Pharmaron Beijing Co., Ltd.*

康龍化成(北京)新藥技術股份有限公司

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

(Stock Code: 3759)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL SUMMARY AND HIGHLIGHTS

	Year ended December 31,		
	2022	2021	Change
	RMB'000	*RMB'000*	*%*
Revenue	**10,266,288**	7,443,770	37.9
Gross profit	**3,749,276**	2,672,044	40.3
Profit attributable to owners of the parent	**1,374,604**	1,661,029	(17.2)
Non-IFRSs adjusted net profit attributable to owners of the parent	**1,834,271**	1,461,985	25.5
Net cash flows generated from operating activities	**2,142,816**	2,058,044	4.1

– During the Reporting Period, the Group recorded aggregate revenue of approximately RMB10,266.3 million, representing an increase of approximately RMB2,822.5 million, or 37.9%, as compared to the year ended December 31, 2021.

– During the Reporting Period, the profit attributable to owners of the parent was approximately RMB1,374.6 million, representing a decrease of approximately 17.2% as compared to the year ended December 31, 2021.

– During the Reporting Period, the net cash flows generated from operating activities was approximately RMB2,142.8 million, representing an increase of approximately 4.1% as compared to the year ended December 31, 2021.

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

(i) a cash dividend of RMB3.0 (inclusive of tax) per 10 shares or an aggregate of approximately RMB357.4 million for the year ended December 31, 2022; and

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

The Board is pleased to announce the consolidated results of the Group for the year ended December 31, 2022 with the comparative figures for the year ended December 31, 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
REVENUE	*5*	**10,266,288**	7,443,770
Cost of sales		**(6,517,012)**	(4,771,726)
Gross profit		**3,749,276**	2,672,044
Other income and gains	*6*	**425,786**	489,843
Other expenses	*6*	**(222,296)**	(13,792)
Selling and distribution expenses		**(230,070)**	(155,617)
Administrative expenses		**(1,551,660)**	(908,210)
Research and development costs		**(282,325)**	(151,775)
Impairment losses on financial and contract assets, net of reversal	*8*	**(21,157)**	(10,269)
Finance costs	*7*	**(167,312)**	(83,073)
Share of (loss)/profit of associates		**(33,851)**	71,845
Profit before tax	*8*	**1,666,391**	1,910,996
Income tax expense	*9*	**(314,254)**	(290,919)
Profit for the year		**1,352,137**	1,620,077
Attributable to:			
Owners of the parent		**1,374,604**	1,661,029
Non-controlling interests		**(22,467)**	(40,952)
		1,352,137	1,620,077
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For profit for the year	*11*	**RMB 1.1625**	RMB 1.3988
Diluted			
For profit for the year	*11*	**RMB 1.1608**	RMB 1.3691

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	RMB'000	*RMB'000*
Profit for the year	**1,352,137**	1,620,077
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**103,502**	(99,140)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**78,082**	55,585
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**(54,904)**	(40,493)
Income tax effect	**(3,476)**	(2,264)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**123,204**	(86,312)
Other comprehensive income/(loss) for the year, net of tax	**123,204**	(86,312)
Total comprehensive income for the year	**1,475,341**	1,533,765
Attributable to:		
Owners of the parent	**1,497,711**	1,574,853
Non-controlling interests	**(22,370)**	(41,088)
	1,475,341	1,533,765

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,021,814**	5,577,904
Right-of-use assets		**1,329,698**	726,800
Goodwill		**2,687,865**	2,096,265
Other intangible assets		**233,148**	227,163
Investments in associates		**629,972**	452,606
Equity investments at fair value through profit or loss		**239,048**	310,063
Biological assets		**178,016**	143,233
Deferred tax assets		**58,789**	15,595
Other non-current assets		**578,201**	195,993
Total non-current assets		**13,956,551**	9,745,622
CURRENT ASSETS			
Inventories		**361,572**	181,700
Contract costs		**182,610**	165,625
Trade receivables	*12*	**1,881,882**	1,228,849
Contract assets		**332,601**	194,981
Biological assets		**497,279**	332,715
Prepayments, other receivables, and other assets		**1,037,216**	1,441,191
Financial assets at fair value through profit or loss		**694,472**	1,537,947
Derivative financial instruments		**50,890**	16,674
Pledged deposits		**49,255**	17,243
Cash and cash equivalents		**1,448,229**	3,526,577
Total current assets		**6,536,006**	8,643,502
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**737,712**	482,302
Trade payables	*13*	**406,348**	315,534
Other payables and accruals		**1,596,275**	1,327,910
Contract liabilities		**832,140**	679,621
Lease liabilities		**164,034**	95,292
Derivative financial instruments		**30,035**	–
Tax payable		**145,889**	81,337
Total current liabilities		**3,912,433**	2,981,996
NET CURRENT ASSETS		**2,623,573**	5,661,506
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,580,124**	15,407,128

	Notes	2022 ***RMB'000***	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**713,342**	956,095
Deferred tax liabilities		**261,013**	173,300
Financial liabilities at fair value through profit or loss		**112,093**	81,559
Deferred income		**152,374**	149,439
Convertible bonds-debt component		**3,740,919**	3,467,090
Lease liabilities		**760,515**	284,338
Total non-current liabilities		**5,740,256**	5,111,821
NET ASSETS		**10,839,868**	10,295,307
EQUITY			
Share capital		**1,191,225**	794,177
Treasury shares		**(668,037)**	(301,825)
Equity component of convertible bonds		**198,554**	198,554
Reserves		**9,826,874**	9,438,335
Equity attributable to owners of the parent		**10,548,616**	10,129,241
Non-controlling interests		**291,252**	166,066
Total equity		**10,839,868**	10,295,307

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

[2] Effective for annual periods beginning on or after January 1, 2024

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

[4] As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after January 1, 2024

[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 January 1, 2023

[6] An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

– The "Others" segment

Segment revenue and results

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

Year ended December 31, 2022	Laboratory services *RMB'000*	CMC services *RMB'000*	Clinical development services *RMB'000*	Biologics and CGT services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	**6,244,662**	**2,406,722**	**1,393,573**	**195,143**	**26,188**	**10,266,288**
Segment results	**2,805,164**	**831,739**	**159,685**	**(54,142)**	**6,830**	**3,749,276**
Unallocated amounts:						
Other income and gains						**425,786**
Other expenses						**(222,296)**
Selling and distribution expenses						**(230,070)**
Administrative expenses						**(1,551,660)**
Research and development costs						**(282,325)**
Impairment losses on financial and contract assets, net of reversal						**(21,157)**
Finance costs						**(167,312)**
Share of losses of associates						**(33,851)**
Group's profit before tax						**1,666,391**
Year ended December 31, 2021						
Segment revenue	4,565,801	1,746,168	956,358	150,966	24,477	7,443,770
Segment results	1,979,967	607,952	98,567	(20,905)	6,463	2,672,044
Unallocated amounts:						
Other income and gains						489,843
Other expenses						(13,792)
Selling and distribution expenses						(155,617)
Administrative expenses						(908,210)
Research and development costs						(151,775)
Impairment losses on financial and contract assets, net of reversal						(10,269)
Finance costs						(83,073)
Share of profits of associates						71,845
Group's profit before tax						1,910,996

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

Geographical information

(a) Revenue

	2022	2021
	RMB'000	*RMB'000*
North America	**6,644,016**	4,778,853
Mainland China	**1,880,537**	1,274,974
Europe	**1,483,241**	1,163,111
Asia (except Mainland China)	**233,482**	192,874
Others	**25,012**	33,958
	10,266,288	7,443,770

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

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**9,528,332**	6,680,284
Europe	**2,150,894**	1,386,584
North America	**1,811,597**	1,318,092
Asia (except Mainland China)	**28,599**	35,004
	13,519,422	9,419,964

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

Information about major customers

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

5. REVENUE

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**10,266,288**	7,442,167
Revenue from other sources	**–**	1,603
	10,266,288	7,443,770

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	**2022**	2021
	RMB'000	*RMB'000*
Types of services		
Laboratory services	**6,244,662**	4,565,801
CMC (small molecule CDMO) services	**2,406,722**	1,746,168
Clinical development services	**1,393,573**	956,358
Biologics and CGT services	**195,143**	150,966
Others	**26,188**	22,874
Total revenue from contracts with customers	**10,266,288**	7,442,167
Timing of revenue recognition		
Services transferred at a point of time	**5,468,284**	4,047,238
Services transferred over time	**4,798,004**	3,394,929
Total revenue from contracts with customers	**10,266,288**	7,442,167

(b) Performance obligations

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

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

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

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Other income		
Interest income	**35,213**	64,407
Government grants and subsidies related to		
– Assets	**12,525**	11,912
– Income	**47,348**	54,689
	95,086	131,008
Other gains		
Gains on fair value change of equity investment at fair value through profit or loss	**–**	68,517
Gains on fair value change of biological assets	**245,589**	69,026
Gains on disposal of an equity investment at fair value through profit or loss	**72,475**	59,455
Gains on termination of lease contracts	**603**	219
Gains on financial assets at fair value through profit or loss	**7,150**	52,522
Gains on financial assets at amotised cost	**2,647**	–
Gains on derivative financial instruments	**–**	7,500
Gains resulting from transfer of an investment in associates to equity investments at fair value through profit or loss	**–**	25,452
Gains on fair value change of financial liabilities at fair value through profit or loss	**–**	72,854
Others	**2,236**	3,290
	330,700	358,835
	425,786	489,843
Other expenses		
Foreign exchange loss, net	**(42,392)**	(3,155)
Losses on disposal of property, plant and equipment	**(1,817)**	(1,590)
Losses on derivative financial instruments	**(2,179)**	–
Losses on fair value change of equity investment at fair value through profit or loss	**(118,678)**	–
Losses on fair value change of financial liabilities at fair value through profit or loss	**(30,534)**	–
Others	**(26,696)**	(9,047)
	(222,296)	(13,792)

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on bank and other borrowings	**48,867**	46,589
Interest expenses on convertible bond - debt component	**111,479**	57,120
Interest expenses on lease liabilities	**31,358**	14,030
Total interests	**191,704**	117,739
Less: Interest capitalised	**(24,392)**	(34,666)
	167,312	83,073

8. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**590,336**	451,229
Depreciation of right-of-use assets	**144,142**	101,484
Depreciation of investment property	**–**	344
Amortisation of other intangible assets	**31,585**	24,616
Staff costs* (including directors' and chief executive's remuneration):		
Salaries and other benefits	**3,573,842**	2,506,164
Pension scheme contributions, social welfare and other welfare**	**1,000,285**	686,739
Share-based compensation expenses	**177,175**	67,529
Gains resulting from transfer of an investment in associates to equity investments at fair value through profit or loss	**–**	(25,452)
Gains on financial assets at fair value through profit or loss	**(7,150)**	(52,522)
Losses/(gains) on fair value change of equity investments at fair value through profit or loss	**118,678**	(68,517)
Gains on fair value change of biological assets	**(245,589)**	(69,026)
Gains on financial assets at amortised cost	**(2,647)**	–
Losses/(gains) on fair value change of financial liabilities at fair value through profit or loss	**30,534**	(72,854)
Gains on disposal of an equity investment at fair value through profit or loss	**(72,475)**	(59,455)
Impairment losses on inventories, net of reversal	**3,917**	2,842
Impairment losses on financial and contract assets, net of reversal	**21,157**	10,269
Foreign exchange loss, net	**42,392**	3,155
Losses/(gains) on derivative financial instruments	**2,179**	(7,500)
Auditor's remuneration	**4,850**	4,760

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

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

9. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax	**293,293**	282,098
Deferred tax	**20,961**	8,821
	314,254	290,919

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

The Company was accredited as a "High and New Technology Enterprise" in 2017 which was subsequently renewed in 2020 and as an "Advanced Technology Enterprise" in 2015 which was subsequently renewed in 2020, and therefore the Company was entitled to a preferential EIT rate of 15% for the year ended December 31, 2022. These qualifications are subject to review by the relevant tax authority in the PRC every three years.

Pharmaron Xi'an Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2018 and the qualification was subsequently renewed in 2020, and therefore Pharmaron Xi'an Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2022. This qualification is subject to review by the relevant tax authority in the PRC every three years.

Pharmaron (Beijing) TSP Service Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2015 and the qualification was renewed in 2020 and as an "High and New Technology Enterprise" in 2020, and therefore Pharmaron (Beijing) TSP Service Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2022. These qualifications are subject to review by the relevant tax authority in the PRC every three years.

Pharmaron (Ningbo) Technology Development Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2020 and the qualification was renewed in 2022, and therefore Pharmaron (Ningbo) Technology Development Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2022. This qualification is subject to review by the relevant tax authority in the PRC annually.

Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020, and therefore Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2022. This qualification is subject to review by the relevant tax authority in the PRC every three years.

Beijing LinkStart Biotechnology Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020, and therefore Beijing LinkStart Biotechnology Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2022. This qualification is subject to review by the relevant tax authority in the PRC every three years.

RAMED (Beijing) Medical Technology Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020, and therefore RAMED (Beijing) Medical Technology Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2022. This qualification is subject to review by the relevant tax authority in the PRC every three years.

Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020, and therefore Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2022. This qualification is subject to review by the relevant tax authority in the PRC every three years.

The group entities incorporated in U.S. were subject to the federal corporate tax at a rate of 21% and the state income tax at a rate ranging from 0% to 10% as at December 31, 2021 and 2022.

The group entities incorporated in U.K. were subject to tax at a rate of 19% for the years ended December 31, 2021 and 2022.

The group entities incorporated in Japan were subject to the national corporate tax at a rate of 23.2% and the local corporate tax at a rate of 2.4% as at December 31, 2021 and 2022.

The group entities incorporated in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended December 31, 2021 and 2022.

10. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Proposed final – RMB0.3 (2021: RMB0.45) per ordinary share	**357,367**	357,380

On May 31, 2022, the Company's shareholders approved the 2021 Profit Distribution Plan at the annual general meeting, pursuant to which a final dividend of RMB0.45 (inclusive of tax) per share in respect of the year ended December 31, 2021 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB357,380,000 (inclusive of tax). Except for the dividend declared to the holders of restricted A shares that would be paid no earlier than the unlocking date, the rest of the dividend was paid in 2022.

The Board proposed to declare a final dividend as follows: (i) a cash dividend of RMB0.30 (inclusive of tax) per share or an aggregate of approximately RMB357,367,000 (inclusive of tax) for the year ended December 31, 2022; and (ii) 5 new shares for every 10 existing shares to be issued to all shareholders.

The proposed final dividend for the year ended December 31, 2022 is subject to the approval of the Company's shareholders at the forthcoming AGM.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,182,022,557 (2021: 1,187,233,160) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is based on the number of ordinary shares used in the basic earnings per share calculation adjusted for the dilutive effect of share options and restricted A shares issued by the Company. For the year ended December 31, 2022, the calculation of the diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive impact of the share options and restricted A shares and the convertible bonds issued by the Company.

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

	2022	2021
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,374,604**	1,661,029
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(501)**	(334)
Earnings for the purpose of calculating basic earnings per share	**1,374,103**	1,660,695
Effect of diluted potential ordinary shares:		
Add: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**501**	334
Interest on convertible bonds	**–**	57,120
Issuance expenses of convertible bonds	**–**	2,882
Less: Fair value gain on convertible bonds-embedded derivative component	**–**	(72,854)
Earnings for the purpose of calculating diluted earnings per share	**1,374,604**	1,648,177

	2022	2021
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,182,022,557**	1,187,233,160
Effect of diluted potential ordinary shares:		
Effect of restricted shares units and share awards issued by the Company	**2,124,971**	16,572,225
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**1,184,147,528**	1,203,805,385

Approved by the board of directors' meeting held on March 28, 2022 and shareholders' meeting held on May 31, 2022, the share premium amounting to RMB397,023,000 was converted into share capital on the basis of 5 Shares for every 10 Shares transferred to all shareholders as at May 31, 2022 ("Share Capital Conversion").

The computation of basic and diluted earnings per share for the year ended December 31, 2021 is based on the weighted average number of shares assumed to have been issued after taking into account the retrospective adjustment of the Share Capital Conversion.

In 2022, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an antidilutive effect in earnings per share.

12. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables – third parties	**1,939,525**	1,267,340
Allowance for impairment	**(57,643)**	(38,491)
	1,881,882	1,228,849

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

Included in the trade receivables was an amount due from related parties of RMB7,471,000 as at December 31, 2022 (2021: RMB7,366,000), which was repayable on credit terms similar to those offered to the major customers of the Group.

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**1,890,865**	1,218,971
1 year to 2 years	**22,133**	27,892
More than 2 years	**26,527**	20,477
	1,939,525	1,267,340

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**38,491**	34,106
Impairment losses, net	**20,296**	9,478
Write-offs	**(2,204)**	(4,773)
Exchange realignment	**1,060**	(320)
	57,643	38,491

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

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

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

	2022		
	Expected credit loss rate	**Gross carrying amount** ***RMB'000***	**Expected credit losses** ***RMB'000***
Within 1 year	**1.20%**	**1,890,865**	**22,732**
1 to 2 years	**37.88%**	**22,133**	**8,384**
Over 2 years	**100.00%**	**26,527**	**26,527**
		1,939,525	**57,643**

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

13. TRADE PAYABLES

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

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

	2022 ***RMB'000***	2021 *RMB'000*
Within 1 year	398,448	309,449
Over 1 year	7,900	6,085
	406,348	315,534

Included in the trade payables was an amount due to a related party of nil as at December 31, 2022 (2021: RMB4,000).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Business Review

1. Principal Business

The Company is a leading fully-integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for our customers, providing fully-integrated drug research, development and manufacturing services throughout the research and development cycle. The Company keeps strengthening the integration of its service offerings both vertically and horizontally, continuously investing in building new service capabilities and improving management efficiency to meet the needs of the market and customers. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is strengthening the integration of different disciplines at the same pharmaceutical R&D stages, improving the science and technology of each discipline, expanding the service offerings, and promoting the interdisciplinary collaborations. In addition, the Company has made efforts to expand from the well-established small molecules drug R&D service platforms to the R&D service capabilities for Biologics and CGT services, and committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities. Through continuous investment and optimization and integration in the past few years, the Company's two mature platforms, laboratory services and CMC (small molecule CDMO) services, saw continual improvement in service capabilities, capacity and operational efficiency; on the other hand, two new platforms, clinical development services and biologics and CGT services, have completed initial construction and integration of service capabilities, and the business scale and operational efficiency will be gradually optimized in the future. In addition, the Company will further develop the global footprints of its fully-integrated services platform to provide customers with interdisciplinary and global service solutions, making full use of the Company's global scientific research talent network and meet customers' regional strategic needs.

2. Operating Models

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

(1) Laboratory services

Laboratory services of the Company include laboratory chemistry and bioscience services.

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

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

(2) CMC (small molecule CDMO) services

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

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

(3) Clinical development services

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

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

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

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

(4) Biologics and CGT services

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

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

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

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

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

B. Financial Review

1. Overall Operation Results

In 2022, despite the international geopolitical tensions, and inflationary pressures in Europe and America, the Company maintained focus on executing the development plan made at the beginning of the year, and overcame numerous difficulties with the joint efforts of all employees in this uncertain year. The Company was able to maintain the strong momentum of overall revenue growth, and elevate business and operational efficiency of mature segments continuously. Although the new business is still in the investment stage, capacity building and integration have been preliminary completed and is expected to gradually contributing to the Group's performance in the future. During the Reporting Period, the Company realized revenue of RMB10,266.3 million, with a year-on-year growth of 37.9%; with delay to a certain extent in profit growth during the investment stage of new business, the Company realized gross profit of RMB3,749.3 million; gross margin was 36.5%, with an increase of 0.6 percentage points over last year; the Company realized the Non-IFRSs adjusted net profit attributable to equity shareholders of the Company of RMB1,834.3 million, with a year-on-year growth of 25.5%. Mainly affected by the significant decrease in non-recurring gains or losses in 2022 compared with 2021, the Company realized the net profit attributable to owners of the parent of RMB1,374.6 million, with a decrease of RMB286.4 million over last year. During the same period, the Company maintained a good growth in the backlog, and as at December 31, 2022, the Company total backlog represents a 30% growth as compared to December 31, 2021. With the growth in business demand, the Company continuously expanded its talent pool. As of December 31, 2022, the total number of employees reached 19,481, including 17,406 R&D, production technology and clinical services staff, accounting for 89.3% of the total number of employees in the Company, with a year-on-year increase of 3,951 employees.

In 2022, the Company continued to adhere to the "Customer Centric" corporate philosophy, with approximately 90% of the revenue coming from a large, diverse, loyal and repeated customer base that includes the global top 20 pharmaceutical companies, among which the revenue of such customers from the global top 20 pharmaceutical companies accounted for 14.6% of the revenue of the Company, including 36.0% from listed biopharmaceutical companies and 49.4% from private biopharmaceutical companies and research institutes. In addition, the Company actively expanded its customer base, introducing about 800 new customers in 2022. In 2022, the revenue from customers in North America accounted for 64.7%, revenue from customers in EU (including U.K.) accounted for 14.5%, revenue from customers in China accounted for 18.3%, and revenue from customers in other regions accounted for 2.5%. With the increase in number of customers, the Company further optimized its revenue structure by reducing the revenue concentration of the top 20 customers from 33.8% in 2021 to 29.6% in 2022. While the revenue concentration decreased, the average revenue from the top 20 customers increased by 21.1% when compared with 2021. The advantages of the fully-integrated service strategy have been further validated, and customer loyalty was further improved.

Adhering to the strategy of building a fully-integrated service platform, the Company expanded its service capabilities to meet its business needs, further improved its international services platform and continuously strengthened new services expansion through both internal construction and external merger & acquisition, continually providing new impetus for the mid-and long-term growth of the Company. During the Reporting Period, the Company's capital expenditure for internal construction was RMB2,949.9 million. The external merger & acquisition mainly includes improving the laboratory animal supply system and expanding the geographic footprint of CMC (small molecule CDMO) late-stage manufacturing capacity, and the capital expenditure for the relevant merger & acquisition projects and other equity investments was RMB1,359.7 million. With the expansion of global footprint, the Company owns 11 operating facilities and has more than 1,500 employees in U.K. and U.S.. In 2022, the revenue of the overseas subsidiaries accounted for 12.1% of the revenue of the Company.

While business is developing rapidly, the Company continued to strengthen its ESG management system construction, establish ESG governance policies, clarify ESG governance responsibilities and integrated sustainable development goals into the Company's strategy and governance. In addition to the disclosed five-year environmental goals, the Company further leveraged on the commitment to the scientific carbon target project, comprehensively reviewed the carbon footprint of the Company and its value chain, actively responded to international climate initiative, and publicly promised to mitigate the risk of climate change in the future. Following the latest development of climate science, the Company has set carbon reduction targets, formulated reasonable and feasible energy conservation and emission reduction measures, explored the best path for optimizing and upgrading the enterprise energy structure, and worked with value chain partners to promote environmental conservation from goals to practice. In the 12th China Securities Golden Bauhinia Awards, the Company won the award of "Best ESG Practice Listed Company", which reflected the affirmation of the capital market for the Company's ESG effort.

2. Operation results of each business segment

(1) Laboratory services

During the Reporting Period, the laboratory services segment realized revenue of RMB6,244.7 million, with a year-on-year growth of 36.8%; and gross margin of 44.9%, with an increase of 1.5 percentage points over last year. The customers in North America, Europe (including U.K.), China and other regions accounted for 73.5%, 12.7%, 11.4%, and 2.4%, respectively, of the laboratory service revenue.

To meet the business needs, the Company continued to expand and improve its R&D team. As of December 31, 2022, the Company employed 9,336 employees in its laboratory services business, with an increase of 2,200 employees compared with that of December 31, 2021. The Company has nearly 6,200 laboratory chemists and technicians in laboratory chemistry, being one of the world's leading laboratory chemistry groups in terms of size and expertise. During the Reporting Period, the Company further strengthened the global services network of laboratory services, and provided customers with more flexible and comprehensive laboratory services through the collaboration of laboratory service teams in China, U.K. and U.S..

Benefited from the improvement of technical capabilities and capacities of different biosciences service segment and the seamless integration with laboratory chemistry services, laboratory chemistry services grew rapidly in 2022 and bioscience services have also made significant progress. *In vivo* and *in vitro* drug metabolism and pharmacokinetic services encompass the whole process of drug discovery, among which *in vivo* drug metabolism services fully cover pharmacokinetic screening tests from small animals to large animals, including rodents, dogs, monkeys and other experimental animals. *In vitro* drug metabolism services have improved the 3D cell model for *in vitro* drug screening platform and high-throughput automatic screening platform, and actively explored the physiology-based pharmacokinetic model (PBPK) technology platform. For *in vivo* and *in vitro* biology, the Company continues to strengthen the team and scientific research innovation, and maintains a rapid development trend. The *in vitro* biology department has built an internationally competitive *in vitro* efficacy and *in vitro* primary safety evaluation system. While consolidating and strengthening the established services offering, the *in vitro* biology team has made intensive efforts in new technical fields, such as gene editing, protein degradation and *in vitro* cardiac safety evaluation, and brought new technologies, such as RNA shearing regulation and NanoString digital gene detection, to the biology R&D platform. The *in vivo* pharmacology service platform closely follows the frontiers of science and establishes a new R&D platform to meet the needs of the scientific research market, continuously enriching the research and development capabilities, demonstrated by building a small animal living imaging platform, a radiotherapy platform, a drug-resistant tumor model screening and a central nervous system disease model. During the Reporting Period, the bioscience service team already has an experienced talented team, including nearly 3,200 scientists and technicians. The proportion of bioscience service revenue in laboratory service revenue further increased to 49.0% (the proportion of bioscience service revenue has exceeded 50% in the second half of 2022).

With a global R&D team and quality system in place, the Company helps customers rapidly advance their R&D projects from preclinical to clinical in many countries by providing comprehensive drug discovery and development services. During the Reporting Period, the Company participated in 652 drug discovery projects. Also, the Company contributed to the development of global innovative drug R&D by applying our long-accumulated expertise in pharmaceutical R&D and conducted studies for 87 investigational new drugs (IND) or new drug applications (NDA) filing for our Chinese customers, of which 79 projects applied simultaneously in multiple jurisdictions (including China, U.S. and EU), an integrated service package for IND enabling R&D services to gain greater customer recognition.

The Company continued expanding the laboratory facilities to meet the growing business demand. During the Reporting Period, the Company continued the second part of the 42,000 m^2 Phase II construction of Campus I in Ningbo. In addition, construction has also begun on the 105,000 m^2 laboratory at the Xi'an Campus, which is expected to be commissioned in 2024. In order to further expand the Company's capacities for safety assessment, DMPK and pharmacology, the Company commenced the construction of a 140,000 m^2 animal testing facility in Phase I of Campus III in Ningbo, which is expected to be operational gradually in the second half of 2023. In addition, more than 70,000 m^2 of laboratory space in Beijing and Qingdao has commenced operation gradually from 2022.

(2) CMC (small molecule CDMO) services

During the Reporting Period, the CMC (small molecule CDMO) services realized revenue of RMB2,406.7 million, with a year-on-year growth of 37.8%; and gross margin of 34.6%, with a decrease of 0.2 percentage points when compared with last year. The customers in North America, Europe (including U.K.), China and other regions accounted for 63.2%, 20.7%, 13.7%, and 2.4%, respectively, of the CMC (small molecule CDMO) service revenue. To meet the growing demand for CMC (small molecule CDMO) services, the Company is actively expanding its CMC (small molecule CDMO) service team. As of December 31, 2022, the Company had 3,978 employees engaged in CMC (small molecule CDMO) services, representing an increase of 1,357 employees as compared to December 31, 2021.

With the seamless integration of the Company's fully-integrated R&D service platform and the coordination of different service segments, over 80% of CMC (small molecule CDMO) revenue came from the existing customers of drug discovery services (laboratory chemistry and biological sciences). In addition, through international operation, we strengthened the capabilities of our fully integrated services platform and provided customized services and solutions with the cutting-edge technology to our customers by utilizing the R&D resources of our global service network. Our process development teams in China and U.K. cooperated closely to provide customized solutions in an innovative hybrid mode, gaining recognition from more and more customers and achieving growth in order quantity and quality. The services covered 1,079 drug molecules or intermediates, including 809 projects in preclinical stage, 230 projects in Phase I-II clinical trials, 24 projects in Phase III clinical trial, and 15 projects in process validation and commercialization stage.

With our strategy to extend CMC (small molecule CDMO) services downstream to late-stage clinical and commercial manufacturing services, we have almost successfully completed the construction of the Shaoxing Phase I facility with an area of 81,000 m^2 and reactor volume of 600 m^3 and have commenced operation gradually in 2022. In addition, the Company acquired Aesica Pharmaceuticals Limited (now "Pharmaron Manufacturing Services (UK) Ltd") in Cramlington, U.K. and API manufacturing facility ("Pharmaron Manufacturing Services (US) LLC") in Coventry, Rhode Island, U.S. in January and July of 2022 respectively. These two facilities can provide cGMP API manufacturing services from pilot to commercial scale and have been inspected and approved by MHRA, FDA and a number of regulatory agencies. Together with the recently launched commercial stage API manufacturing capacity in Shaoxing, the manufacturing facilities in Cramlington and Coventry will provide us with distinctive opportunities to rapidly expand our chemistry and manufacturing service capabilities in China, U.K., and U.S., which further strengthen our global end-to-end chemistry and manufacturing service offerings and diversify our global service networks. In 2022, approximately 80% of CMC (small molecule CDMO) revenue was generated from preclinical to Phase II clinical trial stages. With the advancement of related projects and the expansion of the Company's CMC (small molecule CDMO) manufacturing capacity at the later stage, the revenue contribution from the later stage business is expected to gradually increase.

During the Reporting Period, the Company continued to strengthen its quality management by adhering to the highest international quality control standards to pave the way for further development of CMC (small molecule CDMO) services. The manufacturing facilities in Cramlington in U.K. successfully passed the GMP inspection of MHRA by 2022. In addition, our QA team continued to provide customers with a variety of flexible audit methods, including remote online audit and combination of online and offline audits. We completed 108 QA audits for customers including the global top 20 pharmaceutical enterprises, and all the audits were passed, among which, the Shaoxing plant received 5 QA audits for customers. In addition, the Company was committed to continuously improving the Environment Health and Safety (EHS) management by setting higher standard for employee's health protection and safety operation.

(3) Clinical development services

During the Reporting Period, the clinical development services enjoyed rapid growth and realized revenue of RMB1,393.6 million, with a year-on-year growth of 45.7%; and gross margin of 11.5%, representing an increase of 1.2 percentage points as compared to the same period of last year. The customers in North America, Europe (including U.K.), China and other regions accounted for 25.7%, 12.3%, 58.7% and 3.3%, respectively, of the clinical development service revenue. The Company further increased the talent pool in clinical development service to support the growth strategy. As of December 31, 2022, the Company had 3,602 employees in clinical development services, including 3,186 employees in clinical research services in China and 416 employees in foreign clinical research services, representing an increase of 245 employees as compared to December 31, 2021.

The Company established Pharmaron Clinical, and began to further reorganize and strengthen the clinical development capabilities of its subsidiaries and departments into Pharmaron Clinical so as to optimize the organizational structure of the teams, greatly enhanced team cohesion and management of each clinical service segment from the Company, so as to provide customers with higher quality, more comprehensive and more efficient integrated clinical development services, helping the Company establish the brand of "Pharmaron Clinical". On December 30, 2022, Pharmron Clinical was selected as the 2022 Best Clinical CRO Company (New and Sharp) by "The Second Session of the China Biopharmaceutical Industry Innovation Billboard".

During the Reporting Period, clinical services in China achieved rapid services growth through brand recognition from the integration, the team building and customer accumulation of the previous year, with a revenue growth of 65.5%. As of December 31, 2022, Pharmaron Clinical had more than 800 ongoing projects for clinical trial services in China. In addition, there were approximately 600 cooperation hospitals and clinical trial centers in more than 120 cities in China for clinical research site management service, and there were more than 1,100 ongoing projects. In August 2022, Pharmaron Clinical passed the physical inspection by the expert group from Center for Food and Drug Inspection of NMPA (CFDI) for the various clinical trial projects performed. Given that the competitiveness of China's clinical business has been strengthened in domestic clinical trials of various service areas, the services of Pharmaron have been recognized by more and more customers. In addition, the overall competitiveness of

overseas clinical services has been improved, and the clinical trial ability of infectious drugs has been recognized by the industry. The integrated platform of "radioisotope compound synthesis – clinical – analysis", established by effectively combining the advantages in radiolabel technology and clinical basis in U.K. and U.S., has been widely recognized by customers. Through close cooperation between domestic and overseas clinical teams, the Company has already begun to take orders for domestic clinical trial projects from overseas customers.

(4) Biologics and CGT services

During the Reporting Period, the Biologics and CGT services segment realized revenue of RMB195.1 million and gross margin of -27.7%. The customers in North America, Europe (including U.K.), China and other regions accounted for 86.5%, 11.9%, 1.5%, and 0.1%, respectively, of the biologics and CGT service revenue. The loss of Biologics and CGT services segment was mainly due to high operating cost because the biologics and gene therapy CDMO services were still in the investment stage and the overseas operators were affected by inflation in EU and U.S..

As of December 31, 2022, the Company had 490 employees engaged in Biologics and CGT services, representing an increase of 149 employees as compared to December 31, 2021.

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

In addition, the Company accelerated the establishment of CGT services capabilities. Through the integration of the CGT testing services in the U.S. and the gene therapy CDMO services in the U.K., the Company established an end-to-end CGT services platform as illustrated in the chart below:

End-to-End Cell & Gene Therapy Services Overview

Discovery (Candidate Screening)	Proof-of-Concept (Non-GLP)	Preclinical - IND Enabling (GLP/Non-GLP)	Clinical Development (IND – BLA/MAA)
In Vivo Screening (In life: rodents)	Efficacy, PK/ PD Studies (In life: rodents)	IND Enabling GLP Toxicology (Rodents and larger species)	Process Compatibility and Stability for Clinical Trial
Discovery Bioanalysis (Expression/ Activity)	Preclinical PK/ PD Bioanalysis	GLP Bioanalysis (Biodistribution, Shedding)	Clinical PK Sample Bioanalysis Clinical Shedding
Immunogenicity Humoral (ADA)	Immunogenicity Humoral (ADA, NAb)	Immunogenicity Cellular (ELISpot)	Clinical Sample Bioanalysis Immunogenicity, Biomarkers
In Vitro Screening (Cell Lines)	R&D/Working Cell Bank	GMP Cell Bank Production	Process Characterization and Validation
Analytical R&D Testing	Potency Assay R&D Development	Potency Assay Development & Qualification/ Other analytical	Potency Assay GMP Qualification
Candidate Cloning	R&D Manufacturing (Plasmid, DS)	DS & DP Process/ Formulation Development & Manufacturing	Clinical Batch Manufacturing
	For Gene Therapy Products		

Since 2020, the Company's CGT testing services have gained customer recognition with rapid increase in market share. Being the potency release testing service provider for the first approved gene therapy product on the U.S. market, the Company has built a team that has had extensive experience in developing and validating assays to support CGT preclinical discovery work, preclinical *in vitro* and *in vivo* proof-of-concept studies (GLP and non-GLP), GLP toxicology studies and GMP CGT product lot release testing for clinical and commercial purposes. The Company has developed and validated various assays encompassing non-viral and viral vectors, including all AAV serotypes. Currently, the Company has more than 50 CGT programs at various stages for analytical release testing, including 19 potency assays for clinical studies and 2 potency assays for commercial manufacture. In addition, our CGT testing services further expand to the *in vitro* and *in vivo* pharmacology and safety assessment for CGT products, including highly specialized ophthalmologic models for CGT products. For the safety assessment services, over 40 non-GLP and GLP toxicology studies for CGT products either have been completed or are in progress at the Company.

Since the acquisition of Pharmaron Biologics UK in 2021, the Company has continuously strengthened the construction of its gene therapy CDMO services capabilities and currently established an integrated gene therapy CDMO services platform, including plasmid development and manufacturing, development and manufacturing of viral vector with extensive purification toolbox and the completed analytical testing capabilities for QC/QA of gene therapy products. For the plasmid development and manufacturing, the Company has proprietary cell line and plasmid technology and optimized production processes for GMP plasmid manufacturing up to 500L scale. For the development and manufacturing of viral vector, the Company has suspension based upstream production platform with SUBs ranging from 50L to 500L and the downstream extensive purification toolbox which includes chromatography-based and ultracentrifugation-based purification technologies for maximum flexibility and ensures product quality. This scalable and approvable multiple AAV production platform had delivered over 100 runs including manufacturing of full scale GMP products. For the analytical and QC/QA capabilities, the Company's analytical and QC/QA platform, which is equipped with high throughput analytical technologies, covers all relevant critical quality attributes (CQA) of viral vector, which includes identity/purity, empty/full ratio, titre, structure and potency, and has extensive experience in communicating with FDA, EMA, MHRA and other regulatory agencies. The Company's gene therapy CDMO service began to take third-party customer orders from 2021 and currently has around 29 gene therapy CDMO projects across different services offerings and R&D stages.

3. Profit for the Reporting Period

Mainly affected by the significant decrease in non-recurring gains or losses in 2022 compared with 2021, the Company realized the net profit attributable to owners of the parent of RMB1,374.6 million, with a decrease of RMB286.4 million over last year.

4. Basic and Diluted Earnings Per Share

The basic earnings per share for the Reporting Period was approximately RMB1.1625, decreased by 16.9% as compared to approximately RMB1.3988 for the year ended December 31, 2021. The diluted earnings per share for the Reporting Period was approximately RMB1.1608, decreased by 15.2% as compared to approximately RMB1.3691 for the year ended December 31, 2021.

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

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

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

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

	Year ended December 31, 2022 ***RMB'000***	Year ended December 31, 2021 *RMB'000*
Profit attributable to owners of the parent	**1,374,604**	1,661,029
Add:		
Share-based compensation expenses	**157,145**	56,769
Convertible Bonds related losses/(gains)	**142,013**	(12,852)
Foreign exchange related losses/(gains)	**77,670**	(23,415)
Realized and unrealized losses/(gains) from equity investments	**82,839**	(219,546)
Non-IFRS adjusted net profit attributable to owners of the parent	**1,834,271**	1,461,985

6. Cash Flows

During the Reporting Period, the net cash flows generated from operating activities was approximately RMB2,142.8 million, representing an increase of approximately 4.1% as compared to the year ended December 31, 2021.

During the Reporting Period, net cash flows used in investing activities of the Group amounted to approximately RMB2,208.5 million, representing a decrease of approximately RMB3,049.6 million or 58.0% as compared to the year ended December 31, 2021. The decrease was mainly due to the disposal of time deposits over three months and some medium-risk and low-risk wealth management products from a number of reputable international banks.

During the Reporting Period, net cash flows used in financing activities of the Group amounted to approximately RMB1,417.3 million, representing a decrease of approximately RMB5,078.7 million or 138.7% as compared to the year ended December 31, 2021. The decrease was mainly due to the amount of funds raised by convertible bonds received in the year ended December 31, 2021.

7. Liquidity and Financial Resources

The Group has maintained a sound financial position during the Reporting Period. As at December 31, 2022, the Group's cash and cash equivalents amounted to approximately RMB1,448.2 million. For the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB2,142.8 million.

The Group recorded total current assets of approximately RMB6,536.0 million as at December 31, 2022 (December 31, 2021: approximately RMB8,643.5 million) and total current liabilities of approximately RMB3,912.4 million as at December 31, 2022 (December 31, 2021: approximately RMB2,982.0 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 1.7 as at December 31, 2022 (December 31, 2021: approximately 2.9).

8. Borrowings and Gearing Ratio

As at December 31, 2022, the Group aggregated interest-bearing bank borrowings of approximately RMB1,451.1 million. Among the total borrowings, approximately RMB737.7 million will be due within one year and approximately RMB713.3 million will be due after one year.

As at December 31, 2022, the gearing ratio, calculated as total liabilities over total assets, was 47.1%, as compared with 44.0% as at December 31, 2021.

9. Pledge of Assets

As at December 31, 2022, the Group mortgaged property, plant and equipment with a net carrying amount of approximately RMB408.1 million (December 31, 2021: approximately RMB422.5 million); and the mortgaged right-of-use assets had a net carrying amount of approximately RMB118.9 million (December 31, 2021: approximately RMB135.3 million).

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

Besides, as at December 31, 2022, the Group pledged deposits of approximately RMB49.3 million (December 31, 2021: approximately RMB17.2 million) to issue letters of credit and for environmental protection.

10. Final Dividend

The Board proposed to declare a final dividend as follows:(i) a cash dividend of RMB3.0 (inclusive of tax) per 10 shares or an aggregate of approximately RMB357.4 million for the year ended December 31, 2022; (ii) 5 new Shares for every 10 existing Shares to be issued out of reserve to all Shareholders.

The aforesaid proposal is subject to the consideration and approval at the AGM. If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended December 31, 2022 will be paid in 60 days after AGM to the shareholders.

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

11. Contingent Liabilities

As at December 31, 2022, the Group did not have any material contingent liabilities.

12. Share Incentive Schemes

(1) 2019 A Share Incentive Scheme

In order to establish and improve long-term corporate incentive systems of the Group, attract and retain talent, motivate the employees of our Group, effectively align the interests of our Shareholders, the Group and the employees of the Group and enabling the respective parties to become aware of the Group's long-term development, and to promote the realization of the development strategies of the Group, the 2019 A Share Incentive Scheme was approved by Shareholders' meeting of the Company and became effective on August 15, 2019 to issue up to a total of 5,651,359 A Shares of the Company, amongst which 4,521,087 A Shares would be granted by way of Restricted A Shares and the remaining 1,130,272 A Shares were reserved for option grants.

A total of 4,077,387 Restricted A shares have been subscribed by 227 eligible employees, including senior-level management of the Company, mid-level managers and backbone members of our technicians and basic-level managers and other technicians. These granted Restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain unlocking conditions.

At the extraordinary general meeting held on January 14, 2022, the Shareholders have approved a special resolution to repurchase (at the repurchase price of RMB17.85 per Share) and cancel a total of 132,012 Restricted A Shares under the 2019 A Share Incentive Scheme due to the resignation of 2 participants. The repurchase and cancellation were completed in May 2022.

On May 13, 2022, 1,112,834 Restricted A Shares under the second unlocking period pursuant to the first grant of the 2019 A Share Incentive Scheme were unlocked for listing and circulation.

As of the date of this announcement, a total of 342,376 Restricted A Shares have been repurchased by the Company and 2,622,171 Restricted A Shares have been unlocked for listing and circulation. As of the date of this announcement, no share options have been granted under the 2019 A Share Incentive Scheme and the 1,130,272 reserved A Shares have lapsed on August 15, 2020.

(2) 2021 A Share Incentive Scheme

The Shareholders have resolved to adopt the 2021 A Share Incentive Scheme during the extraordinary general meeting of the Shareholders on July 12, 2021. Pursuant to the 2021 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company is 774,200 A Shares. The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain performance conditions. For details of the terms of the 2021 A Share Incentive Scheme, please refer to the circular of the Company dated June 24, 2021.

As a result of the implementation of the 2021 Capitalization of Reserve, and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, on July 28, 2022, the Board has resolved to (i) adjust the subscription price of restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB70.17 to RMB46.48, and the number of Restricted A Shares to be granted under the 2021 A Share Incentive Scheme from 774,200 A Shares to 1,161,300 A Shares; and (ii) vest a total of 257,925 Restricted A Shares to 185 eligible employees under the 2021 A Share Incentive Scheme. Further, 129,600 Restricted A Shares initially granted to 19 eligible employees have been cancelled due to the forfeiture by the relevant eligible employees as a result of resignations or other personal reasons. In January 2023, the Company conducted the registration of vesting of Restricted Shares. Restricted Shares were vested to a total of 136 eligible employees, and the total number of Restricted Shares vested was 156,925. In the process of payment of funds and share registration, a total of 101,000 Restricted Shares that could be vested to 53 eligible employees were forfeited in whole or in part due to personal reasons. For details, please refer to the announcement of the Company dated January 19, 2023.

As of the date of this announcement, the total share capital of the Company is 1,191,224,554 shares (including A share capital of 990,199,804 shares, H share capital of 201,024,750 shares).

(3) 2022 A Share Incentive Scheme

On May 31, 2022, the Shareholders have resolved to adopt the 2022 A Share Incentive Scheme, the assessment management measures for the implementation of the 2022 A Share Incentive Scheme and the authorization to the board to handle matters pertaining to the 2022 A Share Incentive Scheme during the annual general meeting of the Company. Pursuant to the 2022 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company is 1,548,800 A Shares, representing approximately 0.20% of the Company's total number of issued Shares at the time of the adoption of the scheme. The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain performance conditions. For details of the terms of the 2022 A Share Incentive Scheme, please refer to the circular of the Company dated May 6, 2022. As a result of (i) resignations or voluntary forfeiture of Restricted A Shares of certain eligible employees, and (ii) the implementation of the 2021 Capitalization of Reserve, the number of Restricted A Shares to be issued by the Company has been adjusted from 1,548,800 A Shares to 2,203,200 A Shares, and the grant price has been adjusted from RMB58.38 per A Share to RMB38.62 per A Share, pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme.

On July 28, 2022, the Company has granted a total of 2,203,200 Restricted A Shares to 379 eligible employees for them to subscribe at the price of RMB38.62 per A Share under the 2022 A Share Incentive Scheme.

(4) First H Share Award and Trust Scheme

The Shareholders have resolved to adopt the First H Share Award and Trust Scheme during the extraordinary general meeting of the Shareholders on December 11, 2020. Pursuant to the amended First H Share Award and Trust Scheme, the maximum number of H Shares that can be purchased on the market by the trustee appointed by the Company for the purpose of servicing the First H Share Award and Trust Scheme shall not exceed 11,910,000 H Shares, representing approximately 6% of the Company's total number of issued H Shares. Awards under the Employee Share Award Plan shall be vested in four equal tranches and awards under the Share Bonus Plan shall be vested in two equal tranches, both subject to vesting conditions specified in the applicable award letters. For details of the terms of the First H Share Award and Trust Scheme, please refer to the circular and announcement of the Company dated November 25, 2020 and July 28, 2022.

On April 15, 2022, 76 Selected Participants are entitled to vest 25% of the H Shares granted to them under the first grant of the First H Share Award and Trust Scheme in 2020. The total number of vested H Shares was 183,075. Out of the 76 Selected Participants, 4 of them left the Company due to resignation and termination of labor contract and as such, 21,188 H Shares initially granted to such Selected Participants had been deemed to be returned shares and shall be held by the trustee appointed by the Company (the "Trustee") for the purpose of the trust constituted by the trust deed to service the First H Share Award and Trust Scheme. Further, 42,300 H Shares initially granted to 5 Selected Participants who were no longer entitled to vest under the First H Share Award and Trust Scheme have also been deemed to be returned shares and shall be held by the Trustee. On June 10, 2022, in accordance with the First H Share Award and Trust Scheme and relevant regulations of the Hong Kong Stock Exchange, the Company accordingly adjusted the number of granted but unvested Award Shares to each selected participant awarded under the Employee Share Award Plan in 2020 (unless forfeited on or before June 2, 2022) according to the 2021 Profit Distribution Plan, on the basis of 5 Shares for every 10 Shares held. Except for the above adjustments, all other terms and conditions for the unvested Award Shares awarded under the Employee Share Award Plan in 2020 remain unchanged.

On April 1, 2022, the management committee of the First H Share Award and Trust Scheme has resolved to grant awards of a total of 751,110 H Shares to 44 eligible employees under the First H Share Award and Trust Scheme. On May 31, 2022, the management committee of the First H Share Award and Trust Scheme has further resolved to grant awards of a total of 7,588,450 H Shares to 131 eligible employees under the First H Share Award and Trust Scheme. The above number of the shares granted in two grants has been adjusted accordingly according to the impact of the Company's 2021 Profit Distribution Plan. All of the relevant granted H Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions.

On July 28, 2022, the Board approved amendments to certain amendments to the First H Share Award and Trust Scheme in order to further implement the First H Share Award and Trust Scheme and fulfil the incentive purposes thereof, without prejudice to the interests of the Company and the Shareholders as a whole. The Board considered the actual operating situation of the Company and market practice and as a result, the First H Share Award and Trust Scheme Limit and other relevant provisions were amended in order to reflect the increase in the number of issued Shares as a result of the implementation of the 2021 Capitalization of Reserve and certain housekeeping amendments were also incorporated (the "Amendments"). In particular, following the adoption of the Amendments, the First H Share Award and Trust Scheme Limit has been increased from 7,940,000 H Shares to 11,910,000 H Shares, provided that the Board or the Delegatee may further adjust the First H Share Award and Trust Scheme Limit pursuant to the relevant provisions of the First H Share Award and Trust Scheme. For details, please refer to the announcement of the Company dated July 28, 2022.

13. Change of H Share registrar and transfer office

With effect from December 28, 2022, the Company's H Share registrar and transfer office in Hong Kong has been changed to Tricor Investor Services Limited. Please refer to the announcement of the Company dated November 25, 2022 for further details.

14. Miscellaneous

(1) Expand the capacity of CMC (small molecule CDMO)

a. Acquisition of 100% equity interests of Aesica Pharmaceuticals Limited

In January 2021, Pharmaron UK Limited completed an acquisition of 100% equity interests in Aesica Pharmaceuticals Limited (now "Pharmaron Manufacturing Services (UK) Ltd") in Cramlington, U.K., for approximately GBP57.8 million (approximately RMB498.2 million). The facility has a reactor volume of over 100 m^3 and can provide cGMP API manufacturing services from pilot to commercial scale. The facility has been inspected and approved by a number of regulatory bodies including the FDA and MHRA. This acquisition further enhanced the overall capacity of the small molecule CDMO service platform of the Company.

b. Shaoxing plant officially put into operation

In 2022, the Shaoxing small-molecule API manufacturing facility of the Company was gradually put into operation. The Shaoxing manufacturing facility is committed to the development, optimization and commercial production application of innovative drug manufacturing processes, providing domestic and foreign customers with more flexible, larger scale and greener production services for API and high-end pharmaceutical intermediates, and facilitating the clinical development of new drugs and commercialization advancement of products for customers. The successful Shaoxing manufacturing facility, combined with the Company's existing high-end intermediate and API manufacturing facility located in Tianjin and U.K., respectively, further strengthens the Company's global production network layout for small-molecule drug process development and production, and further consolidates the one-stop service of chemistry and production, to meet the needs of domestic and foreign customers for different production scale and different product process development and production.

c. Acquisition of Coventry API manufacturing facility in Rhode Island, the United States

In July 2022, Pharmaron Manufacturing Services (US) LLC completed an acquisition of a Coventry API manufacturing facility located in Rhode Island, the United States, for approximately USD31.5 million (approximately RMB210.6 million). The manufacturing facility is equipped with advanced manufacturing facilities and can provide cGMP API manufacturing services from pilot to commercial scale. The facility has been inspected by a number of regulatory agencies including the FDA and EMA and has rich industry experience. The manufacturing facility in Coventry enriches our global service network.

(2) Restructuring of Pharmaron Clinical

In 2022, the Company further integrated the clinical development capabilities of its subsidiaries and departments through Pharmaron Clinical to optimize the organizational structure of the experts and management teams. During the Reporting Period, Pharmaron Clinical completed the restructuring of Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. (恩遠醫藥科技(北京)有限公司) and Pharmaron CPC, Inc. (an early-stage clinical trial center in Baltimore, U.S.), which strengthened the capabilities of Pharmaron Clinical in quantitative pharmacology, registration affairs, medical affairs, clinical operations, etc, and further enhanced the close cooperation between the PRC and the U.S. so as to provide one-stop solutions for customers for the purpose of carrying out clinical research and complementary trials within the PRC and the U.S..

During the Reporting Period, as part of the restructuring of Pharmaron Clinical, the Company exercised pre-emptive rights to acquire aggregate 23.2280% of equity interest in Pharmaron Clinical held by WU Yu, LI Xianghao and LIU Yang. Meanwhile, the Company increased the capital of Pharmaron Clinical by RMB700 million. The ratio of shareholding in Pharmaron Clinical increased from 55.8856% to 81.5759% held by the Company, which enhanced our control in Pharmaron Clinical and assisted Pharmaron Clinical to build a fully-integrated clinical development service platform. In addition, Pharmaron Clinical increased the capital by RMB230 million to Beijing LinkStart Biotechnology Co., Ltd. (北京聯斯達醫藥科技發展有限公司), a wholly-owned subsidiary of Pharmaron Clinical, in order to assist Beijing LinkStart Biotechnology Co., Ltd. in providing customers with higher quality clinical R&D services.

(3) Restructuring of biologics platform

As part of the Company's medium to long-term development strategies, the Company continued to strengthen the construction of its R&D service capabilities of biologics and CGT services. In order to build a fully integrated biologics and CGT service platform, the Company increased the capital of Pharmaron (Ningbo) Biologics Co., Ltd by RMB2.4 billion, and began to integrate the biologics and CGT R&D service capabilities of its various subsidiaries and departments through Pharmaron (Ningbo) Biologics Co., Ltd. In addition, Pharmaron (Ningbo) Biologics Co., Ltd is also planning to undertake equity financing, in order to further the establishment of R&D service capabilities and improve the operational capabilities for biologics and CGT segment. For details, please refer to the Company's announcement dated November 30, 2022.

(4) Acquisition of 100% Equity Interest in Anikeeper

On March 28, 2022, the Company entered into an agreement with Ms. Chen Jing (陳靜), Mr. Chen Xuejun (陳學軍) and Anikeeper, in relation to the sale and purchase of 100% equity interest in Anikeeper. The acquisition of Anikeeper was completed in April 2022 at the consideration of RMB85.2 million. Upon completion of the acquisition, Anikeeper has become a wholly-owned subsidiary of the Company and the financial results of Anikeeper will be consolidated into the Company's financial results. Please refer to the relevant announcements dated March 27, 2022, April 19, 2022 and May 6, 2022 for further details.

(5) 2021 Profit Distribution Plan

On May 31, 2022, the 2021 Profit Distribution Plan of the Company was approved at the annual general meeting of the Company. Pursuant to the 2021 Profit Distribution Plan, the Company would (i) pay a cash dividend of RMB0.45 (inclusive of tax) per Share; and (ii) issue five Capitalization Shares for every ten existing Shares out of reserve to the Shareholders whose names appear on the register of members of the Company on June 13, 2022 (the "Record Date"), which represented a total increase of 397,022,543 Shares comprising 330,014,293 A Shares and 67,008,250 H Shares, based on the Company's total share capital of 794,045,086 Shares comprising 660,028,586 A Shares and 134,016,500 H Shares as at the Record Date. The implementation of the 2021 Profit Distribution Plan was completed on July 5, 2022 and as a result, a total of 330,014,293 A Shares and 67,008,250 H Shares were issued on June 14, 2022 and July 5, 2022, respectively. Please refer to the circular of the Company dated May 6, 2022 and the relevant announcement of the Company dated May 31, 2022 for further details.

(6) Cessation of office and appointments of independent non-executive directors of the Company

With effect from the conclusion of the extraordinary general meeting of the Company held on September 23, 2022, Mr. Dai Lixin ("Mr. Dai") and Ms. Chen Guoqin ("Ms. Chen") ceased to be independent non-executive Directors of the Company in light of the expirations of their respective six-year consecutive terms of offices, as required according to the Rules for Independent Directors of Listed Companies of the China Securities Regulatory Commission.

Immediately following Mr. Dai's and Ms. Chen's respective cessations of office, Mr. Dai ceased to be a member of the strategy committee of the Company, and Ms. Chen also ceased to be the chairwoman of the nomination committee and the remuneration and appraisal committee of the Company, and a member of the audit committee of the Company.

Ms. Li Lihua ("Ms. Li") and Mr. Zhou Qilin ("Mr. Zhou") had been appointed as independent non-executive directors of the Company at the EGM to fill in the vacancies to be left open by the planned cessations of office of Mr. Dai and Ms. Chen. Ms. Li is the chairwoman of the nomination committee and the remuneration and appraisal committee of the Company, and a member of the audit committee of the Company, and Mr. Zhou is a member of the strategy committee of the company. Please refer to the announcements of the Company dated August 29, 2022 and September 23, 2022 and the circular of the Company dated September 7, 2022 for further details.

C. Technical Investment Results

In 2022, the Company continued to increase its investment in technology by identifying and implementing new science and technology and keeping pace with policies and regulations. The Company made great efforts to build technology platforms for sustainable development, especially in upgrading technology and promoting innovation in "green chemistry" and "green biology".

In chemical technologies, the Company has been committed to improving the efficiency of synthesis and applying the latest and most practical technical means to promote the development of green chemistry. The technology platforms described below illustrate such commitment from us:

1. ***High-throughput experimentation (HTE) platform for reaction condition screening:*** With the state-of-the-art automated HTE equipment and analytical instrumentation, the HTE platform rapidly identifies the best possible reaction condition by using 24/48/96-well parallel reactors to screen hundreds of conditions in 24 hours, providing solutions to critical steps in target synthesis. By further reducing individual reaction quantity and increasing the number of parallel conditions for single reaction, this platform screened more than 350,000 conditions for over 6,400 reactions in 2022. Through analysis of experimental results, the screening conditions were further customized, which led to significant increase in screening success rate.

2. ***Flow chemistry (also known as continuous production technology):*** In 2022, the Company introduced continuous photochemistry, Online-Mass for online monitoring, and other new technologies, further improving its technical capability. In 2022, the continuous technology was applied to more than 100 PDM scaling up and production projects, effectively solving issues related to safety, high temperature and high pressure, stability, selectivity, and other chemical problems that were not straightforward, giving remarkable results. In terms of capacity building, in 2022 at Tianjin Plant, the Company built the whole process continuous process technology platform of non-GMP production from reaction to workup with online monitoring of PAT, realizing projects of ton-scale production. Meanwhile, the continuous production for GMP manufacture is also being constructed rapidly, where the kilogram-scale production lab is expected to be ready for operation in mid-2023 and the fully continuous large-scale production plant (including continuous hydrogenation) is expected to be opened in the second half of 2023.

3. ***Biocatalysis:*** Biocatalysis refers to the application of biological enzymes to catalyze chemical reactions. Enzymes are nature occurring catalysts that have higher catalytic efficiency, about 107-1,012 times higher than the general chemical catalysts. Biocatalysts are non-toxic, low energy consumption, high stereoselectivity, and environment friendly. It is an essential technology for "green chemistry" and "green manufacture". Since the establishment of the biocatalysis department in 2020, we have produced about 3,000 catalytic enzymes, including over 600 genetically modified mutant enzymes. As we are more experienced and mature, we worked more efficiently in 2022 with over 700 new enzymes developed. Based on our enzyme screening and directed-evolution platforms, we also provided services for our clients to identify high selective enzymes for chiral compound synthesis and production. We are going to clone and produce more biocatalytic enzymes, to optimize the enzyme screening and evolution platforms, to build the larger scale enzyme production plant. We expect the production plant will be in operation in the second half of 2023.

4. ***DNA-encoded chemical library technology platform:*** In 2022, the platform had been fully upgraded. Currently, we have hundreds of libraries of over 15 billion new small molecule drug-like compounds with novel and unique chemical structures in our collections. Many DNA-encoded chemical probes and DNA-encoded compound libraries were effectively synthesized for diverse clients' projects. Many series of biologically active compounds were successfully discovered using the Pharmaron's DEL libraries selected for screening against many customers' protein targets of interest. We have continuously expanded and optimized the technological capabilities of Pharmaron's DNA-encoded compound library platform by closely tracking the cutting-edge DEL technologies and developing original technical methodologies. Through our innovative research and development, we have submitted 19 patent applications to the Chinese Patent Office, and six research articles have also been published by peer reviewed journals.

In biotechnology, the Company has made significant efforts in developing and applying new technologies. These efforts include exploring new fields to enrich or consolidate service offerings, such as developing *in vitro* human-derived bioassay platforms, like micro-organ models, 3D spheroids and organoids, and tissue chips. This reduces the use of animals and improves translational medicine, contributing to the development of green biology.

1. ***Chemical proteomics platform:*** The chemical proteomics use small molecule-based chemical probes to interact with proteomes to reveal the identities of target proteins and the small molecules interacting with the proteins within cells or tissues. It involves multiple disciplines including medicinal chemistry, biology, bioinformatics, pharmacology, and mass spectrometry. Chemical proteomics platform can not only discover potential novel targets of drug action and reveal possible off-targets, also identify novel hits, which provides a new and highly efficient approach to drug discovery. In 2022, the Company further optimized the platform, especially for different types of sample preparation, improving the sensitivity of the experiment and reducing the amount of samples required.

2. ***3D spheroid and organoid models:*** Using human-derived 3D spheroid and organoid as in vitro models to evaluate drug efficacy and safety in preclinical studies is more clinically meaningful. The Company has successfully established nearly 200 cases of human-derived 3D-spheroid models for drug screening. For tumor organoids, the Company has successfully developed robust methodologies for the construction of various tumor organoids including colon cancer, gastric cancer, lung cancer, esophageal cancer, etc., while a strict quality control process has been developed and implemented to ensure the quality of the organoids. The Company will continue the construction of the corporate biobank including tumor organoids and other organoids of human-nature in 2023, while developing a testing platform for high-throughput drug screening to support the services of preclinical drug efficacy and safety liability detection.

3. ***Gene editing technologies:*** in 2022, we introduced a number of advanced gene editing technologies, which significantly improved the experimental success rate and shortened the turnaround time, covering expression regulation of targeted proteins, protein overexpression and suppression with or without inducers. We provided services in gene knockout, gene knock-in and targeted mutation to our clients and helped complete early target validation and compound efficacy screening. In 2023, the Company will continue to optimize delivery methods and editing means, and apply gene editing technology to human primary culture cells, thus providing data with more clinically relevant information for functional validation of biological targets and safety assessment. In addition, we will establish a range of Crispr-sgRNA library screening systems, and apply them to cell lines, primary cells and organoids.

4. ***Imaging technologies:*** We have established *in-vitro* cell based imaging and *in-vivo* animal-based imaging 1). Cellular imaging-based high-content technologies enable multiparametric and multifaceted assessment of drug efficacy and safety, and have been favored by the industry in recent years. In 2022, we completed the first run of high-throughput campaign of compound library screening project aimed to evaluate the protein translocation driven by treatment of test articles in engineered cell lines genetically expressing fluorescently tagged proteins. 2) The *in vivo* imaging system (IVIS) can help monitor the tumor growth in the orthotopic and metastatic models in-life. Currently, we have established 270 luciferase-expressed tumor cell lines and 112 orthotopic or metastatic tumor models, which cover 30 different cancer types and have been widely utilized in tumor pharmacodynamic studies and related fields. Meanwhile, we have provided service for dozens of clients to evaluate the blood-brain-barrier permeability and antitumor effect of test articles by utilizing 31 orthotopic and metastatic brain tumor models, providing valuable data and imaging information to dozens of clients.

D. Core Competitiveness Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Fully-integrated clinical development services in China

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

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

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

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

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

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

The Company operates globally through our 20 operating facilities, clinical and manufacturing facilities in China, U.K. and U.S., of which 11 operating facilities are from overseas. The Company's profound experience in global pharmaceutical R&D, together with its global operations and world-class technical capabilities offers our customers a unique value proposition and customized solutions that combines our technical expertise in different geographic locations and efficient services with seamless integration.

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

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

While the chemical reactors with a total volume of 600 m^3 in the Shaoxing plant have been put into operation, the facility in Cramlington, U.K. and the API facility in Coventry, Rhode Island, U.S., which were acquired by the company, have also been integrated and put into operation, realizing the international capacity service of our CMC (small molecule CDMO) platform from early clinical stage to late commercialization of the whole portfolio of solutions. By combining the process chemistry team in Hoddesdon, U.K., we are able to provide end-to-end API production services to our customers in China, U.S. and U.K. in a more flexible, larger scale and greener manner at the same time, bringing our international API production service capabilities to the next level and further enriching our global service network.

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

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

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

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

The Company's management team is led by Dr. LOU Boliang, our chairman and chief executive officer. With over 30 years of experience in the pharmaceutical industry, he is highly respected in the industry for his excellent leadership that contributes to the Company's rapid development. The Company's senior management team has been with us for more than 10 years. The Company has nearly 100 senior scientific and technical leaders, 2 of whom were named as National Talents and 15 named as Beijing Talents. Members of our highly skilled, experienced and international management team possess diverse expertise and extensive knowledge, and have significantly contributed to the growth of the Company's institutional knowledge base. The Company focuses on its home-grown scientific team consisting of selected, young and promising scientists, which enables us to form a cohesive and vibrant mid-level management team composed of over 3,300 technical managers and high-caliber scientific research talents across all scientific disciplines of the Company. In addition, the Company's visionary management team has established a highly experienced and skilled talent pool with strong execution efficiency. As of December 31, 2022, the Company had over 17,406 R&D, production technology and clinical services staff in China, U.K. and U.S.. The highly professional technical team ensures the Company's continuous provision of high-quality R&D services for customers. The open platform for talent development ensures that the Company will continuously attract talents from around the globe.

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

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

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

The Company has a large, diverse and loyal customer base including the global top 20 pharmaceutical companies and numerous reputable biotech companies. In 2022, the Company introduced approximately 800 new customers, with approximately 90% of revenue contributed by the Company's large, diverse and loyal repeat customers. The Company's fully-integrated solution and deep understanding of customers' needs allow it to provide customized pharmaceutical R&D services for customers according to their needs. With further progress made in the existing customers' projects, the loyal and growing customer base will enable us to develop new services in drug development and at the early clinical stage.

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

OUTLOOK FOR 2023

A. Discussion and Analysis of Future Development

1. Industry competition and development

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

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

With the accelerated growth of aging population globally, the expansion of the chronic disease patients population and the increase in the total investment in medical and healthcare industry in various countries, the global and Chinese pharmaceutical markets continue to develop, which in turn drives the continuous increase of the pharmaceutical R&D and manufacturing spending. In the future, the spending on research, development and manufacturing are expected to maintain solid growth both globally and in China. According to Sullivan's forecast, the size of the global pharmaceutical R&D and manufacturing spending was approximately US$599.9 billion in 2022, and it is estimated that the global pharmaceutical R&D and manufacturing spending will increase to US$813.4 billion by 2027, representing an expected CAGR of 6.3% from 2022 to 2027; of which, the pharmaceutical R&D and manufacturing spending in China was approximately RMB617.2 billion in 2022, and it is estimated that pharmaceutical R&D and manufacturing spending in China will increase to RMB1,027.8 billion by 2027, representing an expected CAGR of 10.7% from 2022 to 2027.

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

Under the pressure of increasing R&D costs and patent cliff, as well as the internal R&D capacity limitation, pharmaceutical companies gradually turn to pharmaceutical R&D and manufacturing outsourcing services with an aim to reduce their overall R&D costs and improve their R&D efficiency. The increasing trend of pharmaceutical R&D and manufacturing spending also provides a solid foundation for the growth of outsourcing services for R&D and manufacturing. According to Sullivan's forecast, the total size of global pharmaceutical R&D and manufacturing outsourcing services was approximately US$157.2 billion in 2022, and it is estimated that such size will increase to US$267.5 billion by 2027, representing an expected CAGR of 11.2% from 2022 to 2027. In addition, with the continuous improvement of the capabilities and capacities of Chinese drug R&D and manufacturing outsourcing service providers and the continuous increase in drug R&D and manufacturing spending in China, the market share of Chinese services providers in the global drug R&D and manufacturing outsourcing service market is also increasing. According to Sullivan's forecast, the size of Chinese drug R&D and manufacturing outsourcing services accounted for approximately 13.0% of the global market in 2022, and it is estimated that such size will increase to RMB408.7 billion by 2027, which represent 22.7% of the global market.

a. Trend on the drug discovery R&D services

Drug discovery is a multidisciplinary and systematic work and process. According to Sullivan's forecast, the size of global drug discovery CRO service market was estimated to be US$18.0 billion in 2022, representing a outsourcing penetration rate of 46.7% (market size of drug discovery CRO service over the addressable market of drug discovery spending). It is estimated that the size of global drug discovery service market will increase to US$35.9 billion by 2027, representing an expected CAGR of 14.8% from 2022 to 2027, and the penetration rate of global drug discovery R&D service market will reach 65.1%; meanwhile, the size of China's drug discovery R&D CRO service market was estimated to be RMB21.4 billion in 2022, accounting for approximately 17.7% of the total global size. It is estimated that the size of China's drug discovery R&D service market will increase to RMB61.1 billion by 2027 with the market share increase to 25.3% of the total global market.

b. Trend on the pharmaceutical development and manufacturing services

Pharmaceutical development and manufacturing (CDMO) services cover the whole process from preclinical, clinical, registration to commercial manufacturing. According to Sullivan's forecast, the size of global pharmaceutical CDMO service market was estimated to be US$74.9 billion in 2022. It is estimated that the size of global pharmaceutical CDMO service market will increase to US$157.3 billion by 2027, representing an expected CAGR of 16.0% from 2022 to 2027; meanwhile, the size of China's pharmaceutical CDMO service market was estimated to be RMB66.6 billion in 2022, accounting for 13.2% of the global pharmaceutical CMO service market. It is estimated that the size of China's pharmaceutical CDMO service market will increase to RMB223.9 billion by 2027 with the market share increase to 21.2% of the total global market.

c. Trend on the clinical development services

Clinical development services cover Phase I to Phase III clinical trials and post-market studies of pharmaceutical products. According to Sullivan's forecast, the size of global drug clinical development services market reached US$54.7 billion in 2022, with outsourcing penetration rate of 44.3% (market size of clinical development CRO service over the addressable market of clinical development spending). The size of global market is expected to reach US$81.8 billion by 2027, representing an expected CAGR of 8.4% from 2022 to 2027, and the outsourcing penetration rate will rise to 48.4%; meanwhile, the market for China's drug clinical development outsourcing services was estimated to be RMB39.7 billion in 2022, accounting for 10.8% of the global clinical development services market. With the growth of the Chinese pharmaceutical industry, it is expected that the size of China's clinical development services will reach RMB122.3 billion by 2027, during which the CAGR of service scale will be 25.2%, and the market share increase to 22.2% of the total global market.

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

The Company adheres to our core growth strategy to build and improve our global end-to-end drug R&D services platform that is fully-integrated with highest international standard. In addition to continuously strengthen our leading position in the small molecule integrated R&D services, the Company has initially completed the establishment and integration of R&D service capabilities for biologics and CGT products. For the small molecule integrated R&D service platform, through continued expanding and training our talent pools, investing in cutting-edge technologies, upgrading our service capabilities and strengthening the management capabilities for global multidisciplinary collaborations, the Company will further improve the fully-integrated services platform and provide customers with tailored, more flexible and efficient solutions. Cater to the specific needs of domestic and oversea customers, the Company establishes multidisciplinary and collaborative services teams for customers in a timely manner to address customers' R&D needs, so as to help customers successfully and efficiently advance their pharmaceutical R&D programs. For the new therapeutic modalities such as biologics and CGT products, the Company will leverage its existing strengths to actively expand its customer base, gradually enhance its business scale and operational management efficiency, giving into play the role of a global end-to-end and integrated service platform for biologics and CGT products as the pillar of the Company's overall business, and is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities.

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

3. Main operational plan of the Company for 2023

Adhere to our growth strategy of building an "end-to-end, fully integrated and global" pharmaceutical R&D service platform, the Company will focus on the following works in 2023:

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

After years of efforts, the Company has built a small molecule pharmaceutical R&D and manufacturing service platform broadly covering the full process from drug discovery to preclinical and clinical development. In 2023, the Company will continue to deepen its efforts in strengthening its leading position in small molecule R&D services and further enhance its competitiveness globally. On one hand, we will continue to invest in new technology in small molecule services to ensure our leading position; on the other hand, we will continue to expand and deepen our services offerings. Specifically, in 2023, we will continue to treat laboratory chemistry as the core business and cornerstone of our growth strategy, actively expanding geographically while improving our global program management system, expanding our service networks in the pharmaceutical R&D hotspots in China, and continuing to promote the construction of Xi'an campus and Chongqing laboratory. We will also further strengthen the synergy and integration between laboratory chemistry and small molecule CDMO, and vigorously develop one-stop chemistry and manufacturing services globally. For bioscience services, while we continuously strengthen our bioscience services in the discovery stage, we will expand our services offerings based on customers' needs and make significant scientific and technical advancement assisted by cutting-edge technologies invested. In order to further extend the Company's bioscience service capacity, we will continue to promote the construction of the Phase I of the Campus III in Ningbo.

(2) Continue improving biologics and CGT service platform

For building the biologics service platform, in 2023, we will accelerate the build-up of the CDMO service platform for biologics, further develop our biologics discovery service capabilities by expanding our team, hence broadening our services offerings. We will also accelerate the construction of biologics development and manufacturing facilities in Ningbo (Campus II in Ningbo) and establish a quality system that meets the highest international standard.

For cell and gene therapies service platform, in 2022, we had initially integrated our CGT testing services in U.S. with our gene therapy CDMO services in U.K.. In 2023, we will take advantage of positive synergies, actively expand our customer base by leveraging our existing strengths, and gradually increase our business scale and operations management efficiency, so as to further develop our CGT services platform to meet the needs of our domestic and international customers.

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

Through a series of integration, the clinical development service platform in China will further strengthen the clinical development service capability of each subsidiary and department and enhance team cohesion. For our overseas clinical development services, we will continue to strengthen our healthy volunteer-based early clinical research services and expand to patient clinical studies for oncology and other therapeutic areas. In 2023, the company will give full play to the brand effect of "Pharmaron Clinical" to improve our market competitiveness and industry influence.

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

Talents are the foundation of innovation and the key to strengthening our core competitiveness. It is our long-standing human resources strategy to build an inclusive and open development platform to attract and train our talent pool. In 2023, we will continue to attract high calibre R&D talents globally, improve the company's benefits system to maximize the retention of talents in key positions, and further expand and enhance our multi-dimensional and comprehensive training system. In 2023, we will focus on the training of our middle and senior level of managers, and strengthen the business etiquette training and customized business English training on the basis of professional training to strengthen the quality internally and shape the image externally, so as to provide strong support to the future growth of the Company.

(5) Further enhance management capabilities

In 2023, the Company will continue to take production safety and information security as the top priority in our daily operation so as to protect the health of employees and safeguard information and intellectual property of our customers. We will continue to provide high quality services and products to our customers by adhering to the highest international quality standards.

With the expansion of services offering and geographic footprint of our fully integrated services platform to provide customers with interdisciplinary and global service solutions, a professional, systematic and scientific project management system is essential to support the business growth. In 2023, we will strategically emphasize the importance of project management, adhere to "transparent, timely, professional and efficient" project management goals, and build an efficient project management system to create value for our customers by effectively utilizing and linking the integrated service platform for new drug development.

(6) Continue to expand domestic and overseas market shares

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

4. Potential risks

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

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

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

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

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

(3) Risks regarding intellectual property protection

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

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

(4) Risks regarding policies and regulation

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

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

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

(5) Risk of international policy changes

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

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

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

(7) Risks regarding exchange rates

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

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

(8) Risks regarding market competition

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

(9) Risks regarding technological innovation

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

(10) Risks regarding service quality

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

OTHER INFORMATION

A. Use of Proceeds from the Global Offering

Upon completion of the global offering of its H Shares (the "Global Offering"), the Company raised net proceeds of approximately RMB4,522.7 million. As at December 31, 2022, the net proceeds from the Global Offering had been utilized in accordance with the purposes set out in the prospectus of the Company dated November 14, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2022.

Use of proceeds	Percentage of allocation of net proceeds	Allocation of net proceeds *(RMB million)*	Utilized amount as at December 31, 2022 *(RMB million)*	Unutilized net proceeds as at December 31, 2022 *(RMB million)*	Expected timeline for utilizing the net proceeds from the Global Offering
Expand capacities and capabilities in laboratory and manufacturing facilities in the PRC	30.0%	1,356.8	1,356.8	–	Had been fully utilized by December 31, 2022
• upgrading and expanding our Ningbo facility	19.5%	881.9	881.9	–	Had been fully utilized by December 31, 2022
• upgrading and expanding our Tianjin facility	4.5%	203.5	203.5	–	Had been fully utilized by December 31, 2022
• upgrading and expanding other manufacturing facilities	6.0%	271.4	271.4	–	Had been fully utilized by December 31, 2022
Fund further expansion of businesses in the U.S. and U.K.	10.0%	452.3	452.3	–	Had been fully utilized by December 31, 2022
Establish pharmaceutical R&D services platform for discovery and development of biologics	20.0%	904.5	904.5	–	Had been fully utilized by December 31, 2022
Expand clinical development services	15.0%	678.4	678.4	–	Had been fully utilized by December 31, 2022

Use of proceeds	Percentage of allocation of net proceeds	Allocation of net proceeds *(RMB million)*	Utilized amount as at December 31, 2022 *(RMB million)*	Unutilized net proceeds as at December 31, 2022 *(RMB million)*	Expected timeline for utilizing the net proceeds from the Global Offering
Expand our capacity and capabilities through potential acquisitions of CRO and CMO companies and businesses	15.0%	678.4	678.4	–	Had been fully utilized by December 31, 2022
General corporate and working capital	10.0%	452.3	452.3	–	Had been fully utilized by December 31, 2022
	100%	4,522.7	4,522.7	–	

B. Use of Proceeds from the Convertible Bonds

On June 18, 2021, the Company issued the Series 1 Bonds and Series 2 Bonds in an aggregate principal amount of US$300 million and RMB1,916 million, respectively. For details of the Convertible Bonds, please refer to the announcements of the Company dated June 8, 2021, June 9, 2021, June 11, 2021, June 18, 2021 and June 21, 2021. The net proceeds, after deduction of fees, commissions and expenses payable, was approximately RMB3,776.0 million. As at December 31, 2022, the balance of unutilized net proceeds amounted to approximately RMB831.9 million. The net proceeds from the Convertible Bonds have been and will be utilized in accordance with the purposes set out in the announcement of the Company dated June 21, 2021. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2022.

Use of proceeds	Percentage of allocation of net proceeds	Allocation of net proceeds *(RMB million)*	Utilized amount as at December 31, 2022 *(RMB million)*	Unutilized net proceeds as at December 31, 2022 *(RMB million)*	Expected timeline for utilizing the net proceeds
Expanding capacities and capabilities of the Group's pharmaceutical process development and manufacturing facilities (i.e. CMC services) for small molecule drugs	33.3%	1,258.7	1,112.7	146.0	Expected to be fully utilized by December 31, 2024
Expanding the Group's R&D and manufacturing service platform for biologics	33.3%	1,258.7	704.2	554.5	Expected to be fully utilized by December 31, 2024

Use of proceeds	Percentage of allocation of net proceeds	Allocation of net proceeds *(RMB million)*	Utilized amount as at December 31, 2022 *(RMB million)*	Unutilized net proceeds as at December 31, 2022 *(RMB million)*	Expected timeline for utilizing the net proceeds
Expanding capabilities of the Group's laboratory services in drug safety assessment	13.3%	503.4	372.0	131.4	Expected to be fully utilized by December 31, 2024
Expanding capacities and capabilities of the Group's laboratory and manufacturing facilities in the United Kingdom	10.0%	377.6	377.6	–	Had been fully utilized by December 31, 2022
Replenishing working capital and other general corporate purposes	10.0%	377.6	377.6	–	Had been fully utilized by December 31, 2022
Total	**100%**	**3,776.0**	**2,944.1**	**831.9**	

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

C. Adjustment to the Conversion Price of Series 1 Bonds and Series 2 Bonds

Pursuant to the terms and conditions of the Convertible Bonds, the price at which H Shares will be issued upon conversion is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. As implementation of the 2021 Profit Distribution and the 2021 Capitalization of Reserve, the conversion price of the Series 1 Bonds and Series 2 Bonds has been adjusted from HKD $250.75 per H Share to HK$166.42 per H Share, and from HK$229.50 per H Share to HK$152.32 per H Share, respectively, with effect from June 14, 2022, being the day immediately after the Record Date for determining H Shareholders' entitlement to the 2021 Capitalization of Reserve and 2021 Profit Distribution. Save as disclosed above, all other terms of the Series 1 Bonds and Series 2 Bonds remain unchanged. Please refer to the relevant announcement of the Company dated June 13, 2022 for further details.

D. Employee Remuneration and Relations

As at December 31, 2022, the Group had a total of 19,481 employees, as compared to 14,923 employees as at December 31, 2021. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides employees with opportunities to work on cutting-edge drug development projects with world-class scientists, as well as offer opportunities to continue academic learning in the Group's Pharmaron College.

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

At the extraordinary general meetings held on January 14, 2022, the Shareholders have approved a special resolution to repurchase (at the repurchase price of RMB17.85 per Share) and cancel a total of 132,012 Restricted A Shares under the 2019 A Share Incentive Scheme due to the resignation of 2 participants. The repurchase and cancellation were completed in May 2022.

F. Material Events after the Reporting Period

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

G. Compliance with the Model Code for Securities Transactions

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

H. Compliance with the Corporate Governance Code

During the Reporting Period, the Company has complied with all the code provisions set forth in the Corporate Governance Code in Appendix 14 to the Listing Rules, with the exception that the roles of the chairman of the Board and the chief executive officer of our Company have not been segregated as required by code provision C.2.1 of Part 2 of the Corporate Governance Code. In view of Dr. LOU Boliang's experience, personal profile and his roles in our Company and that Dr. LOU has assumed the role of chief executive officer of our Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Company that Dr. LOU assumes the roles of the chairman of the Board as well as the chief executive officer of our Company. The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

I. Audit Committee

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

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

J. Scope of Work of Ernst & Young

The figures above in respect of this annual results announcement for the year ended December 31, 2022 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.

K. Annual General Meeting

At the 24th meeting of the 2nd session of the Board, the Board (i) approved the convening of the AGM; and (ii) authorized the chairman of the Board to approve the documents to be issued for the AGM, and to determine other matters relating to the AGM, including but not limited to the time and place of the AGM. The notice and circular for the AGM will be dispatched in due course.

L. Publication of the Annual Results Announcement and Annual Report

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.pharmaron.com). The Group's 2022 annual report which include all the financial and other related information of the Company required by the Listing Rules will be dispatched to shareholders and will be published on the aforementioned websites in due course.

APPRECIATION

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

"2019 A Share Incentive Scheme"	the 2019 Restricted A Share Incentive Scheme of the Company
"2021 A Share Incentive Scheme"	the 2021 Restricted A Share Incentive Scheme of the Company
"2021 Capitalization of Reserve"	the proposed issue of 5 Capitalization Shares for every 10 Shares by way of capitalization of reserve
"2021 Profit Distribution"	the proposed distribution of Dividends
"2021 Profit Distribution Plan"	the 2021 Profit Distribution and 2021 Capitalization of Reserve
"2021 Capitalization Shares"	the new Shares allotted and issued under the 2021 Capitalization of Reserve by the Company
"2022 A Share Incentive Scheme"	the 2022 Restricted A Share Incentive Scheme of the Company
"AGM"	the annual general meeting of the Company to be held for the purpose of, among others, approving the audited financial statements for the year ended December 31, 2022
"AMS"	accelerator mass spectrometry
"Anikeeper"	Beijing Anikeeper Biotech Co., Ltd.* (北京安凯毅博生物技術有限公司), a limited company established under the laws of the PRC
"API"	Active Pharmaceutical Ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shenzhen Stock Exchange and traded in RMB
"Audit Committee"	the audit committee of the Board
"Award"	award granted by the management committee of the First H Share Award and Trust Scheme to a Selected Participant, pursuant to the First H Share Award and Trust Scheme
"Board"	the board of Directors of the Company
"Bonds"	Series 1 Bonds and Series 2 Bonds

"CADD"	computer-aided drug design, the use of computers (or workstations) to aid in the creation, modification, analysis, or optimization of novel compounds or biologics
"CAGR"	the compound annual growth rate
"CDMO"	contract development and manufacturing organization(s), a CMO that, in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
"cGMP" or "GMP"	current Good Manufacturing Practice
"CGT"	Cell and Gene Therapy
"China" or "PRC"	the People's Republic of China
"CMC"	chemistry, manufacturing and controls
"CMO"	Contract Manufacturing Organization
"Company" or "Pharmaron"	Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司), a joint stock limited company incorporated under the laws of the PRC on July 1, 2004, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 300759) and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3759)
"Convertible Bonds"	the (i) US$300.0 million zero coupon convertible bonds due 2026 (debt stock code: 40725) and the (ii) RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 (debt stock code: 40733) issued by the Company on June 18, 2021
"CRC"	Clinical Research Coordinator
"CRO"	Contract Research Organization, a company focused on providing pharmaceutical research and development services to companies in the pharmaceutical markets
"Delegatee"	the management committee of the First H Share Award and Trust Scheme, person(s) or board committee(s) to which the Board has delegated its authority
"Directors"	directors of the Company
"Dividends"	proposed distribution of 2021 final dividends to the Shareholders whose names appear on the register of members for the A Shareholders and the H Shareholders at the close of business on June 13, 2022, being the record date for ascertaining the entitlement to dividend on Shares, based on a rule of receiving RMB0.45 per Share held by the Shareholders payable in RMB to the A Shareholders and in HK$ to the H Shareholders

"DMPK/ADME"	drug metabolism and pharmacokinetics/Absorption, Distribution, Metabolism and Excretion
"DNA"	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses
"Eligible Employee(s)"	includes Plan A Eligible Employee for the purpose of the Employee Share Award Plan, and Plan B Eligible Employee for the purpose of the Share Bonus Plan; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the First H Share Award and Trust Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the Delegatee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the First H Share Award and Trust Scheme and such individual shall therefore be excluded from the term "Eligible Employee"
"EMA"	European Medicines Agency, a EU agency for the evaluation of medicinal products
"Employee Share Award Plan"	one of the two plans which collectively make up the First H Share Award and Trust Scheme
"Enyuan Pharmaceutical"	Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. (恩遠醫藥科技(北京)有限公司), a company incorporated in PRC on September 21, 2015, which is indirectly held as to 81.5759% by our Company
"ESG"	Environmental, Social and Governance
"EU"	European Union
"FDA"	the Food and Drug Administration of the U.S.
"FIH"	first-in-human
"First H Share Award and Trust Scheme"	The First H Share Award and Trust Scheme of the Company
"First H Share Award and Trust Scheme Limit"	the maximum size of the First H Share Award and Trust Scheme, being the maximum number of H Shares that will be acquired by the trustee appointed by the Company for the purpose of the trust which was constituted by the trust deed to service the First H Share Award and Trust Scheme through on-market transactions from time to time at the prevailing market price

"Sullivan"	founded in 1961, it is a world-leading growth consultancy that owns 31 branches and more than 1,700 industry consultants, market analysts, technical analysts and economists in 21 countries across six continents
"GCP"	Good Clinical Practice
"GLP"	Good Laboratory Practice
"GMP"	Good Manufacturing Practice
"Group", "we", "our" or "us"	the Company and its subsidiaries
"H Share(s)"	overseas-listed foreign shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Hong Kong Stock Exchange and traded in HK dollars
"H Shareholder(s)"	holder(s) of H Share(s)
"IND"	investigational new drug
"Independent Third Party(ies)"	third parties independent of and not connected with the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Management Committee"	the management committee of the First H Share Award and Trust Scheme to which the Board has delegated its authority to administer the First H Share Award and Trust Scheme
"MHRA"	U.K. Medicines and Healthcare products Regulatory Agency
"Model Code"	the Model Code for Securities Transactions by Directors of the Listing Issuers
"NDA"	new drug applications
"NMPA"	National Medical Product Administration (國家藥品監督管理局) (formerly known as China Food and Drug Administration), the authority responsible for approving drug and biologic products in China
"OECD"	the Organization for Economic Cooperation and Development

"Pharmaron Biologics UK"	Pharmaron Biologics (UK), Ltd., formerly known as Allergan Biologics Limited, a private company limited by shares incorporated under the laws of England and Wales and a wholly-owned subsidiary by the Company
"Pharmaron Clinical"	Pharmaron (Chengdu) Clinical Services Co., Ltd. (康龍化成(成都)臨床研究服務有限公司), a company incorporated in PRC on May 27, 2021, which is held as to 81.5759% by our Company
"Pharmaron Clinical Capital Increase Agreement"	the capital increase agreement entered into among the Company, Mr. Howe Li, Xiamen Longtaikanglin, Mr. Liu Yang, the Pharmaron Clinical Minority Shareholders and Pharmaron Clinical on October 27, 2022 in relation to the capital increase to Pharmaron Clinical
"Pharmaron Clinical Minority Shareholders"	the shareholders holding an aggregate of 3.6512% of equity interests in Pharmaron Clinical as at the date of the Capital Increase Agreement and are Independent Third Parties
"QC/QA"	quality control and quality assurance
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2022
"Restricted A Shares"	the restricted A Shares granted by our Company under the respective 2019 A Share Incentive Scheme, 2021 A Share Incentive Scheme and 2022 A Share Incentive Scheme
"RMB"	Renminbi, the lawful currency of the PRC
"RNA"	ribonucleic acid, complex compound of high molecular weight that functions in cellular protein synthesis and replaces DNA as a carrier of genetic codes in some viruses
"Selected Participants"	any Eligible Employee who, in accordance with the First H Share Award and Trust Scheme, is approved for participation in the Employee Share Award Plan or the Share Bonus Plan, and has been granted any Award under the respective plans
"Series 1 Bonds"	the US$300.0 million zero coupon convertible bonds due 2026 (debt stock code: 40725) issued by the Company on June 18, 2021
"Series 2 Bonds"	the RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 (debt stock code: 40733) issued by the Company on June 18, 2021
"Share(s)"	A Share(s) and H Share(s)

"Share Bonus Plan"	one of the two plans which collectively make up the First H Share Award and Trust Scheme
"SSU"	Study Start up, the start-up specialist of a clinical project
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TQT/cardiac"	This study means observing and describing all ECG changes of the subject in an all-round manner at the early stage of a clinical trial on the drug and measuring the extension of the QT/QTc interval to determine whether the drug will impact the heart repolarization and the extent of impact, judge the risk of malignant arrhythmia it will trigger, and provide the data support in deciding whether to enter the next drug research and development stage
"U.K."	the United Kingdom
"U.S."	the United States
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Xiamen Longtaikanglin"	Xiamen Longtaikanglin Enterprise Management Partnership (Limited Partnership)* (廈門龍泰康臨企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on September 16, 2021,which principally serves as an employee incentive platform of Pharmaron Clinical
"%"	per cent.

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

Beijing, the PRC
March 30, 2023

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

* *For identification purposes only*