days, resulting in a nearly 3-fold increase in the yield of the drug, and helping the client market the drug earlier.

  Launched successfully in China an innovative API project of a well-known domestic pharmaceutical company though, the innovative drug product involved in it triggered an official audit by the USFDA during the US marketing application, and the Company successfully passed the audit after five working days. This audit further verified the Company's sound quality management system and cGMP manufacturing capability in compliance with international standards. The Company's successful passing the audit laid a solid foundation for the product to hit the U.S. market, while demonstrating our ability to provide clinical and commercial manufacturing services both for the U.S. and China.

(2) Emerging services

Leveraging our industry insights, customer reputation, operation system and R&D heritage accumulated in the small molecule segment, the Company promoted the development of new businesses such as drug product, chemical macromolecule, biosynthesis technology and biological macromolecule, with revenue exceeding RMB400 million during the Reporting Period, representing an increase of 67.88% year-on-year, and completed 327 new service projects. The proportion of revenue from emerging services increased from 2.19% in 2018 to 8.57% in 2021.

- Chemical macromolecule business segment

  During the Reporting Period, the revenue of chemical macromolecule business increased by 42.86% year-on-year; a total of 14 new customers were developed, 23 new projects were undertaken, and a total of over 20 projects were advanced to Phase II.

  Oligonucleotide CDMO is a key business segment for the Company. With the key breakthrough in delivery technology, small nucleic acid drugs have entered the fast track of development. Meanwhile, the industrialization of small nucleic acid drugs faces the challenges of single technology, low efficiency, insufficient capacity, large amount of three wastes and high production cost. Therefore, the CDMO business has broad prospects in this respect. During the Reporting Period, the Company, on the one hand, accelerated the building of the R&D team covering process development, analytical development and process transfer and its capacities. The team has undertaken several IND to Phase III API CMC projects, ranging from antisense oligonucleotides (ASO) containing GalNAc affixation, small interfering RNA (siRNA) to CpG and nucleic acid aptamers (Aptamer). On the other hand, we have designed and processed several lab-scale (OS50) and pilot-scale (OS1000) oligonucleotide synthesizers in-house to further expand our capacity and increase our ability to multitask and deliver them quickly.

  Our technology capabilities in toxin-linker, solid-liquid peptide synthesis, peptide-drug coupling, pharmaceutical polymer, polymer-drug coupling and cationic lipid continued to improve. The commercial peptide production plant was put into operation, the newly built laboratories for OEB5 and cytotoxic R&D were put into operation, and completed the delivery of several batches of clinical stage peptide APIs. With the wave of new ADC drug development and the explosive growth of the payload-linker business, we maintained high-quality delivery of projects while continuing to add new production lines. We provided process development and validation services for the payload, linker and payload-linker of a first-class antibody drug conjugates (ADC) drug candidate developed by Mersana, a leading U.S. biotechnology company. We shortened the process validation of the payload by four months, which greatly accelerated the drug development process. As a result, the Company was granted the "Project Excellence Award" and other honors from the customer. The relevant research results were published in February 2022 in Organic Process Research & Development, an important academic journal in the field of process research and development, highlighting the Company's process development capabilities and strengths in ADC toxins.

Alongside the sustained global demand for mRNA vaccines, there is increasing demand for excipients and functional polymers including lipids from pharmaceutical companies. Based on years of technical reserve in the field of polymers and excipients, the Company has been involved in a number of lipid projects that have entered the late stage of clinical trials.

- Drug product segment

  The drug product business enjoyed rapid growth, representing an increase of 80.81% year-on-year during the Reporting Period, of which more than 40% came from orders from foreign customers such as the United States and South Korea. 40 API and drug product projects were undertaken during this period. The solid formulation segment helped customers to complete the production of NDA registration batches and process validation batches for two projects and initiate stability studies, which are expected to trigger the official NDA audit in China in early 2022 and further expand the market space for commercial manufacturing. The sterile drug product business saw rapid growth, with orders for sterile eye drops increasing by 300% year-over-year, small nucleic acid and peptide injection projects increasing significantly and several projects entering the clinical stage. The construction of technology and production platforms progressed steadily. Platforms for enzyme oral dosage and children's granules were established, helping customers to complete prescription process development or clinical supply. The newly built spray drying workshop was put into use, and the organic solvent processing capacity can reach 200 tons per year, and has delivered several projects. The new hot melt extrusion technology platform has been put into use in early September 2021, helping customers to deal with the solubility of insoluble drugs. The eye drops workshop was put into GMP use, with an annual capacity of 10 million sticks.

- Biosynthesis technology

  We established the Center of Biosynthesis Technology (CBST) dedicated to, on the basis of existing enzyme technology and production platforms, undertaking the construction of core technology platforms in important drug fields such as proteins, peptides and nucleic acids, the development of new technologies and strategic reserves, and capacity construction for customer services. In doing so, we meet our internal technology needs while providing customers with quality R&D and production services and the Company with inter drivers for long-term development. The production platforms have also been continuously expanded and enhanced, with orders of engineered enzymes, recombinant proteins, peptides, and pharmaceutical enzymes keeping flowing in. The pharmaceutical enzyme segment continued to improve its R&D capabilities to meet customers' needs at all stages of oral pharmaceutical protein products, including strain library construction, pre-clinical research, clinical sample preparation and commercial manufacturing. We also upgraded our 5,000L plant and undertook, for the first time, the process characterization project of Biologics License Applications (BLA) and the R&D and production project in the later clinical stage.

- Clinical development services

  During the Reporting Period, the revenue from clinical research services increased by 84.20% year-on-year. In the clinical research sector, Clin-nov Medical and the CDMO team of the Company worked together and established an international, high-quality and high-level technical team. During the Reporting Period, they undertook a number of integrated service projects from CMC, pharmacodynamics, pharmacology and toxicology to pre-clinical IND registration and application, realizing one-stop comprehensive services for the whole life cycle of innovative drugs, and continuously improving the depth and breadth of services to customers.

  During the Reporting Period, the Company signed more than 150 new project contracts in the clinical research sector, among which more than 70 contracts were for innovative drug projects, nearly 30 for cell therapy drug projects, and more than 60 for oncology, immunization, anti-infection & infection projects in our advantageous fields, including the large clinical projects of phase II and phase III. We undertook the registered clinical study services of the first radiosensitizer in China, and participated in drafting the national radiosensitizer evaluation guidelines. We helped the customers obtain IND implied license for cell drug treatment KOA and IPF. We assisted the customers in successfully launching the world's first lung basal stem cell drug and the first dental pulp stem cell drug phase I clinical project in China. We also facilitated the conditional marketing of the world's first in class dual-target inhibitor targeting HIV reverse transcriptase and co-protein Vif and the first oral anti-HIV class 1 new drug with independent intellectual property rights in China. As of the date of this announcement, our orders in hand for clinical research and on-site management services exceeded RMB300 million.

  During the Reporting Period, we made quick expansion and deployment in the clinical research sector. In October 2021, we acquired 100% equity of Beijing Improve Quality Technology Co., Ltd, enhancing our professional and service capabilities in data management and biostatistics in the clinical research sector, improving the whole business chain, and realizing win-win cooperation of business modules with different advantages. During the Reporting Period, Clin-nov Medical and Improve Quality quickly established good business collaboration, continuously improved the stickiness of many customers, and consolidated the integrated service capability, constantly improving the quality and efficiency of the clinical research sector. Based on our overseas expansion plan, we established a subsidiary in Boston, fully launched the construction of clinical operation capacity in the United States, and will undertake the Sino-US double report projects in the near future, with an aim to provide more high-quality and efficient one-stop services for global customers.

During the Reporting Period, our clinical research team had more than 500 persons. By introducing high-end talents, especially those with the ability and experience of Sino-US double report and carrying out internal talent training and echelon construction, we realized talent expansion and regional deployment rapidly, with branches in all the key provinces and cities across the country. In addition, we constantly accumulated and enhanced the management and operation abilities for clinical research sector through continuous business M&A, laying a solid foundation for the international deployment of the sector through internal development and external M&A, so as to achieve sustained and rapid development.

During the Reporting Period, Tianjin Technology Innovation Centre for Clinical Research (TICCR) run by the Company participated in the establishment and continuous construction of Tianjin Clinical Trial Committee; provided medical training and other academic support for disease status analysis and medical writing of the disease cohort; established close cooperation relations with international first-tier brands, made a speech as a speaker at Oracle Global Conference, and successfully obtained the partner qualification of Oracle China.

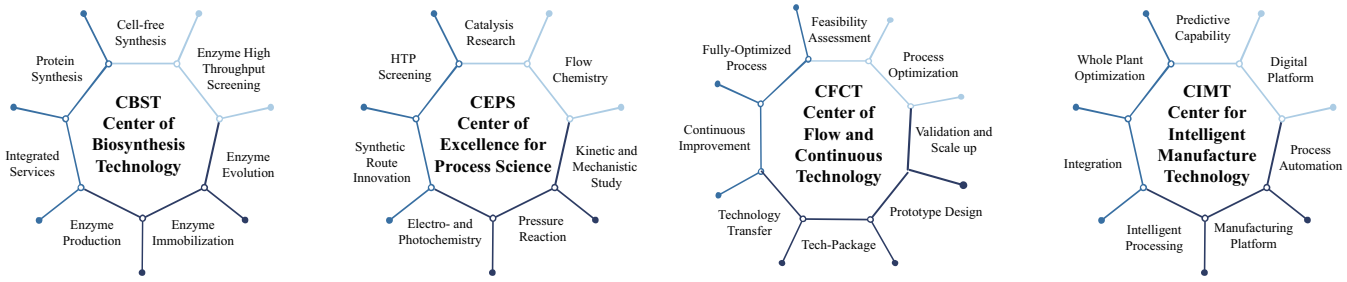
- Biological macromolecules CDMO

  The Company further deployed the biological macromolecules CDMO services including advanced therapeutics. The CDMO services for biological macromolecules include Antibody (mAb), and recombinant protein and ADC one-stop CDMO service platform. The CDMO services for advanced therapeutics cover a wide range of business areas including the clinical development and commercial manufacturing stages of plasmids and non-viral vectors delivery system (such as mRNA) of the CMC related services.

  During the Reporting Period, the biological macromolecules CDMO of the Company includes several new projects, such as antibody IND project, ADC IND project and biological drug analysis project. In 2021, Company introduced several management personnel with rich industry experience and technical expertise, further set up professional and mature research and development, analysis and quality control integrated technical teams, and completed the establishment of biological drug CDMO service platform. At present, Asymchem biologics team has more than 200 persons. To improve the biological drug CDMO capacity, we have built the R&D and pilot production capacity in Jinshan, Shanghai. At present, the facility has the capacity of 200L/500L disposable bioreactor. As of the date of this announcement, our orders on hand for biological macromolecules CDMO reached RMB130 million. It is expected that the capacity construction of 2x2000L disposable bioreactor antibody stock solution and 2x500L commercial ADC coupling stock solution will be completed in mid-2022. At present, the process development laboratory of plasmid and mRNA in the Suzhou business segment has the ability to undertake R&D-level orders. In mid-2022, it will have the pilot production capacity of plasmid and mRNA and the service capacity of IND and clinical sample preparation.

2. R&D platform construction

During the Reporting Period, the Company maintained its investment in technological innovation and independent R&D of core technologies, with R&D investment of RMB387 million, an increase of 49.64% year-on-year, accounting for 8.37% of its operating revenue, which is at the forefront of the global industry. In 2021, 30% of the Company's Phase II clinical stage or later clinical stage projects and commercial stage projects applied emerging technologies such as continuous reactions and bioenzyme technology, generating good economic benefits and efficiency. Maintaining active exploration and application of cutting-edge technologies is a key issue that is gaining attention in the CDMO industry. Following the Center of Excellence for Process Science (CEPS), the Company has formally established the Center of Flow & Continuous Technology (CFCT), the Center of Biosynthesis Technology (CBST) and the Center for Intelligent Manufacture Technology (CIMT). The four R&D and technology platforms complement each other while striving to develop cutting-edge and future critical technologies in different directions, providing multi-dimensional solutions to project R&D and production difficulties. The forward-looking technology pool enables the Company to quickly and effectively solve technical problems in its projects, further serving as an engine for innovation and growth.



CEPS aims to develop and apply innovative strategies and cutting-edge technologies for pharmaceutical process development with seven functions: high throughput screening, synthetic route innovation, flow chemistry, photochemistry and electrochemistry, functional polymer technology, kinetic and mechanistic study, and pressure reaction.

During the Reporting Period, CEPS supported nearly 300 R&D research projects with about 110,000 experiments, including 93 continuous production projects, designed 60 synthetic routes, developed 8 new routes, and provided photovoltaic technical support for more than 30 projects. It successfully developed the scale-up production process of 5 nucleic acid monomers from scratch, reduced the production cost of the key raw material of trivalent phosphine to one sixth of the market price, and developed the liquid phase synthesis technology of 10 poly-DNA oligonucleic acid. Moreover, it also solved the imipenem process scale-up problem, doubled the yield, significantly reduced the raw material and production cost, and completed the scale-up verification, which is now filing DMF. The process challenges of the 4AA commercialization project were tackled successfully and a commercial continuous production of 30 tons was achieved. Last but not least, it applied for 25 patents, partnered with customers to develop electrochemical CSTR, enhanced Asymchem's electrochemical platform, and published a paper on a top journal with Scripps.

CFCT covers five major sections: flow and continuous technology service and output, flow and continuous technology innovation and reserve, continuous reaction equipment design, flow and continuous technology application and upgrade, and flow and continuous technology development and application in new fields. With the promulgation of ICH Q13, it will surely realize the wide application of continuous reaction technology in API production, further unleash the advantages and experience of the Company in continuous reaction, and bring greater economic and social benefits.

During the Reporting Period, CFCT further promoted large-scale self-production, installation and production application of continuous reaction technology, and the number of projects utilizing continuous reaction technology was significantly increased as compared with the same period in 2020. The area of the Company's continuous reaction workshop was expanded nearly three times, and the API or intermediate products produced by applying continuous reaction have exceeded 260mt. CFCT has made breakthroughs in the R&D of new technologies and equipment, and achieved the development and application of continuous liquid-solid reactor and high performance mixing reactor by using such technologies as 3D printing technology and high precision processing, among which the high performance mixing reactor can completely replace similar foreign products. It applied for 19 patents during this period. Relying on the Company's internal needs, CFCT stepped up its efforts in the R&D of new technologies, new instruments and new equipment. The oligonucleotide synthesizer and software control system developed by CFCT meet the requirements of similar foreign products, responding to the containment on imported equipment. Progress was made in external technology exports and services, and the first agreement was signed with a customer to provide comprehensive services for continuous reaction technology export (Contract Development Organization), including process development, quality research and equipment manufacturing. This is the first time to realize the export of continuous reaction technology and resource sharing through commercial cooperation mode, which brings mutual benefits. The team of continuous reaction technology development and application professionals increased by 100% this year, with the team structure and knowledge reserve greatly strengthened. This allows CFCT to promote basic theory research and project production and application in such fields as heat and mass transfer, mixing, reaction kinetics, RTD, and mechanical design, etc., and to store energy for the development of the technology platform.

CBST builds on the existing enzyme technology platform and production platform to upgrade and improve the protein synthesis module. The strategy that attaches equal importance to technology, products and platforms gives rise to the formation of the three functional modules of engineered enzyme, tool enzyme and medicinal enzyme. On the basis of the continuous expansion of the original platforms of enzyme immobilization, enzyme evolution and high throughput screening, we have established several platforms for protein expression, nucleoside monomer biosynthesis, small nucleic acid ligase, mRNA tool enzyme and medicinal enzyme R&D. Multiple technologies go hand in hand to provide assurance for better developing the core technologies of proteins, peptides and nucleic acids and other drugs, as well as building production capacities. By reducing the production cost of nucleotide monomer through enzyme catalysis and combining nucleic acid ligase with chemical synthesis, we can boost our small nucleic acid business and break the technical barrier for the synthesis of long chain small nucleic acids. The development of mRNA tool enzymes will enable the Company to provide CDMO services for new mRNA drugs and increase our core competitiveness. The engineered enzyme library contains close to 1,900 enzymes, of which close to 50% are new enzymes with IP, covering 19 species. We have successfully developed 14 types of enzyme powder kits for important customers in Europe and the United States, and the number of potential customers is continuously increasing. In 2021, the number of projects applying enzyme technology reached more than 50.

While optimizing the cost of cell-free protein synthesis (CFPS) technology, we have scaled it up to the 100ml level, and applied it in combination with continuous reaction technology to expand new technological research directions based on the original protein synthesis. CFPS technology has been applied to the expression of a variety of functional proteins that cannot be synthesized intracellularly, showing significant yield advantages. CBST has successfully applied CFPS to the enzyme evolution platform, which has led to a significant improvement in the efficiency of enzyme evolution. Meanwhile, it has developed a new technology to combine immobilized enzymes with continuous reactions; and is constantly looking for commercialization value drivers, investigating other new technologies, discovering emerging technologies with potentials, and expanding new technology platforms.

CIMT is committed to building an automated and digital platform to empower the intelligent development of the Company. It will determine the best process route and production control method through big data analysis, integrated R&D, production and logistics information, while controlling the interactive verification of output schemes. It covers three segments: intelligent control research, intelligent production line, and digital factory construction. Taking complete automation and the pilot scale intelligent experimental platform of PAT (Process Analytical Technology) as an opportunity, it has developed intelligent algorithms to realize model control and parameter adaptive adjustment, ushering in the era of digital factory.

During the Reporting Period, CIMT succeeded in promoting the overall self-control construction on a large commercial project. The independently designed circulating temperature control system realized continuous and precise temperature control (-20~120℃) of the reactor jacket and could realize crystallization gradient cooling. Meanwhile, the TCU controlled by DCS could also realize crystallization gradient cooling. The project also realized constant volume concentration, continuous mother liquor transfer and automatic inerting of the reactor and other self-control functions. Temperature control design of unified heat transfer medium reactor at a new production site has been completed, which will improve temperature control accuracy and further reduce investment costs. The chemical engineering science and application team uses self-developed models and engineering calculation software to calculate and simulate heat transfer, mass transfer, hydrodynamics and other transfer processes, thereby realizing the pre-risk identification of complex process engineering amplification problems. By designing efficient small and pilot scale experiments to verify the simulation and calculation results, it studied the optimal operating conditions, and established process scale-up platforms for biocatalysis, hydrogenation, milling, and filtration and drying, solving problems in engineering scale-up and improving production efficiency.

IT has also independently developed a series of data flow systems to boost information transfer in the production process, such as the transfer of preparation information among project teams, workshops and warehouses, progress tracking and analysis of the production process, production and analysis and testing forecasting, intelligent scheduling, supplier interaction portal, tanker management, etc. To meet the computational requirements of CED, a device database has been built to accelerate the computational speed and efficiency together with the Tianhe supercomputers relying on their advanced computing resources. Our process-based process digital design has been included in the public list of the 2021 Excellent Scenes of Intelligent Manufacturing by the State Ministry of Industry and Information Technology, and has been approved for a number of special topics of intelligent manufacturing in Tianjin.

3. Construction of key production capacity during the Reporting Period

The Company has established a number of small molecule and biomolecule R&D and production bases in Fuxin, Liaoning, Dunhua, Jilin and Jinshan, Shanghai, with Tianjin as the center.

We have completed the construction and delivery of the capacity of small molecule CDMO business during the reporting period. The new plant of the subsidiary Jilin Asymchem was put into operation, and subsidiaries such as Asymchem Life Science, Asymchem Pharmaceutical and Jilin Asymchem Pharmaceutical completed the upgrading of workshops and plants according to the development needs. Continuous reaction equipment was installed in several workshops to further enhance the reaction efficiency and yield through the large-scale application of continuous reaction technique. This secured capacity for undertaking the integrated production from clinical to commercialization, from raw materials to cGMP intermediates and APIs for domestic and foreign customers. As of the end of 2021, the volume of the Company's traditional batch reactor was approximately 4,700m³. As of the date of this announcement, traditional batch reactor was 5,000m³. It is expected that the production capacity of traditional batch reactors for small molecules by the end of 2022 will increase by 46% as compared with that by the end of 2021.

We keep intensifying the application of continuous reaction in all plants, completing the upgrading of workshops and plants on the one hand, and adding continuous reaction equipment in new plants on the other hand. In Dunhua plant, with the continuous reaction, we can achieve the production of 1.3 tons/day of key raw materials for a project, which requires 180m³ batch capacity for the same production scale. A major tool for capacity release, the large-scale application of continuous reaction technique is equivalent to an additional increase in production capacity on top of the existing batch capacity. With the accelerated delivery of new production capacity in succession, the large-scale application of continuous reaction, the optimized management of capacity utilization, the gradual steady production based on bulk commercial orders and the continuous reduction of capacity occupation, the Company has sufficient capacity reserves to undertake new projects from new customers that are on the rise.

With the demand of rapid development of new business, the Company will scale up its production capacity. It will set up a chemical biomolecule R&D and production base in the west district of the Tianjin Economic-Technological Development Area (TEDA), and further build oligonucleotides kilogram-level capacity based on the kilogram-level capacity built in cooperation with Suzhou Ribo Life Science Co., Ltd. (Ribo). The bioengineering R&D base will build GMP-compliant production capacity from gram-level to ton-level for catalase, pharmaceutical enzyme, recombinant protein and enzymic preparations. The Company enhances the CDMO service capability of ADC drugs in the ADC pilot, early commercialization and production workshops in Jinshan, Shanghai.

4. Cultivation of talent team

The Company continues strengthening the introduction and cultivation of senior talents. Adhering to the talent introduction strategy, the Company combines internal cultivation with introduction to expand the talent echelon. As of the end of the Reporting Period, the Company had 7,126 employees, including 149 who have experience in multinational corporations, and 3,381 R&D and analysis personnel, who accounted for 47.45% of the total.

The Company goes the extra mile to introduce talents, including leaders in emerging business segments, talents in small molecule segment development, CMC and production management, and talents required for the four major R&D platforms. The talents will take up management positions or key technical positions in multiple fields, to boost the construction of the integrated drug ecosystem as well as drug development and management of the Company. Based on the demand of rapid development of new business, the Company further seeks top talents in the industry and outstanding graduates. During the reporting period, the Company introduced a total of 49 senior talents, including 18 doctoral talents, 16 senior executives and above, 19 returnees and foreign talents.

The Company continues the restricted share incentive scheme and granted 2.2242 million shares to a total of 298 senior management, managers and core technical personnel, to align the interests of managers and core technical teams with those of the Company and Shareholders and further bolster long-term stability.

Representatives of outstanding talents in the industry introduced by the Company during the reporting period:

Zheng Guoxi

Senior vice president

- Dr. from Johns Hopkins University, worked for several biopharmaceutical and CDMO companies, including Shanghai Chempartner Lifescience Co., Ltd., Huahai Pharmaceutical, Simcere Pharmaceutical, and ScinoPharm Taiwan
- 25 years of experience in API and pharmaceutical engineering, R&D, manufacturing and operation management in large companies
- Familiar with GMP regulations and guidelines in Europe, America and China, with abundant experience in official audits

Gao Kai

Vice president and chief technology officer of biological macromolecules

- Dr. in biochemistry and molecular biology from the Air Force Medical University; worked for Hillhouse Capital Group, World Health Organization Headquarters, the National Medical Products Administration (NMPA) Review Center, and the Chinese Academy of Inspection and Quarantine, with more than 20 years of industry experience
- Focus on the standardization of biological drug production and quality control, the development of national/international quality control standard substances, the drafting of technical guidelines/ regulations/pharmacopoeias for biological drugs and other regulatory scientific research

Li Tangqing

Vice president

- Dr. in organic chemistry from Rice University in Texas, USA; worked for Novartis and other major global pharmaceutical companies, with years of experience in API process development, commercialization, project management and customer relationship management
- Responsible for establishing and optimizing the overall PCO project coordination and customer communication management system, supporting and guiding the new business units of the Company.

Zheng Mingzhi

Vice president & head of chemical engineering department

- Dr. in chemical engineering from Cambridge University, UK; a chartered chemical engineer Ceng of the Institution of Chemical Engineers (IChemE)
- 14 years of experience in R&D, project and team management in large domestic and overseas companies, including John Matthey and Syngenta

Chen Weibin

Executive vice president of biomolecules

- Dr. in analytical chemistry from Purdue University and postdoctoral research related to proteomics analysis at the University of Washington
- Publishes more than 40 scientific papers and book chapters on structural analysis and characterization of biomolecules, and holds several US patents on mass-spectrometric techniques and biopharmaceutical analysis methods.

Liu Donglian

Vice president of biomolecules

- Worked in large biopharmaceutical companies such as TOT BIOPHARM, Shanghai Enpei Biologicals (上海恩培生物), Nanjing Huaxin Biologicals (南京華欣生物), Shanghai Huaxin Biologicals (上海華新生物), etc.; responsible for the technology and management of process development and commercial manufacturing of recombinant proteins, viral vaccines, monoclonal antibodies and ADC drugs
- Rich expertise and management experience in R&D, process technology, quality management and commercial manufacturing of biomolecule drugs

Dai Peng

Head of Boston R&D Center

- Engaged in postdoctoral research at the University of Nebraska Lincoln and the NIH Center affiliated with Boston University, and has published more than 10 academic papers in foreign prestigious journals
- Worked at AMRI, a multinational CDMO company, and Enanta Pharmaceuticals, a biopharmaceutical company, with 13 years of experience in API R&D, manufacturing and project management in pharmaceutical companies

Luo Zhenyu

Vice president

- Graduated from the University of Electronic Science and Technology of China with a master's degree in engineering.
- Worked in the management committee office and the public affairs center of a government body in the Tianjin Economic-Technological Development Area, Tianjin Taida International Incubator Center and the public security bureau of the Ministry of Communications.
- Participated in organizing visits to Tianjin by national leaders, foreign heads of state and leaders of Fortune 500 companies, and established long-term good partnerships with government departments and enterprises at all levels in Tianjin.

Jin Wei

Executive director, preparation analysis

- Received his B.S. and M.S. degrees in Pharmacy from Peking University, and his Ph.D. degree in Pharmacy from the University of Saskatchewan, Canada A member of the American Pharmaceutical Association, Journal of the American Society for Mass Spectrometry, Canadian Society for Mass Spectrometry, and Saskatchewan Mass Spectrometry Association (薩斯喀徹溫質譜聯合會).
- Worked for Phenomenome, Discoveries, Med-Life Discoveries, and other large pharmaceutical companies in Canada, and has many years of experience in drug discovery, analytical method development and validation.

Zhang Boran

Senior director

- Mr. Zhang holds an LLM degree in International Law from the Institute of International Economic Law, Nankai University and an LLM degree from the University of Wisconsin-Madison.
- Worked for AxleyBrynelson Law Firm and large biopharmaceutical companies such as Tiens and Tasly, where he served as China legal counsel, overseas legal director and international legal director respectively. She has five years of expatriate experience in the U.S., and is an inter-disciplinary talent in law and English with extensive project experience.

Huang Xiaohong

Senior director

- M.S. in Pharmaceutical Analysis from Shenyang Pharmaceutical University.
- She was the quality director of Kaihui Pharmaceutical (Shanghai) Co., Ltd. (凱惠藥業(上海)有限公司) Proficient in integrated quality, compliance and analytical R&D management for CGMP API plants, specializing in analytical method development, validation and transfer for CRO/CDMO projects in compliance with ICH and cGMP, and quality standard setting for raw and auxiliary materials/intermediates/APIs.

Gong Liangren

Senior director

- B.S. in Pharmaceutical Chemistry, Kaohsiung Medical University, Taiwan; M.S. in Applied Chemistry, National Yang Ming Chiao Tung University (NYCU); Ph.D. degree in Chemistry, Tsing Hua University, Taiwan.
- She was a postdoctoral researcher at National Yang Ming Chiao Tung University in Taiwan for four years; she worked in large CDMO companies such as Yung Shin Pharmaceutical, Savior Lifetec Corporation (SLC), DSM-AGI, etc, with years of experience in API process R&D and team management.

Qu Chunhua

Senior director

- She was the deputy director of supply chain of Jiangsu Zhengji Pharmaceutical Co., Ltd.
- More than 10 years working experience in pharmaceutical chemical industry, involving procurement, warehouse management, project management, production operation, supply chain and other fields Familiar with the pharmaceutical and chemical supply chain, leading several large projects to achieve excellent results Systematic knowledge of procurement and supply chain theory.

Yang Bao

Senior director

- B.S. in Biopharmacy from Heilongjiang University.
- Held engineering and equipment management positions in large pharmaceutical companies such as Shanghai Jiyu Pharmaceutical Technology Co., Ltd., TOT BIOPHARM, Jiangsu Pacific Meinuoke Bio-pharmaceutical Co., Ltd (PMBP), Jiangsu Jiwa Rintech Pharmaceutical Co. Ltd., and Harbin Pharmaceutical Group Pharmaceutical Co., Ltd., with rich experience in the construction of engineering and equipment management system and management of production plant construction.

Lin Haogan

Senior director

- Ph.D. Degree from The University of Manchester. He was the head of laboratory in Yantai Valiant Pharmaceutical Co., Ltd.

Zhuang Yan

Executive director

- M.D. from the Air Force Medical University. He has been a visiting scholar at Columbia University in the City of New York and Ragon Institute of MGH for HIV and immunity-related postdoctoral research.
- Extensive experience in project and team management; 16 years of clinical experience in infectious and liver diseases, and in clinical research projects covering therapeutic areas such as infection, autoimmunity, respiratory, gastrology and tumour.

5. Completion of the issuance and listing of overseas listed foreign shares (H shares)

The Company completed the Global Offering comprising 18,415,400 H shares (prior to the exercise of the Over-allotment Option) at HK$388.00 per share. Based on the offer price of HK$388.00 per H share, the net proceeds of the Global Offering to be received by the Company, after deducting the underwriting commission and other estimated expenses related to the Global Offering, are estimated to be approximately HK$6.850 billion. The proceeds from the Global Offering will be used to further the global operation capability of the Company, increase the capacity and capability of small molecule CDMO solutions, enhance emerging services and expand service offerings, invest in R&D projects, and selectively make strategic investments and acquisitions, with a view to maintaining technology leadership, diversifying service types and expanding its global footprint. By issuing H shares and listing them on the Hong Kong Stock Exchange, we have achieved "A+H" dual-listing, which increases the brand value and international reputation, and provides a strong credit endorsement for the Company's overseas business expansion.

6. Acquisition of Improve Quality, an outstanding mathematical statistics company in clinical CRO in China

Clinical research service is a significant component of the Company's strategy of "improving the depth and breadth of services to customers and extending the new drug R&D service chain". The provision of integrated CDMO+CRO services enables the Company to further strengthen the "stickiness" of cooperation with partners in the field of innovative drug R&D as well as the competitiveness and market space of the Company in the CDMO business. During the reporting period, the Company completed the acquisition of 100% equity interest in Improve Quality in cash, which strengthens the professional competence and service capability of the clinical research service segment of Asymchem in data management and biostatistics, and improves the whole business chain. Improve Quality is a company focused on clinical data management and statistical services, and is the first CDISC corporate member in China. Improve Quality is committed to providing pharmaceutical companies and CROs with one-stop international leading mathematical statistics services from protocol statistical design, CRF design, EDC creation, data cleaning, data set generation to clinical trial report writing and submission. The acquisition of Improve Quality is an important step for the Company to blossom into a technology-led clinical CRO company. The acquisition is instrumental for building a high-level industrial service chain, comprehensively enhancing the integrated service capability, fostering business synergy, laying a solid foundation for global layout, and helping with forming the integrated one-stop service of "CMC + clinical research."

II. FINANCIAL REVIEW

(1) Revenue

Our revenue increased by 47.7% from RMB3,136.7 million in 2020 to RMB4,632.1 million in 2021, mainly due to: (i) the Company's small molecule business continued to improve its competitiveness by virtue of its continuously evolving R&D platforms, industry-leading operation system, excellent performance record and customer reputation, as a result of which, the Company fully seized the opportunity in the market and continued to acquire new customers and new projects to increase its revenue scale and market share, with small molecule CDMO business recording a year-on-year growth of 46.02%; (ii) the Company adhered to the strategy of "deepening large customers and expanding small and medium customers" and continued to increase the development of small and medium customers, with the business revenue from small and medium customers recording a year-on-year growth of 54.03% at rapid pace; (iii) the Company continued to replicate the success of its small molecule business to the drug product, chemical macromolecule, biosynthesis technology, biomacromolecule, clinical CRO and other segments, and the revenue of several segments exceeded RMB100 million, providing diversified sources of growth for the Company.

During the Reporting Period, the Company increased the number of its small molecule commercialization projects from 32 to 38 and acquired commercialization projects of significant scale, with commercialization revenue recording a year-on-year growth of 52.11% to RMB2,511.3 million, which accounted for 54.22% of total revenue. Meanwhile, the Company continued to expand the development of small molecule clinical and preclinical projects, with revenue recording a year-on-year growth of 37.95% to RMB1,720.9 million, which accounted for 37.15% of total revenue. Our revenue from Emerging Businesses recorded a year-on-year growth of 67.88% to RMB397.0 million, which accounted for 8.57% of total revenue.

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

	2021		2020		Change
	RMB'000	***Proportion***	*RMB'000*	*Proportion*	Ratio
Commercial stage CDMO solutions	**2,511,307**	**54.2%**	1,651,006	52.7%	52.1%
Clinical stage CDMO solutions	**1,720,871**	**37.2%**	1,247,437	39.8%	38.0%
Emerging services	**396,960**	**8.6%**	236,458	7.5%	67.9%
Total revenue from principal business	**4,629,138**	**100.0%**	3,134,900	100.0%	47.7%
Revenue from other businesses	**2,983**		1,823		63.6%
Total revenue	**4,632,121**		3,136,724		47.7%

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

	2021	2020	Change Amount	Change proportion
	RMB'000	*RMB'000*	*RMB'000*	
Domestic (Mainland China)	**640,346**	369,261	271,085	73%
Foreign countries (including North America, Europe and Asia except Mainland China)	**3,991,775**	2,767,463	1,224,312	44%
Total	**4,632,121**	3,136,724	1,495,397	48%

Our revenue in domestic (Mainland China) increased by 73% from RMB369.3 million in 2020 to RMB640.3 million in 2021, mainly due to the advancement of NDA and commercial stage for domestic projects.

Our revenue in foreign countries (including North America, Europe and Asia except Mainland China) increased by approximately RMB1,224.3 million, or 44%, as compared with that in 2020. Such increase is mainly due to (i) the increase in commercialization revenue from foreign large pharmaceutical companies; and (ii) the expansion of new customers from overseas small and medium-sized innovative drug companies, as well as the advancement of project stages.

(2) Costs of sales

Our costs of sales increased by 53.4% from RMB1,683.5 million in 2020 to RMB2,582.4 million in 2021, mainly due to the increase in the Group's revenue. Our costs of sales include costs of raw materials, direct personnel costs, manufacturing expenses and others. Costs of raw materials include direct and indirect materials required for production. Manufacturing expenses include depreciation of plant and equipment, energy, testing and release, etc. Others include transportation costs and insurance costs directly arising from sales, as well as related taxes and fees.

(3) Gross profit and gross profit margin

Our gross profit increased by 41.0% from RMB1,453.2 million in 2020 to RMB2,049.7 million in 2021. Our gross profit margin decreased from 46.3% in 2020 to 44.3% in 2021, mainly due to the impact on gross profit margin as a result of the greater appreciation of RMB against the U.S. dollar in 2021. Excluding the exchange rate impact, our gross profit margin in 2021 slightly increased as compared to that in 2020.

(4) Other income and gains

Our other income and gains increased by 45.1% from RMB119.8 million in 2020 to RMB173.8 million in 2021, mainly due to (i) the increase in government subsidies of RMB8.0 million; (ii) the increase in gain from the purchase of short-term and low-risk bank financial products of RMB32.2 million; (iii) the increase in gain on fair value changes of RMB17.8 million arising from investment in Sany Zhongzhi (Tianjin) Venture Capital Center (L.P.) (三一眾志(天津)創業投資中心(有限合夥)) and Sany Zhongzhi Phase II (Tianjin) Venture Capital Center (L.P.) (三一眾志二期(天津)創業投資中心(有限合夥)) during the period.

(5) Selling and distribution expenses

Our selling and distribution expenses increased by 18.2% from RMB84.3 million in 2020 to RMB99.6 million in 2021, mainly due to the increase in personnel costs as a result of the increase in sales staff due to Company's increased market development efforts.

(6) Administrative expense

Our administrative expense increased by 54.3% from RMB320.6 million in 2020 to RMB494.8 million in 2021, mainly due to (i) increase in personnel costs due to the increase in administrative personnel; (ii) increase in office expense (including leasing fees for new leased office space, property fees, etc.); (iii) increase in repair and maintenance costs (including system upgrade/maintenance costs and in-plant repair costs); and (iv) increase in intermediary service cost (including intermediary service cost to be charged to current profit and loss in the global offering).

(7) R&D expense

Our R&D expense increased by 49.6% from RMB258.9 million in 2020 to RMB387.5 million in 2021, mainly due to the efforts made by the Company to maintain its investment in technological innovation and self-developed core technologies and vigorously promote its investment in the development of four major R&D technology platforms.

(8) Finance cost

Our finance cost mainly includes interest expenses on bank borrowings, and interest expenses on lease liabilities. Our finance cost increased by 96.6% from RMB3.7 million in 2020 to RMB7.3 million in 2021, mainly due to (i) the increase in interest expenses on lease liabilities as the Company added new lease agreements to cope with the Company's business and commercial expansion; and (ii) the increase in interest expenses on bank borrowings as the Group activated short-term bank loans for the Company's daily operating expenses in 2021.

(9) Income tax expense

Our income tax expense increased by 35.1% from RMB91.5 million in 2020 to RMB123.7 million in 2021, which was in line with the Company's profit growth trend.

(10) Net profit and net profit margin

As a result of the above, our net profit increased by 48.6% from RMB719.7 million in 2020 to RMB1,069.3 million in 2021. Our net profit margin was 23.1% in 2021 as compared with 22.9% in 2020. With the growth in revenue, our net profit margin remains largely stable with a slight increase.

Our net profit attributable to the parent increased by 48.6% from RMB719.7 million in 2020 to RMB1,069.3 million in 2021. Our net profit margin attributable to the parent was 23.1% in 2021 as compared with 22.9% in 2020.

(11) Basic and diluted earnings per share

Our basic earnings per share increased by 42.4% from RMB3.09 in 2020 to RMB4.40 in 2021. Our diluted earnings per share increased by 43.0% from RMB3.07 in 2020 to RMB4.39 in 2021. The increase in basic and diluted earnings per share is mainly due to the increase in net profit as a result of the strong growth of the Group's business as described above.

(12) Property, plant and equipment

Our net value of property, plant and equipment increased by 51.1% from RMB2,208.3 million as of 31 December 2020 to RMB3,336.9 million as of 31 December 2021, mainly due to (i) the production capacity expansion of small molecule plants in Dunhua and Tianjin with additional plant and equipment; and (ii) the continued investment in the production capacity of biomacromolecule in Shanghai.

(13) Right-of-use assets

Our right-of-use assets increased by 27.5% from RMB284.3 million as of 31 December 2020 to RMB362.6 million as of 31 December 2021, mainly due to the leasing of additional plants and offices during the Reporting Period to cater for the Group's business and commercial expansion.

(14) Goodwill

Our goodwill increased by 238.5% from RMB43.2 million as of 31 December 2020 to RMB146.2 million as of 31 December 2021, mainly due to the Group's acquisition of Improve Quality at the end of 2021.

(15) Deferred tax assets

Our deferred tax assets increased by 58.4% from RMB118.0 million as of 31 December 2020 to RMB186.9 million as of 31 December 2021, mainly due to the increase in deferred income tax assets recognized for the Company's compensable losses.

(16) Prepayments and other receivables (current portion and non-current portion)

Our prepayments and other receivables increased by 126.2% from RMB359.1 million as of 31 December 2020 to RMB812.2 million as of 31 December 2021, mainly due to the increase in prepayment for materials, which was in line with the growth trend of the ending balance of inventories.

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

Financial assets at fair value through profit or loss mainly consisted of short-term and low-risk financial products purchased from banks, and investment in Sany Zhongzhi (Tianjin) Venture Capital Center (L.P.) (三一眾志(天津)創業投資中心(有限合夥)) and Sany Zhongzhi Phase II (Tianjin) Venture Capital Center (L.P.) (三一眾志二期(天津)創業投資中心(有限合夥)). The Group's financial assets at fair value through profit or loss among current and non-current assets increased by 1,343% from RMB35.0 million as of 31 December 2020 to RMB504.96 million as of 31 December 2021, mainly due to the increase in the purchase of short-term and low-risk financial products from banks.

(18) Inventory

Our inventory increased by 92.2% from RMB726.4 million as of 31 December 2020 to RMB1,396.1 million as of 31 December 2021, mainly due to (i) the increase in the number of products in process at the end of the period in line with the Company's business growth and the increase in revenue and orders; and (ii) the raw materials purchased based on the increase in orders.

(19) Trade receivables

Our trade receivables increased by 85.7% from RMB978.1 million as of 31 December 2020 to RMB1,816.2 million as of 31 December 2021, mainly due to the increase in the Company's revenue.

(20) Cash and cash equivalents

Our cash and cash equivalents increased by 193.4% from RMB2,124.6 million as of 31 December 2020 to RMB6,234.5 million as of 31 December 2021, mainly due to the proceeds from the global offering.

(21) Other payables and accruals

Our other payables and accruals increased by 106.1% from RMB669.5 million as of 31 December 2020 to RMB1,380.2 million as of 31 December 2021, mainly due to (i) the increase in liabilities for repurchase obligations recognized for the newly granted equity incentive plans in 2021; (ii) the equity investment whose payment condition arising from the acquisition of Improve Quality in 2021 has not yet fulfilled.

(22) Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings increased by 3,641.2% from RMB10.0 million as of 31 December 2020 to RMB375.4 million as of 31 December 2021, mainly due to the Group's increase in short-term bank borrowing for the Company's daily operating expenses. All of the Group's bank borrowing as at 31 December 2021 were unsecured, interest-bearing and short-term loans denominated in RMB.

(23) Lease liabilities (current portion and non-current portion)

Total lease liabilities increased by 105.1% from RMB28.8 million as of 31 December 2020 to RMB59.1 million as of 31 December 2021, mainly due to the leasing of additional plants and offices to support the Group's business expansion.

(24) Contingent liabilities and guarantees

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

(25) Foreign exchange risk

The majority of our revenues are derived from sales denominated in U.S. dollar. However, the majority of our service and operating costs and expenses are denominated in RMB, and our financial data is presented in RMB. As a result, when the Renminbi appreciates against the U.S. dollar, our margins are pressured, and we may not be able to price our service contracts, in particular those with our U.S. customers, in currencies other than the U.S. dollar. During the Reporting Period, we entered into foreign exchange transactions, such as long-term or short-term forward and swap contracts, to manage our foreign exchange risk.

(26) Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided adjusted net profit attributable to shareholders of the listed company and other data as additional financial measures, which are not required by, or presented in accordance with IFRS. The Group believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Group's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's core business. These non-IFRS financial measures, as the management of the Group believes, are widely accepted and adopted in the industry in which the Group is operating. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Shareholders of the Company and potential investors should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS. And these non-IFRS financial measures may not be comparable to the similarly-titled measures represented by other companies.

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

Item	**2021** ***RMB'000 (except percentages)***	2020 *RMB'000 (except percentages)*
Net profit attributable to shareholders of the listed company	**1,069,274**	719,742
Add:		
equity incentive amortization expense	**51,057**	17,957
gain or loss on exchange rate fluctuations	**12,146**	54,756
changes in fair value gains and losses of derivative financial instruments	**–**	10,230
income tax effect	**(9,480)**	(12,443)
Adjusted net profit attributable to shareholders of the listed company	**1,122,997**	790,242
Adjusted net profit margin attributable to shareholders of the listed company	**24.2%**	25.2%

Notes:

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

(i) share-based compensation expense;

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

(iii) The calculation of the adjusted net profit margin attributable to shareholders of the listed company is based on the above net profit attributable to shareholders of the listed company.

III. OUTLOOK AND PROSPECT

(I) Industry Competition and Development

1. Industry pattern and trend

According to Evaluate Pharma's "World Preview 2018, Outlook to 2024" research report, the sales of global prescription drugs will grow from US$830 billion in 2018 to US$1,204 billion in 2024, with a CAGR of 6.4%, far above the CAGR of 1.2% from 2011 to 2017. The fast-growing pharmaceutical market has created a favorable opportunity for CDMO expansion. The global drug R&D investment rises year on year. The global R&D investment is expected to reach US$204.0 billion in 2024, and the proportion of global R&D expenditure to drug sales will be approximately 18.22% on average from 2020 to 2024. About 65% of the R&D investment and M&A investment of the top ten pharmaceutical companies in terms of the global ROI will be spent on R&D. With the influence of multiple factors such as economic development, aging population and increasing health awareness, global drug sales and global R&D expenditure have sustained growth momentum. Their corresponding penetration rates determine the market size of the global CDMO industry. As an important partner in the new drug R&D industry, CDMO companies not only help pharmaceutical companies focus on R&D pipeline development, improve resource allocation efficiency, shorten the new drug R&D cycle and accelerate new drug launches, but also help bring down commercial manufacturing costs and ensure supply chain stability. The pharmaceutical CDMO business model trends toward long-term and stable. CDMO companies can not only share the order revenue growth brought by the long-term growth in the R&D investment of pharmaceutical companies, but also share the sales dividends from the launch of innovative drugs, thus having room for sustainable development. Compared with traditional product-based CDMO companies, which undertake OEM services for capacity transfer of pharmaceutical companies, platform-based CDMO companies have the stability of high barriers and profitability of high added value. Meanwhile, the synergy effect, high technical barriers, high added value and embedded cooperation stickiness formed by the layout of the whole industry chain will create greater growth space and performance elasticity with higher certainty.

In recent years, China has placed more emphasis on innovative drug R&D, and China's pharmaceutical industry is rapidly transforming from the "increase in quantity" of medical insurances to "quality improvement" with consistency evaluation and innovative drugs listing as the main theme. Since March 2016 when the curtain of the evaluation of generic drug consistency in China went up, the "two-vote system," "4+7" volume-based drug procurement, the new revision of the Drug Administration Law and other policies have given impetus to the development of innovative drugs. A slew of polices have been promulgated to encourage new drug R&D, improve the efficiency of new drug review, and shorten the time to market new drugs. China has achieved gratifying results in consolidating the stock of homogeneous generic drugs, abolishing the pharmaceutical commission, unbinding the interests of hospitals and drug sales, and promoting the price reduction of drugs. Objectively, these efforts have promoted the transformation of the generic drug industry toward innovation and released more funds and resources for innovative drug R&D. As a result, the domestic innovative drug market presents a trend of growth spurt and China transforms from a "generic drug power" to an "innovative drug power." The rise of domestic innovative drugs and the gradual increase in investment in innovative R&D by pharmaceutical companies further contribute to a larger space for China's CDMO industry. Domestic technology, quality system, customer reputation and EHS management are gradually in line with the international standard, and the advantages of IP protection, infrastructure and engineer bonus come to the fore. Thanks to this, the overseas CDMO industry continues setting foot in China, and the overseas penetration rate of Chinese CDMO enterprises continues to grow. The introduction of a string of favorable policies for the development of the CDMO industry, such as volume-based drug procurement, priority review and approval of innovative drugs, the Notice on Organizing and Implementing Special Construction of Biopharmaceutical Contract R&D and Production Services Platforms, and MAH written into the Drug Administration Law, further unleash the potential of explosive growth of CDMO business.

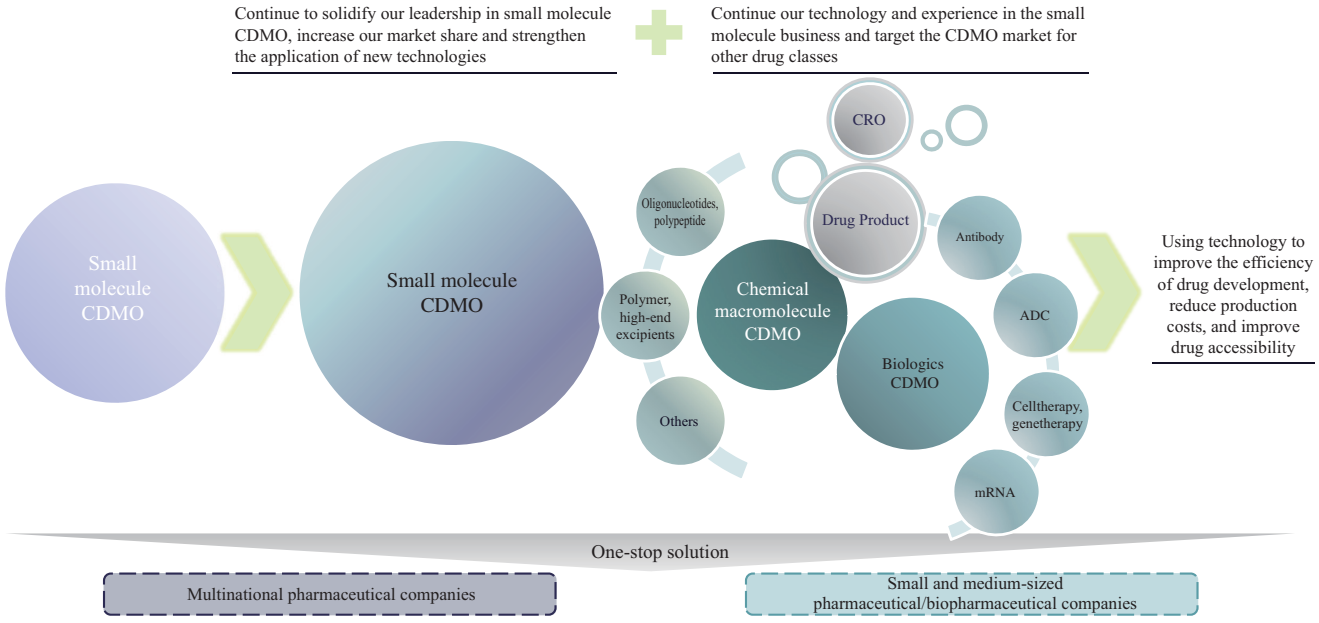
Overall, from the important forward-looking indicators such as global new drug R&D investment, innovative drug sales, China's new drug R&D investment and financing amount of small innovative drug companies, it is expected that China's CDMO industry will maintain a higher average growth rate than the global CDMO industry. As the barriers to enter the CDMO industry are becoming higher, factors such as order structure, enterprise bargaining power, R&D added value, and cost control ability together determine the profitability of enterprises. In addition to the traditional CDMO business, China's CDMO enterprises have started to explore the "VIC" model to get deeply involved in R&D, and are expected to enjoy the sustainable income from the launch of innovative drugs. Overall, with the gradual development of the industry, the five barriers of the leading CDMO enterprises in customer, brand, production capacity, technology and capital have been gradually strengthened. In the highly fragmented and competitive market, it will become the trend that the powerful will be always powerful.

2. Outlook and strategy for the future development of the Company

(1) Development strategy

As a global industry-leading provider of integrated one-stop CDMO solutions, the Company is committed to the technological innovation and commercialization of global pharmaceutical processes. Since its establishment, the Company has adhered to the business development concept of "international standards, Chinese advantages, technical driver and green orientation," with particular emphasis on technological innovation as the core driving force. It has continuously developed a number of international leading patented technologies and applied them to commercial manufacturing, becoming an industry-recognized technology-leading company of global outsourced integrated pharmaceutical services. The Company adheres to the principle of "being prepared for danger in times of peace, treading on thin ice, and rising abruptly based on its accumulated strength." The Company insists on exploring cutting-edge technologies and increasing the application of new technologies in large-scale production; improves the management mode of R&D and production in a targeted manner, and strives to enhance the depth of customer cooperation. The Company continuously ramps up market development of small and medium-sized innovative drug companies, and acquires customers through multiple channels. It keeps optimizing the operation management system that is in line with the characteristics of such companies, to enhance the breadth of its services. Relying on the competitive advantages and customer network of the small molecule business, the Company further develops the business of chemical macromolecules, bioengineering, biological macromolecules and clinical research services, fosters new business growth points, to promote the formation of a closed-loop industrial chain.

Our growth strategy



(2) Annual business plan for 2022

Against the backdrop of a protracted COVID-19 pandemic, the Company has demonstrated stronger capability and richer experience in responding to emergencies based on 20 years of operation, while maintaining close communication with global customers. Its execution and stability cement the confidence of customers. In 2022, the business guideline of the Company is "to deliver large orders, increase the market share, upgrade the system, and lead in technology." The Company will ensure the high-quality delivery of large orders, continue promoting the steady growth of its core small molecule CDMO business. Sticking to the strategy of deepening the relationship with key customers and increasing the base of small and medium-sized customers, the Company will increase its global market share. The Company will expand its operations to new business sectors, and push forward the rapid expansion of strategic emerging business with equal emphasis on endogenous development and outward M&As. The Company continues enhancing its comprehensive competitiveness in various business through a sustainably evolutionary R&D platform and by strengthening new customer development, improving management efficiency, and building new production capacity on the basis of the upgraded operation management system at the end of 2021.

- Ensuring delivery of large orders and exploring new customers and new projects

  In view of the urgent supply needs of customers with large orders, the Company will mobilize company resources, and comprehensively guarantee the efforts in research and development, production, supply chain management and other aspects to ensure the timely delivery of orders. Meanwhile, with the successive delivery of new production capacity, the continuous improvement of project production efficiency and the advancement of order delivery, the occupation of the Company's production capacity by large projects will also continue to decrease, allowing the Company to undertake more projects.

  Given the situation in the past 10 years, the arrival of large orders is usually a strategic opportunity period for the Company, which brings more resources and energy to develop new customers and new projects. On the one hand, the Company is making every effort to develop the biotech market in the United States. On the other hand, the Company will further increase the development of early-stage projects and make good project reserves to meet the needs of small molecule revenue growth in the future.

- Accelerating the development of new drug classes and service types to create performance growth points

  We accelerate the promotion of the small nucleic acid CDMO business, undertake more service projects, accumulate project experience and technology, and enhance team capabilities; synergize technical capabilities in the drug-linker field and the production capacity of novel antibodies to fuel the ADC business development; accelerate the preparation business development, strengthen the R&D of new formulation technologies, and strive to obtain more orders for domestic and overseas projects by triggering official audits with overseas customer products; vigorously propel the clinical research service business, build industry reputation, undertake more clinical research service orders, and improve the synergy between clinical CRO and CDMO services. In terms of global layout, we establish an international team to provide international customers with comprehensive clinical research services and solutions in line with international standards; increase the external technical service and export of the continuous reaction technology to achieve greater economic and social benefits, and jointly assist the green, healthy and high-quality development of the innovative drug industry with our customers; turn Asymchem Biology into a global leader in contract development and manufacturing organization (CDMO) of biologics and advanced therapeutics, and leverage the rapidly growing CDMO market of biologics and advanced therapeutics. The strategic emerging business group develops rapidly, to better enhance the Company's one-stop service capability and accelerate the implementation of the "two-wheel drive" development strategy.

- Continuously improving operational management efficiency to enhance service capability and profitability

  Based on the Company's 20 years of experience in providing services for demanding overseas pharmaceutical enterprises, the Company has established an operation system of R&D, production, quality control and project management that meets the highest standards of the global industry. In light of the future development strategy and continuously enriched service types, the Company continues optimizing the post-organizational structure and management model and realizes mutual services of the intrapreneurial model beyond the business unit, to improve efficiency. The Company further enhances the efficiency of R&D and production operations, and ramps up the application of industrial intelligence and international leading IT systems; further strengthens customer service awareness and ensures that orders are delivered on schedule, to continue improving customer satisfaction; improves the supply chain control system to make the supply chain safe and controllable and further lower raw material procurement costs.

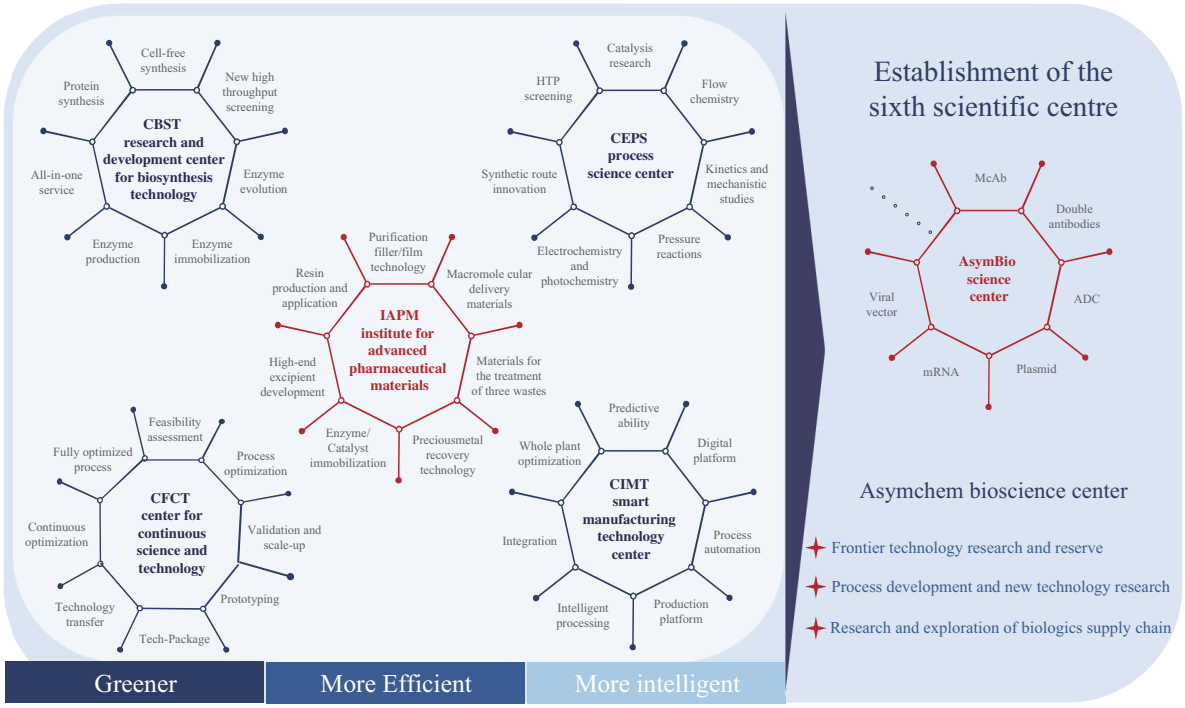
- Further enhancing capacity release capability to lay the foundation for undertaking more projects

  In view of the relatively tight capacity of small molecules, the Company has started to intensify efforts in production capacity to satisfy the growing demand for orders. The Company rapidly pushes forward the construction and use of several small molecule production projects in Tianjin, Dunhua and Yangtze River Delta. In the first half of 2022, four buildings will be added to the Dunhua plant, and about 1,000m³ batch capacity will be delivered. For the whole year, it is expected that new batch capacity of small molecule of more than 2,000m³ will be realized in Dunhua, Tianjin and Yangtze River Delta. Certain workshops and production lines are upgraded, and the application of new technologies represented by continuous reaction is strengthened, to improve capacity efficiency and support the fast-growing capacity demand of the small molecule CDMO business. The Company pushes forward the construction of kilogram capacity for small nucleic acids, and R&D and production of biosynthesis technology centers, and speeds up the construction of R&D and production capacity for biopharmaceutical CDMO business, among which, the construction of the first phase of the Shanghai Fengxian biological macromolecules pilot scale and commercial production base project has started, including the commercial production capacity of antibody stock solution of 16,000L, the drug product fill-finish production line which can be used for the manufacturing for both liquid and freeze-dried drug product, ADC conjugations stock solution production capacity 1,500L and ADC drug product fill-finish production line, to meet the fast-growing capacity demand for orders of strategic emerging business. The Company accelerates the construction of R&D platforms and production capacity at home and abroad in line with the use of funds raised from the Company's overseas listing, to secure short-term and medium – to long-term project growth.

- Keeping investment in R&D, further increasing the proportion of new technology applications, and maintaining technological leadership

  On the basis of the Company's four global leading and sustainable evolutionary R&D platforms, the Company is preparing to establish the institute for advanced pharmaceutical materials (IAPM) and bioscience center (AsymBio). It makes research into and explores the development of separation and purification materials, such as membranes, fillers, magnetic beads, high-end excipients, adjuvants, as well as biopharmaceutical process, new technology research, frontier technology research and reserve, biopharmaceutical supply chain. The Company will adhere to the concept of innovation-driven development in the six R&D platforms and continue enhancing its core competitive advantages.

R&D technology platform of Asymchem Laboratories



Relying on the Company's sustainably evolutionary R&D platform, the Company further strengthens the application ratio of new technologies such as continuous reaction and biological enzyme catalytic technology in the production of small molecule clinical and commercialization projects. The Company steps up the construction and technology accumulation of the technology platform for continuous reaction process development, further increases the localization of continuous reaction equipment and high-end equipment, and vigorously promotes the cooperation model of continuous reaction technology export. The Company explores the technology platform for the synthesis of protein, peptide and nucleic acid and other important drugs through biotechnology. Taking a large commercialization project as the core and basis, the automation construction will maximize the promotion of the self-control achievements on one project to other projects.

- Further improving the human resource management system and comprehensively enhancing the talent strategy

  Upholding the concept of people first, the Company pools domestic and foreign talents, establishes mechanisms for talent selection, evaluation and motivation, and accelerates the formation of a training mechanism conducive to the growth of talents. The Company ramps up efforts to build a global talent platform, strengthens the construction of corporate culture as well as the cohesion and capability of all employees. As excellent corporate culture and talent resources can form a competitive edge difficult to imitate, the Company keeps improving its sustainable development capability, to ensure that "there are no satisfied customers and satisfactory products unless employees are satisfactory."

  In summary, in 2022, insisting on technological innovation as the core driving force, the Company will continuously upgrade the management and operation system to secure the order delivery capability. The Company will strengthen the leading power of head customers, expand the domestic and overseas markets, and popularize faster the advantages of small molecule drug CDMO business to chemical macromolecule, preparation, clinical CRO and biologics CDMO business and other strategic emerging segments. While ensuring the rapid implementation of R&D and production capacity with funds raised from home and abroad and paying equal attention to endogenous development and outward M&As, the Company will continue to scale up the small-molecule CDMO business and make it more competitive, and accelerate the implementation of "two-wheel drive" strategy for the rapid development of strategic emerging business.

(II) Potential Risk

The Company is a global industry-leading CDMO company, focusing on the technological innovation and commercialization of global pharmaceutical processes. It is also a provider of one-stop CMC services for drug development and manufacturing for large and medium-sized pharmaceutical and biotechnology companies at home and abroad. The risks that the Company may face include those in withdrawal or large-scale recall of major innovative drugs in service, project operation in the clinical stage, life cycle turnover and lower than expected market sales of major innovative drugs in service, failure to pass continuous review by international drug regulatory authorities, loss of core technical personnel, environmental protection and safety production, international trade friction and exchange rate fluctuations.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the H shares of the Company were not yet listed on the Hong Kong Stock Exchange during the Reporting Period, the CG Code as set out in Appendix 14 to the Listing Rules were not applicable to the Group during the Reporting Period. The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and has complied with the code provisions in the CG Code from the Listing Date to December 31, 2021, except for paragraph A.2.1 of the CG Code (the code provision was reclassified as code provision C.2.1 with effect from January 1, 2022).

Pursuant to code provision A.2.1 in the CG Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Hao Hong is currently serving as the Chairman as well as the chief executive officer of the Company. As Dr. Hao Hong is the founder of the Group and has been managing the Group's business and overall strategic planning since its establishment, the Directors consider that vesting the roles of Chairman and chief executive officer in Dr. Hao Hong is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that the Group implemented upon Listing, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of the Chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this announcement.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any significant investments (including any investment in an investee company with a value of 5 percent or more of the Group's total assets as of December 31, 2021), acquisitions or disposals.

PROFIT DISTRIBUTION PLAN

The Board proposed the following profit distribution plan for the year ended December 31, 2021 (the "**2021 Profit Distribution Plan**"): (1) distribute a dividend of RMB8.00 per 10 ordinary shares to the Shareholders as at the record date for determining Shareholders' entitlements to the 2021 Profit Distribution Plan (2020: RMB6.00 per 10 ordinary shares). Based on a total of 264,342,018 shares of the Company in issue as at March 30, 2022, the total amount of the proposed final dividend is approximately RMB211,473,614.40 (tax inclusive) (2020: RMB145,576,015.80 (tax inclusive)); and (2) 4 new shares for every 10 existing shares of the Company to be issued out of reserves to the Shareholders as at the record date for determining Shareholders' entitlements to the 2021 Profit Distribution Plan (2020: Nil).

The 2021 Profit Distribution Plan is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") and the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the new H Shares in relation to the capitalization issue. The above profit distribution is expected to be paid to the eligible Shareholders no later than two months after the AGM.

Information on the closure period of the register of members of the Company in relation to proposed 2021 Profit Distribution Plan and the record date for determining entitlements to the 2021 Profit Distribution Plan will be announced in due course.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2021, the Group had 7,126 employees, whose salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees, especially key employees.

Our employees' remuneration comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

The Company also has adopted the A Share Incentive Schemes. Please refer to the section headed "A Share Incentive Schemes" in Appendix VI to the Prospectus for further details.

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

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2021. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the year ended December 31, 2021.

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

I. Repurchase and Cancellation of Certain Restricted A Shares

(I) Repurchase and cancellation of certain restricted A shares granted under the 2018 A Share Incentive Scheme and the 2020 A Share Incentive Scheme

As two incentive recipients of the 2018 A Share Incentive Scheme and one incentive recipient of the 2020 A Share Incentive Scheme resigned, on December 21, 2021, the Board considered and approved the repurchase and cancellation of a total of 64,000 restricted A Shares granted at a repurchase price of RMB116.57 per A Share and RMB43.18 per A Share, respectively. On March 24, 2021, the Company issued the Announcement on the Completion of Repurchase and Cancellation of Certain Restricted Shares. For details, please refer to the relevant announcements of the Company published on the Shenzhen Stock Exchange on December 23, 2020, February 10, 2021 and March 24, 2021.

(II) Repurchase and cancellation of certain restricted A shares granted under the 2019 A Share Incentive Scheme and the 2020 A Share Incentive Scheme

As one incentive recipient of the 2019 A Share Incentive Scheme and two incentive recipients of the 2020 A Share Incentive Scheme resigned, on July 30, 2021, the Board considered and approved the repurchase and cancellation of a total of 13,775 restricted A Shares granted at a repurchase price of RMB43.30 per A Share and RMB115.97 per A Share, respectively. On September 14, 2021, the Company issued the Announcement on the Completion of Repurchase and Cancellation of Certain Restricted Shares. For details, please refer to the relevant announcements of the Company published on the Shenzhen Stock Exchange on July 31, 2021, August 19, 2021 and September 14, 2021.

(III) Repurchase and cancellation of certain restricted A shares granted under the 2018 A Share Incentive Scheme, the 2020 A Share Incentive Scheme and the 2021 A Share Incentive Scheme

As one incentive recipient of the 2018 A Share Incentive Scheme did not achieve the performance appraisal targets and one incentive recipient of the 2020 A Share Incentive Scheme and one incentive recipient of the 2021 A Share Incentive Scheme resigned, on November 25, 2021, the Board considered and approved the repurchase and cancellation of a total of 33,000 restricted A Shares at a repurchase price of RMB42.58 per A Share, RMB115.97 per A Share and RMB185.52 per A Share, respectively. The above repurchase and cancellation are subject to consideration and approval at the general meeting. For details, please refer to the relevant announcement published by the Company on the Shenzhen Stock Exchange on November 26, 2021.

II. Reserved grant of the Restricted Share Incentive Scheme

(I) Reserved grant of the 2020 Restricted Share Incentive Scheme

On January 9, 2021, the Board considered and approved the grant of a total of 0.176 million reserved Restricted A Shares to 35 incentive recipients. On February 8, 2021, the Company published the Announcement on the Completion of Registration of the Reserved Grant of Restricted Shares on the Shenzhen Stock Exchange. For details, please refer to the relevant announcements of the Company published on the Shenzhen Stock Exchange on July 10, 2020, January 9, 2021 and February 8, 2021.

(II) Initial grant of the 2021 Restricted Share Incentive Scheme

On July 5, 2021, the Board considered and approved the grant of a total of 2.0553 million reserved Restricted A Shares to 273 incentive recipients. In the process of determining the payment of funds after the First Grant Date, as 10 incentive recipients voluntarily waived their subscription for a total of 7,100 Restricted A Shares granted to them due to personal reasons, the number of incentive recipients was adjusted from 273 to 263, and the number of Restricted A Shares granted under the First Grant was adjusted from 2.0553 million to 2.0482 million. On September 13, 2021, the Company issued the Announcement on the Completion of Registration of the Initial Grant of the Restricted Shares on the Shenzhen Stock Exchange. For details, please refer to the relevant announcements of the Company published on the Shenzhen Stock Exchange on June 18, 2021, July 6, 2021, July 31, 2021 and September 23, 2021.

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal controls system, and provide advice and comments to the Board. The Audit Committee comprises three members, Ms. Zhang Kun, Ms. Zhang Ting and Mr. Wang Qingsong, with Ms. Zhang Kun (being our independent non-executive Director with the appropriate professional qualifications) as chairwoman of the Audit Committee.

The Audit Committee has considered and reviewed the audited consolidated annual results of the Group for the year ended December 31, 2021 and the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the audited consolidated annual results of the Group for the year ended December 31, 2021 are in compliance with the relevant accounting standards, laws and regulations.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

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.

EVENTS AFTER THE REPORTING PERIOD

I. Partial Exercise of the Over-allotment Option

On January 2, 2022, the over-allotment option has been partially exercised such that an additional 1,265,500 H Shares has been issued. The listing of and dealings in the over-allotment shares were commenced on the Main Board of the Hong Kong Stock Exchange at 9:00 a.m. on January 5, 2022.

II. Equity Acquisition

On February 11, 2022, the Board considered and approved the resolution in relation to the acquisition of equity interest in Snapdragon Chemistry, Inc. The Company intends to acquire the remaining equity interest held by other 49 shareholders of Snapdragon Chemistry, Inc. in addition to the 18.18% equity interest already held by the Company with its own funds of approximately US$57.94 million. Upon completion of the acquisition, the Company will hold 100% equity interest in Snapdragon Chemistry, Inc. For details, please refer to the announcement of the Company dated February 11, 2022.

III. Establishment of a Wholly-owned Subsidiary by External Investment

On March 4, 2022, the Board considered and approved the proposed establishment of a wholly-owned subsidiary, Shanghai Asymchem Biopharmaceutical Co., Ltd. (the name is subject to industrial and commercial registration), by Shanghai Asymchem Biotechnology Co., Ltd., a wholly-owned subsidiary of the Company, in Fengxian, Shanghai with its own funds of RMB100 million, which is principally engaged in the development and production of CDMO biologic drugs including new antibody drugs and antibody-drug conjugates (ADC). The Company entered into an investment agreement with Shanghai Fengpu Industrial Park on March 4, 2022, pursuant to which the Company will invest in the new wholly-owned subsidiary, and intend to invest in the construction of a production base in Fengxian, Shanghai for the development and commercialization of CDMO biologic drugs with cash in hand or self-raised funds of RMB3.0 billion. For details, please refer to the announcement of the Company dated March 6, 2022.

IV. The Capital Contributions and Deemed Disposal

On March 25, 2022, the Company, Asymchem Biotechnology and the Target Company, entered into the Capital Increase Agreement with the Investors, pursuant to which the Company and the Investors agreed to contribute an aggregate amount up to approximately RMB2,534,127,829 to the equity capital of the Target Company. As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon the completion of the Deemed Disposal, the Target Company will be (i) held as to approximately 17% and 83% (assuming the Call Options are not exercised) by the Investors in aggregate and the Company, respectively, or (ii) held as to approximately 18.84% and 81.16% (assuming the Call Options are fully exercised) by the Investors in aggregate and the Company, respectively, and remains as a non-wholly owned subsidiary of the Company. For details, please refer to the announcement of the Company dated March 25, 2022.

Save as disclosed above, the Company is not aware of any material subsequent events from December 31, 2021 to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on June 9, 2022. A notice convening the AGM will be published on the Company's website and website of the Hong Kong Stock Exchange and despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the rights of H Shareholders to attend and vote at the AGM of the Company to be held on Thursday, June 9, 2022, the register of members of H shares of the Company will be closed from Monday, June 6, 2022 to Thursday, June 9, 2022 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Members whose names appear on the register of members of the Company on Thursday, June 9, 2022 will be entitled to attend and vote at the AGM. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, June 2, 2022.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the Company's website (**www.asymchem.com**) and website of the Hong Kong Stock Exchange (**www.hkexnews.hk**). The 2021 annual report of the Company containing all relevant information required under the Listing Rules will be published on the afore-mentioned websites and dispatched to the Shareholders of the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS AND GLOSSARIES

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

"A Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 per share, which are listed for trading on the Shenzhen Stock Exchange and traded in Renminbi
"Audit Committee"	the audit committee of the Board
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"CAGR"	compound annual growth rate
"CDMO"	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
"China" or the "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	the date, namely December 10, 2021, on which the H Shares were listed and from which dealings in the H Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"RMB" or "Renminbi"	the lawful currency of the PRC
"Shareholder(s)"	shareholder(s) of the Company

In this announcement, unless otherwise indicated, the terms "affiliate", "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial Shareholder" shall have the meanings given to such terms in the Listing Rules.

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

Tianjin, March 30, 2022

As of the date of this announcement, the Board of Directors of the Company comprises Dr. Hao Hong as the Chairman of the Board of Directors and executive Director, Ms. Yang Rui, Mr. Zhang Da and Mr. Hong Liang as executive Directors, Dr. Ye Song and Ms. Zhang Ting as non-executive Directors, and Ms. Zhang Kun, Mr. Wang Qingsong and Mr. Lee, Kar Chung Felix as independent non-executive Directors.