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, 2023

FINANCIAL SUMMARY AND HIGHLIGHTS

	Year ended December 31,		
	2023	2022	Change
	RMB'000	*RMB'000*	*%*
Revenue	**11,537,996**	10,266,288	12.4
Gross profit	**4,094,820**	3,749,276	9.2
Profit attributable to owners of the parent	**1,601,096**	1,374,604	16.5
Non-IFRSs adjusted net profit attributable to owners of the parent	**1,903,431**	1,834,271	3.8
Net cash flows generated from operating activities	**2,753,539**	2,142,816	28.5

- During the Reporting Period, the Group recorded aggregate revenue of approximately RMB11,538.0 million, representing an increase of approximately RMB1,271.7 million, or 12.4%, as compared to the year ended December 31, 2022.
- During the Reporting Period, the profit attributable to owners of the parent was approximately RMB1,601.1 million, representing an increase of approximately 16.5% as compared to the year ended December 31, 2022.
- During the Reporting Period, the net cash flows generated from operating activities was approximately RMB2,753.5 million, representing an increase of approximately 28.5% as compared to the year ended December 31, 2022.
- The Board proposed to declare a final dividend of RMB2.0 (inclusive of tax) per 10 shares or an aggregate of approximately RMB357.5 million for the year ended December 31, 2023.

The Board is pleased to announce the consolidated results of the Group for the year ended December 31, 2023 with the comparative figures for the year ended December 31, 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
REVENUE	*5*	**11,537,996**	10,266,288
Cost of sales		**(7,443,176)**	(6,517,012)
Gross profit		**4,094,820**	3,749,276
Other income and gains	*6*	**374,011**	425,786
Other expenses	*6*	**(37,904)**	(222,296)
Selling and distribution expenses		**(252,778)**	(230,070)
Administrative expenses		**(1,671,883)**	(1,551,660)
Research and development costs		**(448,278)**	(282,325)
Impairment losses on financial and contract assets		**(35,825)**	(21,157)
Finance costs	*7*	**(182,192)**	(167,312)
Share of losses of associates		**(2,084)**	(33,851)
Profit before tax	*8*	**1,837,887**	1,666,391
Income tax expense	*9*	**(256,106)**	(314,254)
Profit for the year		**1,581,781**	1,352,137
Attributable to:			
Owners of the parent		**1,601,096**	1,374,604
Non-controlling interests		**(19,315)**	(22,467)
		1,581,781	1,352,137
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For profit for the year	*11*	**0.9033**	0.7750
Diluted			
For profit for the year	*11*	**0.9019**	0.7739

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**1,581,781**	1,352,137
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**11,168**	103,502
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(214,046)**	(54,904)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	**199,585**	78,082
Income tax effect	**2,169**	(3,476)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(1,124)**	123,204
Other comprehensive (loss)/income for the year, net of tax	**(1,124)**	123,204
Total comprehensive income for the year	**1,580,657**	1,475,341
Attributable to:		
Owners of the parent	**1,597,560**	1,497,711
Non-controlling interests	**(16,903)**	(22,370)
	1,580,657	1,475,341

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,851,705**	8,021,814
Right-of-use assets		**1,146,142**	1,329,698
Goodwill		**2,780,918**	2,687,865
Other intangible assets		**216,492**	233,148
Investments in associates		**722,946**	629,972
Equity investments at fair value through profit or loss		**282,032**	239,048
Biological assets		**157,633**	178,016
Deferred tax assets		**153,218**	58,789
Other non-current assets		**291,214**	578,201
Total non-current assets		**15,602,300**	13,956,551
CURRENT ASSETS			
Inventories		**365,479**	361,572
Contract costs		**155,877**	182,610
Trade and bills receivable	*12*	**2,242,153**	1,881,882
Contract assets		**394,265**	332,601
Biological assets		**491,724**	497,279
Prepayments, other receivables, and other assets		**684,017**	1,037,216
Financial assets at fair value through profit or loss		**594,333**	694,472
Derivative financial instruments		**27,650**	50,890
Pledged deposits		**127,750**	49,255
Cash and cash equivalents		**5,791,165**	1,448,229
Total current assets		**10,874,413**	6,536,006
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**727,412**	737,712
Trade payables	*13*	**412,221**	406,348
Other payables and accruals		**1,377,183**	1,596,275
Contract liabilities		**740,866**	832,140
Lease liabilities		**185,316**	164,034
Derivative financial instruments		**26,931**	30,035
Tax payable		**184,547**	145,889
Total current liabilities		**3,654,476**	3,912,433
NET CURRENT ASSETS		**7,219,937**	2,623,573
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,822,237**	16,580,124

	Notes	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**4,308,165**	713,342
Deferred tax liabilities		**290,039**	261,013
Financial liabilities at fair value through profit or loss		**117,582**	112,093
Deferred income		**391,707**	152,374
Convertible bonds-debt component		**3,891,501**	3,740,919
Lease liabilities		**585,197**	760,515
Total non-current liabilities		**9,584,191**	5,740,256
NET ASSETS		**13,238,046**	10,839,868
EQUITY			
Share capital		**1,787,394**	1,191,225
Treasury shares		**(463,453)**	(668,037)
Equity component of convertible bonds		**198,554**	198,554
Reserves		**11,034,302**	9,826,874
Equity attributable to owners of the parent		**12,556,797**	10,548,616
Non-controlling interests		**681,249**	291,252
Total equity		**13,238,046**	10,839,868

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. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 2]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1,2]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]

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

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

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 and bioscience services, covering small molecule drugs, oligonucleotides, peptides, antibodies, antibody-drug conjugates (ADC) and CGT products, etc.

– The CMC (small molecule CDMO) services segment includes 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, 2023	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	**6,660,117**	**2,711,039**	**1,737,293**	**424,937**	**4,610**	**11,537,996**
Segment results	**2,928,549**	**904,269**	**296,248**	**(35,304)**	**1,058**	**4,094,820**
Unallocated amounts:						
Other income and gains						**374,011**
Other expenses						**(37,904)**
Selling and distribution expenses						**(252,778)**
Administrative expenses						**(1,671,883)**
Research and development costs						**(448,278)**
Impairment losses on financial and contract assets, net of reversal						**(35,825)**
Finance costs						**(182,192)**
Share of losses of associates						**(2,084)**
Group's profit before tax						**1,837,887**
Year ended December 31, 2022						
Segment revenue	6,088,778	2,406,722	1,393,573	351,027	26,188	10,266,288
Segment results	2,758,663	831,739	159,685	(7,641)	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

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

	2023	2022
	RMB'000	*RMB'000*
North America	**7,400,776**	6,644,016
Chinese Mainland	**1,974,914**	1,880,537
Europe	**1,844,397**	1,483,241
Asia (except Chinese Mainland)	**269,036**	233,482
Others	**48,873**	25,012
	11,537,996	10,266,288

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**10,565,990**	9,528,332
Europe	**2,552,833**	2,150,894
North America	**2,026,668**	1,811,597
Others	**21,559**	28,599
	15,167,050	13,519,422

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:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**11,537,996**	10,266,288
	11,537,996	10,266,288

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	**2023**	2022
	RMB'000	*RMB'000*
Types of services		
Laboratory services	**6,660,117**	6,088,778
CMC (small molecule CDMO) services	**2,711,039**	2,406,722
Clinical development services	**1,737,293**	1,393,573
Biologics and CGT services	**424,937**	351,027
Others	**4,610**	26,188
Total revenue from contracts with customers	**11,537,996**	10,266,288
Timing of revenue recognition		
Services transferred at a point of time	**5,961,463**	5,468,284
Services transferred over time	**5,576,533**	4,798,004
Total revenue from contracts with customers	**11,537,996**	10,266,288

(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

	2023	2022
	RMB'000	*RMB'000*
Other income		
Interest income	**33,543**	35,213
Government grants and subsidies related to		
– Assets	**24,071**	12,525
– Income	**77,822**	47,348
	135,436	95,086
Other gains		
Foreign exchange gains, net	**146,997**	–
Gains on fair value change of biological assets	**48,035**	245,589
Gains on disposal of an equity investment at fair value through profit or loss	**15,740**	72,475
Gains on termination of lease contracts	**1,151**	603
Gains on financial assets at fair value through profit or loss	**18,444**	7,072
Dividend income from equity investments at fair value through profit or loss	**1,747**	78
Gains on financial assets at amortised cost	**4,231**	2,647
Others	**2,230**	2,236
	238,575	330,700
	374,011	425,786
Other expenses		
Foreign exchange losses, net	**–**	(42,392)
Losses on disposal of property, plant and equipment	**(1,092)**	(1,817)
Losses on derivative financial instruments	**(70)**	(2,179)
Losses on fair value change of equity investment at fair value through profit or loss	**(16,398)**	(118,678)
Losses on fair value change of financial liabilities at fair value through profit or loss	**(5,489)**	(30,534)
Others	**(14,855)**	(26,696)
	(37,904)	(222,296)

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**59,659**	48,867
Interest expenses on convertible bond – debt component	**117,404**	111,479
Interest expenses on lease liabilities	**36,439**	31,358
Total interests	**213,502**	191,704
Less: Interest capitalised	**(31,310)**	(24,392)
	182,192	167,312

8. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**778,070**	590,336
Depreciation of right-of-use assets	**194,903**	144,142
Amortisation of other intangible assets	**35,615**	31,585
Staff costs* (including directors' and chief executive's remuneration):		
Salaries and other benefits	**4,143,179**	3,573,842
Pension scheme contributions, social welfare and other welfare**	**1,239,369**	1,000,285
Share-based compensation expenses	**202,222**	177,175
Gains on financial assets at fair value through profit or loss	**(18,444)**	(7,072)
Dividend income from equity investments at fair value through profit or loss	**(1,747)**	(78)
Losses on fair value change of equity investments at fair value through profit or loss	**16,398**	118,678
Gains on fair value change of biological assets	**(48,035)**	(245,589)
Gains on financial assets at amortised cost	**(4,231)**	(2,647)
Losses on fair value change of financial liabilities at fair value through profit or loss	**5,489**	30,534
Gains on disposal of an equity investment at fair value through profit or loss	**(15,740)**	(72,475)
Impairment losses on inventories, net of reversal	**8,566**	3,917
Impairment losses on financial and contract assets, net of reversal	**35,825**	21,157
Foreign exchange (gains)/losses, net	**(146,997)**	42,392
Losses on derivative financial instruments	**70**	2,179
Auditor's remuneration	**4,750**	4,850

* 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

	2023	2022
	RMB'000	*RMB'000*
Current tax	**319,737**	293,293
Deferred tax	**(63,631)**	20,961
	256,106	314,254

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 2023 and as an "Advanced Technology Enterprise" in 2015 which was subsequently renewed in 2023, and therefore the Company was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. These qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron Xi'an Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2018 and the qualification was subsequently renewed in 2023, and therefore Pharmaron Xi'an Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Beijing) TSP Service Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2015 and the qualification was renewed in 2023 and as an "High and New Technology Enterprise" in 2020 and the qualification was subsequently renewed in 2023, and therefore Pharmaron (Beijing) TSP Service Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. These qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Ningbo) Technology Development Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2020 and the qualification was renewed in 2023, and therefore Pharmaron (Ningbo) Technology Development Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. 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 the qualification was subsequently renewed in 2023, 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, 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Beijing LinkStart Biotechnology Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020 and the qualification was subsequently renewed in 2023, and therefore Beijing LinkStart Biotechnology Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

RAMED (Beijing) Medical Technology Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2020 and the qualification was subsequently renewed in 2023, and therefore RAMED (Beijing) Medical Technology Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron Shanghai Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2023, and therefore Pharmaron Shanghai Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Beijing) Technology Development Co., Ltd. was accredited as an "Advanced Technology Enterprise" in 2023, and therefore Pharmaron (Beijing) Technology Development Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pharmaron (Nanjing) Clinical Services Co., Ltd. was accredited as an "High and New Technology Enterprise" in 2023, and therefore Pharmaron (Nanjing) Clinical Services Co., Ltd. was entitled to a preferential EIT rate of 15% for the year ended December 31, 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

The group entities incorporated in U.S. were subject to the federal corporate tax at a rate of 21% as at December 31, 2022 and 2023.

The group entities incorporated in U.K. were subject to tax at a rate of 19% for the years ended December 31, 2022 and 25% for the year ended December 31, 2023.

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, 2022 and 2023.

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, 2022 and 2023.

10. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Proposed final – RMB0.20 (2022: RMB0.30) per ordinary share	**357,479**	357,367

On June 21, 2023, the Company's shareholders approved the 2022 Profit Distribution Plan at the annual general meeting, pursuant to which a final dividend of RMB0.30 (inclusive of tax) per share in respect of the year ended December 31, 2022 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB357,367,000 (inclusive of tax).

The Board proposed to declare a final cash dividend of RMB2.0 (inclusive of tax) per 10 shares or an aggregate of approximately RMB357,479,000 (inclusive of tax) for the year ended December 31, 2023.

The proposed final dividend for the year ended December 31, 2023 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 1,772,422,967 (2022: 1,773,033,836) 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, 2023, 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:

	2023	2022
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,601,096**	1,374,604
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**–**	(501)
Earnings for the purpose of calculating basic earnings per share	**1,601,096**	1,374,103
Effect of diluted potential ordinary shares:		
Add: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**–**	501
Earnings for the purpose of calculating diluted earnings per share	**1,601,096**	1,374,604

	2023	2022
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,772,422,967**	1,773,033,836
Effect of diluted potential ordinary shares:		
Effect of restricted shares units and share awards issued by the Company	**2,834,267**	3,187,456
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**1,775,257,234**	1,776,221,292

Approved by the board of directors' meeting held on March 30, 2023 and shareholders' meeting held on June 21, 2023, the share premium amounting to RMB595,577,000 was converted into share capital on the basis of 5 Shares for every 10 Shares transferred to all shareholders as at June 21, 2023 ("Share Capital Conversion").

The computation of basic and diluted earnings per share for the year ended December 31, 2022 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 2023, 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 AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**2,316,486**	1,939,525
Bills receivable	**128**	–
Allowance for impairment	**(74,461)**	(57,643)
	2,242,153	1,881,882

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 and bills receivable balances. The balances of trade receivables are non-interest-bearing.

Included in the trade receivables was an amount due from related parties of RMB58,960,000 as at December 31, 2023 (2022: RMB7,822,000), 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 and bills receivables as at the end of each Reporting Period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**2,226,376**	1,890,865
1 year to 2 years	**62,489**	22,133
More than 2 years	**27,749**	26,527
	2,316,614	1,939,525

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**57,643**	38,491
Impairment losses, net	**31,837**	20,296
Write-offs	**(15,933)**	(2,204)
Exchange realignment	**914**	1,060
	74,461	57,643

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 and bills 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 and bills 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 and bills receivables using a provision matrix:

	2023		
	Expected credit loss rate	**Gross carrying amount** *RMB'000*	**Expected credit losses** *RMB'000*
Within 1 year	**1.14%**	**2,226,376**	**25,276**
1 to 2 years	**34.30%**	**62,489**	**21,436**
Over 2 years	**100.00%**	**27,749**	**27,749**
		2,316,614	**74,461**

	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

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:

	2023 *RMB'000*	2022 *RMB'000*
Within 1 year	**401,034**	398,448
Over 1 year	**11,187**	7,900
	412,221	406,348

The amount of trade payables due to a related party was nil as at December 31, 2023 (2022: RMB nil).

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 has 21 R&D centers and manufacturing facilities across China, the U.K. and the U.S., and 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. The Company has built a fully-integrated service platform for small molecule drugs, biologics and CGT products, and is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities. In addition, the Company will further develop the global footprints of its service 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, covering small molecule drugs, oligonucleotides, peptides, antibodies, antibody-drug conjugates (ADC) and CGT products, etc.

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, chemistry for new modalities, 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, synthesis of new modalities (nucleosides/nucleotides, lipids, saccharides, peptides, and conjugates), 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 other services. Bioscience services provide customers with drug discovery services such as target validation, structure activity relationship studies, candidate compound identification, and drugability studies.

(2) CMC (small molecule CDMO) services

Our experienced CMC (small molecule CDMO) services team offers customers process development and manufacturing, material science/pre-formulation, formulation development and manufacturing, and analytical development services, covering a broad range of products including small molecule drugs, oligonucleotides, peptides, linkers and payloads. 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 to support preclinical and other stages of clinical development and commercial manufacturing needs; the material science/ pre-formulation 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 radio-labelled science services and early stage clinical trial services. The radio-labelled science services of the Company help customers synthesize ^{14}C and tritium ^{3}H radio-labelled compounds and use for DMPK/ADME studies of various compounds in human, so as to accelerate their clinical development process. Through the independent early clinical R&D center with 96 beds in Maryland, U.S., the Company provides customers with clinical research services including comprehensive FIH studies, vaccine development/infectious challenge studies, comprehensive ^{14}C drug absorption, distribution and excretion trial, TQT/cardiac safety, and cross-ethnic bridging studies.

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

The Company's bioanalytical platforms in China and U.S. are able to support the bioanalysis of clinical trials of small molecules and biologics around the world. In addition, with the collaboration among the domestic and overseas clinical development services and the preclinical 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.

Biologics development and manufacturing services (CDMO) include 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 preclinical and clinical development and marketing stages. In addition, the Company's U.S. laboratory services provide customers with discovery and development services in biologics, CGT products and medical devices in the areas of ophthalmology.

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 preclinical safety evaluation, Phase I, II and III clinical trials, and post-marketing product life cycle management. The facility has been licensed by MHRA, the U.K. pharmaceutical administration authority, for the manufacture of biologics and CGT products.

B. Financial Review

1. Overall Operation Results

2023 was a challenging year with dramatic fluctuation in global investments and the financial market, and the biopharmaceutical industry entered a major restructuring phase. However, the Company firmly believes that the pursuit of health and longevity is eternal, and the long-term industry fundamentals for pharmaceutical R&D remain intact. Despite these pressure and challenges, the Company continued to focus on its long-term growth strategies, with its execution meeting the needs of the dynamic environment, and achieved steady growth in revenue and profit. During the Reporting Period, the Company realized revenue of RMB11,538.0 million, with a year-on-year growth of 12.4%, and continued to gain market share; gross margin was 35.5%, with a decrease of 1.0 percentage points over last year; the Company obtained the profit attributable to the owners of the parent of RMB1,601.1 million, with a year-on-year growth of 16.5%; the Company obtained the Non-IFRSs adjusted net profit attributable to owners of the parent of RMB1,903.4 million, with a year-on-year growth of 3.8%. In 2022, the gains from the fair value change of biological assets were much higher than that of 2023. Excluding this impact, the Company's non-IFRSs adjusted net profit attributable to owners of the parent for the year ended December 31, 2023 increased by 11.4% year-on-year.

The Company continued to adhere to the "Customer Centric" corporate philosophy. Leveraging its fully-integrated services platform, state-of-the-art R&D and production technologies, and seamless collaborations among teams in China, the U.K. and the U.S., the Company has effectively met the diverse needs of global customers across different R&D stages. During the Reporting Period, the Company served more than 2,800 global customers, of which the customers using the services of multiple business segments of the Company contributed revenue of RMB8,641.1 million, accounting for 74.9% of the Company's revenue. During the Reporting Period, the Company added more than 800 new customers, contributing revenue of RMB858.7 million, accounting for 7.4% of the Company's revenue; the existing customers contributed revenue of RMB10,679.3 million, with a year-on-year growth of 12.7%, accounting for 92.6% of the Company's revenue. In addition, the Company had extensive technical cooperation with clients and made joint publications from research results, including 40 articles published in peer-reviewed international scientific journals, such as *J. Med. Chem., Bioorg. Med. Chem. Lett. and J. Pharm. Sci., etc.,* and 40 granted or submitted domestic and international patent applications (8 of which Pharmaron invented and owns the IP rights, and 32 IP rights owned by our clients with Pharmaron scientists as co-inventors) in 2023.

Categorized by customer types, during the Reporting Period, the revenue from the global top 20 pharmaceutical companies was RMB1,722.7 million, with a year-on-year growth of 14.9%, accounting for 14.9% of the Company's revenue; the revenue from other customers was RMB9,815.3 million, with a year-on-year growth of 12.0%, accounting for 85.1% of the Company's revenue.

Categorized by regions where the customers are located, during the Reporting Period, the revenue from customers in North America was RMB7,400.8 million, with a year-on-year growth of 11.4%, accounting for 64.1% of the Company's revenue; the revenue from customers in EU (including the U.K.) was RMB1,844.4 million, with a year-on-year growth of 24.4%, accounting for 16.0% of the Company's revenue; the revenue from customers in China was RMB1,975.0 million, with a year-on-year growth of 5.0%, accounting for 17.1% of the Company's revenue; and the revenue from customers in other regions was RMB317.9 million, with a year-on-year growth of 23.0%, accounting for 2.8% of the Company's revenue.

The Company continued to bring in high-level domestic and overseas talents and enhance its global capabilities and capacities to support its growing business. As of December 31, 2023, the total number of employees reached 20,295, including 18,239 R&D, production technology and clinical services staff, accounting for 89.9% of the total number of employees in the Company, with a year-on-year growth of 814 employees. During the Reporting Period, the Company's revenue growth rate exceeded the growth rate of the number of employees, and further increased its revenue per capita. With the expansion of its global footprint, the Company owns 11 operating facilities and has more than 1,600 employees in the U.K. and the U.S. In 2023, the delivered revenue of the overseas subsidiaries accounted for 13.7% of the revenue of the Company.

The Company continuously attaches importance to quality management, strictly abides by the highest level of international quality standards, and provides customers with high-quality products and services. The Company regularly carries out internal and external audits, comprehensively improving and enhancing the quality compliance system by addressing potential risks in all aspects of the quality management life cycle. On the one hand, the company has established an internal audit team composed of experts from various departments. Based on the requirements of relevant quality standards, the team conducts a comprehensive internal audit of product and service quality at least once a year. Issues identified during the audit have been addressed on schedule. During the Reporting Period, the Company completed the internal quality audit of CMC production facilities and clinical service sites in accordance with the international GMP/CGP/CLP standards such as ICHQ7 API GMP Guidelines, ICH Q10 Pharmaceutical Quality System, EU GMP Standards, US GMP Standards, China GMP Standards, GCP Standards and GLP Standards. On the other hand, the Company has also received multiple customer audits, regulatory audits and EU QP audits, and all passed smoothly.

In 2023, the Company made its best efforts to improve the overall ESG performance by considering the expectations from the clients and investors as well as following the industry's best practice. Based on the Science Based Targets initiative (SBTi) and ISO environmental management guidelines, the Company established a robust environmental management system and actively explored the path of energy saving and emission reduction. The Beijing headquarters has been assessed and certified as meeting the requirements of ISO 14001 in early 2024 following preparation in 2023. At the same time, the company actively responded to the national renewable energy substitution advocacy, piloted green electricity and biomass energy application in multiple domestic and oversea campus, and gradually increased the proportion of renewable energy use. The initiatives laid out a foundation for the Company's future green transformation. During the Reporting Period, the Company's CDP (Carbon Disclosure Project) climate questionnaire was rated B, responding to the expectations of clients and investors for the Company's sustainable development. In addition, this year's ESG work is no longer limited to the environmental field, the social and governance aspects have also been greatly improved in conjunction with the continuous improvement of the Company's compliance system. Referring to the United Nations Global Compact and other international standards, the Company developed and piloted its Diversity and Inclusion program to empower employees, and cooperate with value chain partners for win-win results. Meanwhile, the Company has devoted itself to social welfare and industry development, organized a number of academic activities, and practiced corporate citizenship responsibility. With the successive implementation of various thematic projects, the overall ESG performance of the Company has been improved and become competitive. In the Sustainalytics rating, the company has been rated as "2023 ESG Industry Top Related Company", and evaluated as "low risk" company. In addition, the Company was selected as the "ESG Best Practice Case of Listed Companies" of China Association for Public Companies in 2023, and won the honors of ESG Top50 of China's Listed Companies in 2023 and the 17th Green Low Carbon Outstanding Contribution Award of China's Listed Companies, reflecting broad recognition for its accomplishments in ESG aspects.

2. Operation results of each business segment

(1) Laboratory services

During the Reporting Period, the laboratory services segment realized revenue of RMB6,660.1 million, with a year-on-year growth of 9.4%; and a gross margin of 44.0%, with a decrease of 1.3 percentage points over last year. Despite the impact of global biotech funding environment and the temporary slowdown of the growth of customer demands, the Company's laboratory chemistry services maintained its sustainable competitiveness and market share. The Company's bioscience services continued to realize synergies with laboratory chemistry services, and actively explored business opportunities in oligonucleotides, peptides, antibodies, ADCs, and cell and gene therapies. During the Reporting Period, the proportion of bioscience services revenue in laboratory services revenue exceeded 51%. The Company continued to contribute to the global innovative drug R&D, and participated in 764 drug discovery projects in 2023, representing an increase of approximately 17% over last year.

As of December 31, 2023, the Company had 9,466 employees in laboratory services. In laboratory chemistry services, the Company has one of the world's leading laboratory chemistry groups in terms of size and expertise with over 6,000 laboratory chemists and technicians. The Company provided customers with more flexible and comprehensive laboratory services through seamless collaborations among laboratory services teams in China, the U.K. and the U.S., fulfilling the diverse needs in different R&D stages from customers, and helping customers rapidly advance R&D projects from preclinical R&D to clinical stage globally. Furthermore, the Company has leveraged its years of accumulated experience and expertise in synthetic chemistry to create a unique database for training AI model. The AI model can help to predict optimal conditions and discover new synthetic routes, improving the productivities of its services.

During the Reporting Period, the Company's bioscience team continued to improve its technical capability and expand its service offerings. In addition to small molecule drugs, the Company further strengthened its bioscience services for new modalities, including oligonucleotides, peptides, antibodies, ADCs and CGT products, and made good progress. The Company also streamlined and standardized its preclinical, clinical and radiolabelled ADME/DMPK services in China, the U.K. and the U.S., to better support the customers' drugability studies across different regions. The Company has enhanced its service capabilities, including metabolomics/proteomics/transcriptomics analysis, high-throughput sequencing and cell painting image data mining, big data analysis and prediction of mechanism of action based on machine learning, tumor and normal tissue organoids, biochips, PBPK modeling, as well as pharmacology services of biologics and ADCs to meet the dynamic needs of customers.

In 2024, the Campus III in Ningbo will begin operation, which will increase the Company's service capacities in safety assessment, DMPK and *in vivo* pharmacology. Meanwhile, the Company continued to advance the construction of the Xi'an Campus and the Campus II in Beijing, to support the mid-to-long term development of laboratory services.

(2) CMC (small molecule CDMO) services

During the Reporting Period, the CMC (small molecule CDMO) services segment realized revenue of RMB2,711.0 million, with a year-on-year growth of 12.6%; and a gross margin of 33.4%, with a decrease of 1.2 percentage points over last year. The Company's CMC (Small molecule CDMO) services continued to see a solid growth and its product pipeline continued to advance to late stage despite the combined impact of global biotech funding environment and some canceled late-stage clinical supply orders from customers as a result of deprioritized pipeline. The Company's Shaoxing facility has commenced operation gradually in 2022, which were headwinds for the gross profit margin during the Reporting Period.

As of December 31, 2023, the Company had 4,149 employees in CMC (small molecule CDMO) services. With the seamless integration of the Company's fully-integrated R&D service platform and the coordination of different service segments, approximately 85% of CMC (small molecule CDMO) services revenue came from the Company's existing customers of drug discovery services. In terms of process development, nearly 2,000 process development chemists of the Company in China and more than 200 process development chemists of the Company in the U.K. worked closely together to provide

customized services for global customers with state-of-the-art technology. In terms of manufacturing, the Company's production facilities in China, the U.K. and the U.S. provided customers with flexible and efficient integrated solutions from pilot to commercial production, covering intermediates, APIs and formulations. Furthermore. along with the continuous integration of commercial manufacturing capacities, the Company has established a commercial process development team to better support the process development of late-stage clinical and commercial projects. During the Reporting Period, the Company's CMC (small molecule CDMO) services pipeline reached 885 molecules or intermediates, including 29 projects in process validation and commercialization stage, 27 projects in Phase III clinical trials, 170 projects in Phase I-II clinical trials, and 659 projects in preclinical stage.

The Company's CMC services team closely follows the frontiers of science and technology, adheres to the policies and regulations, and makes great efforts to build technology platforms for sustainable development, especially in upgrading technology and promoting innovation in "green chemistry", including flow chemistry and biocatalysis, to improve its productivities. During the Reporting Period, the Company's Shaoxing facility successfully delivered of a number of projects using green chemistry technologies, with the maximum delivery volume of a single project reaching several tons. In addition to small molecules, the Company was also expanding its pipeline to support more and more oligonucleotide and peptide projects in preclinical and early clinical stages. With the rapid development of new modalities, the Company is planning to build a multi-functional workshop with production capacity for new modalities such as oligonucleotides and/or peptides in Campus II in Shaoxing, to meet the growing demands of customers as their pipeline advances from early stage to late stage.

As the core pillar of the Company's CMC (small molecule CDMO) services, the Company is committed to the continuous improvement of its quality of services. The Company strictly adheres to the highest international quality standards and has laid a solid foundation for the further development of its CMC (small molecule CDMO) services by continuously strengthening its quality management systems. The Company's QA team provides customers with a variety of flexible auditing methods, including remote online audit and a combination of online and on-site audits. During the Reporting Period, the Company received 132 QA audits (including 3 audits by regulatory authorities and 129 customer audits), and passed all the audits. Among them, the Company's Shaoxing facility received 11 QA audits, including 2 audits from regulatory authorities, and successfully obtained Pharmaceutical Production License of human medicines and veterinary medicines, and GMP certificate for veterinary medicinal products. In addition, the Company's drug product manufacturing facility in Ningbo passed China NMPA new drug pre-approval inspections (PAI) and GMP compliance pre-market inspection in May 2023, and the verification results showed that the Company had no material defects or no major defects. This was the first regulatory inspection for the Company's drug product commercial manufacturing facility. The product that the Company produced for its customer has obtained NMPA approval, fully validating the quality control system and cGMP commercial production capability of the Company's CMC (small molecule CDMO) services.

The Company continued to strengthen the global footprint of its CMC (small molecule CDMO) services. During the Reporting Period, the Company co-invested in PharmaGend, which acquired certain state-of-the-art production machinery and equipment from Strides Pharma Global Pte. Ltd. and leased a pharmaceutical manufacturing plant with top-tier infrastructure in Singapore ("Singapore Manufacturing Plant"). The Singapore Manufacturing Plant had passed inspections from the Health Sciences Authority of Singapore (HSA), the U.S. Food and Drug Administration (FDA) and the Therapeutic Goods Administration of Australia (TGA). It represented a milestone of the Company's global drug product CDMO services and further strengthened its global CMC (small molecule CDMO) services network.

(3) Clinical development services

During the Reporting Period, the clinical development services segment realized revenue of RMB1,737.3 million, with a year-on-year growth of 24.7%; and a gross margin of 17.1%, with an increase of 5.6 percentage points over last year. Pharmaron Clinical's consolidation of the integrated clinical service platform has seen remarkable results. The integration of China, the U.K. and the U.S. clinical services capabilities has been recognized by customers and gained market share, driving the rapid revenue growth and the improvement of gross profit margin.

As of December 31, 2023, the Company had 3,892 employees in clinical development services. Pharmaron Clinical has established an integrated clinical trial service platform in China, an independent early clinical R&D center with 96 beds in Maryland, the U.S., and an integrated platform of "radioisotope compound synthesis – clinical – analysis" in the U.K. and the U.S.. Pharmaron Clinical's domestic and overseas teams work closely to help overseas customers develop their products in China and help China customers develop their products overseas.

During the Reporting Period, the Company's clinical CRO team provided services to 1,035 ongoing projects, including 83 projects in Phase III clinical trials, 443 projects in Phase I/II clinical trials, and 509 other clinical trials (including Phase IV clinical trials, investigator-initiated trials and real-world evidence trials). The Company's clinical research site management services team provided services to over 1,450 ongoing projects. Its CRC team covered over 600 hospitals and clinical trial centers in over 120 cities in China for clinical research site management services. Furthermore, Pharmaron Clinical attaches great importance to quality management, and has been audited by clients and inspected by regulatory authorities for 70 times (including 4 inspections by regulatory authorities and 66 customer audits) in 2023, all of which have been passed. In addition, Pharmaron Clinical's medical device services have received ISO 13485 certification, its SMO has received ISO 90001 certification, and Pharmaron CPC (Clinical Pharmacology Center) has received multiple certifications and accreditations including CLIA Certificate and COLA Accreditation.

During the Reporting Period, Pharmaron Clinical promoted digital transformation and clinical trial intelligence and made good progress. Pharmaron Clinical established a "Digital Innovation Technology Department" and built a team of professionals with both digitalization and AI expertise and clinical operation expertise. The "Digital Innovation Technology Department" took initiatives to adopt digitalization and AI for clinical development services, including the application of automation and machine learning in different segments of clinical development services, and improved its productivities and achieved cost savings.

(4) Biologics and CGT services

During the Reporting Period, the Biologics and CGT services segment realized revenue of RMB424.9 million, with a year-on-year growth of 21.1%; and a gross margin of -8.3%, mainly because the biologics and gene therapy CDMO business was in the investment stage. During the Reporting Period, Pharmaron Ningbo Biologics, the biologics and CGT services platform of the Company, entered into a capital increase agreement for equity financing with a financing amount of approximately RMB950 million, with a post-investment valuation of approximately RMB8.55 billion.

As of December 31, 2023, the Company had 732 employees in Biologics and CGT services. The Company's biologics and CGT services were recognized by a growing number of global customers and achieved synergies with other service segments. During the Reporting Period, over 25% of biologics and CGT products bioanalytical services revenue came from the Company's existing customers of preclinical and safety assessment services. The Company actively expanded its customer base of CGT services. During the Reporting Period, the U.S. laboratory added 15 new customers, and provided analytical release testing services to 26 CGT products at various stages, including 13 potency assays for clinical studies and 2 potency assays for commercial manufacture. For the safety assessment services, the Company had 21 GLP and non-GLP toxicology studies for CGT products either had been completed or are in progress. In terms of gene therapy CDMO services, the Company's laboratories and facilities in Liverpool, the U.K. offered customers a scalable and approvable multiple AAV production platform. During the Reporting Period, the Company had 13 gene therapy CDMO projects across different service offerings and R&D stages, including 2 Phase III projects, 7 Phase I/II projects, and 4 preclinical projects.

To meet the growing demand for testing services, the Company's specialty toxicology *in vivo* laboratory in Carlsbad, California will begin operation in 2024 and start to provide services to CGT products, ophthalmology products, and medical devices. This laboratory is equipped with state-of-the-art instrumentation that can support the totality of specialty CGT toxicology studies from formulation preparation/cell culture capabilities to imaging modalities for sophisticated in life dosing/sampling techniques, and bioanalysis. During the Reporting Period, the Company established a new laboratory in Exton for potency assays and analytical release testings of CGT products, significantly increasing its capacity. In terms of quality systems, in addition to MHRA, FDA, and EMA, the GMP facility in Exton was also inspected and GMP-approved by the PMDA in 2023.

In terms of gene therapy CDMO services, the Company continued to expand its new laboratory and facility in Liverpool, the U.K.. The Company's gene therapy services platform is highly recognized by the U.K. Government, and during the Reporting Period, the Company received an important grant from the U.K. Government's Life Sciences Manufacturing Innovation Fund (LSMIF), and won the Bionow 2023 award for the best business support company (CRO/CDMO/enabling services or technologies).

In terms of biologics CDMO services, the Company is currently providing process development services to a global customer's innovative bispecific antibody in IND enabling stage. The Company's biologics CDMO platform in Ningbo will begin operation in 2024 and start to provide GMP manufacturing services in the future.

3. Profit for the Reporting Period

The profit attributable to owners of the parent in the Reporting Period was approximately RMB1,601.1 million, increased by 16.5% as compared to approximately RMB1,374.6 million for the year ended December 31, 2022.

4. Basic and Diluted Earnings Per Share

The basic earnings per share for the Reporting Period was approximately RMB0.9033, increased by 16.6% as compared to approximately RMB0.7750 for the year ended December 31, 2022. The diluted earnings per share for the Reporting Period was approximately RMB0.9019, increased by 16.5% as compared to approximately RMB0.7739 for the year ended December 31, 2022.

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, 2023	Year ended December 31, 2022
	RMB'000	*RMB'000*
Profit attributable to owners of the parent	**1,601,096**	1,374,604
Add:		
Share-based compensation expenses	**185,227**	157,145
Convertible Bonds related losses	**122,893**	142,013
Foreign exchange related (gains)/losses	**(6,166)**	77,670
Realized and unrealized losses from equity investments	**381**	82,839
Non-IFRS adjusted net profit attributable to owners of the parent	**1,903,431**	1,834,271

6. Cash Flows

During the Reporting Period, the net cash flows generated from operating activities was approximately RMB2,753.5 million, representing an increase of approximately 28.5% as compared to the year ended December 31, 2022.

During the Reporting Period, net cash flows used in investing activities of the Group amounted to approximately RMB2,250.8 million, representing an increase of approximately RMB42.3 million or 1.9% as compared to the year ended December 31, 2022.

During the Reporting Period, net cash flows generated from financing activities of the Group amounted to approximately RMB3,915.3 million, representing an increase of approximately RMB5,332.5 million or 376.3% as compared to the year ended December 31, 2022. The increase was mainly due to: 1) increased proceeds from bank loans in the year ended December 31, 2023; 2) increased capital injection from minority Shareholders in the year ended December 31, 2023; 3) deceased purchase of H Shares by the trustee under the Company's First H Share Award and Trust Scheme.

7. Liquidity and Financial Resources

The Group has maintained a sound financial position during the Reporting Period. As at December 31, 2023, the Group's cash and cash equivalents amounted to approximately RMB5,791.2 million. For the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB2,753.5 million.

The Group recorded total current assets of approximately RMB10,874.4 million as at December 31, 2023 (December 31, 2022: approximately RMB6,536.0 million) and total current liabilities of approximately RMB3,654.5 million as at December 31, 2023 (December 31, 2022: approximately RMB3,912.4 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 3.0 as at December 31, 2023 (December 31, 2022: approximately 1.7).

8. Borrowings and Gearing Ratio

As at December 31, 2023, the Group aggregated interest-bearing bank borrowings of approximately RMB5,035.6 million, representing an increase of 247.0% as compared to the year ended December 31, 2022. Such increase was mainly due to the borrowed syndicated loan to cover the Convertible Bonds. Among the total borrowings, approximately RMB727.4 million will be due within one year and approximately RMB4,308.2 million will be due after one year.

As at December 31, 2023, the gearing ratio, calculated as total liabilities over total assets, was 50.0%, as compared with 47.1% as at December 31, 2022.

9. Pledge of Assets

As at December 31, 2023, the Group mortgaged property, plant and equipment with a net carrying amount of approximately RMB691.7 million (December 31, 2022: approximately RMB408.1 million); and the mortgaged right-of-use assets had a net carrying amount of approximately RMB128.3 million (December 31, 2022: approximately RMB118.9 million).

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

Besides, as at December 31, 2023, the Group pledged deposits of approximately RMB127.7 million (December 31, 2022: approximately RMB49.3 million) to issue letters of credit and for environmental protection.

10. Final Dividend

On June 21, 2023, the 2022 Profit Distribution Plan of the Company was approved at the annual general meeting of the Company. For further details of dividends paid pursuant to the 2022 Profit Distribution Plan, please refer to "13. Miscellaneous – (2) 2022 Profit Distribution Plan" below.

The Board proposed to declare a final cash dividend of RMB2.0 (inclusive of tax) per 10 shares or an aggregate of approximately RMB357.5 million for the year ended December 31, 2023

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, 2023 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, 2023, the Group did not have any material contingent liabilities.

12. Share Incentive Schemes

(1) 2019 A Share Incentive Scheme

On August 15, 2019, the Shareholders have resolved to adopt the 2019 A Share Incentive Scheme, the assessment management measures for the implementation of the 2019 A Share Incentive Scheme and the authorization to the Board to handle matters pertaining to the 2019 A Share Incentive Scheme during the Shareholder's meeting of the Company.

(i) Purpose of the 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 the Group, effectively align the interests of the Group, the Shareholders 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 share incentive grants.

(ii) Category of grantees and participants of the 2019 A Share Incentive Scheme

The total number of grantees who had granted and who had taken up the relevant Restricted A Shares under the 2019 A Share Incentive Scheme was 227, which included (i) senior-level management of the Company (not including senior management members of the Company); (ii) mid-level managers and backbone members of technicians of the Company; and (iii) basic-level managers and other technicians.

None of the Directors, supervisors, members of senior management, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or the spouses, parents or children of such de facto controllers of the Company, or their respective associates has been the grantee of any awards granted pursuant to the 2019 A Share Incentive Scheme.

(iii) Maximum entitlements of each participant and maximum number of Restricted A Shares to be issued by the Company under the 2019 A Share Incentive Scheme

None of the grants under the 2019 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants under the 2019 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue.

Pursuant to the 2019 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company is 5,651,359 A Shares, representing approximately 0.32% of the Company's total number of issued Shares as of December 31, 2023.

The scheme limit of the aforementioned remaining 1,130,272 A Shares were reserved for share incentive grants ("Approved Limit") under the 2019 A Share Incentive Scheme was approved by the Shareholders. Pursuant to the 2019 A Share Incentive Scheme, in the event that the scope of grantees of the share incentive are not confirmed within 12 months upon the shareholders' approval of the 2019 A Share Incentive Scheme on August 15, 2019, the Approved Limit shall lapse and no more share incentive may be granted. As a result, since the scope of grantees of the share incentive was not confirmed within the prescribed timeline, the Approved Limit was lapsed on August 15, 2020.

As such, no new shares under the Approved Limit of the Company have been issued as of December 31, 2023, and no share incentives were granted under the 2019 A Share Incentive Scheme during the Reporting Period. For the avoidance of doubt, no further share incentives shall be available for grant under the 2019 A Share Incentive Scheme.

(iv) Grant price and the basis of determining the grant price

The grant price of the Restricted A Shares was RMB17.85, and it was not lower than the higher of the following:

1. 50% of the average trading price of the A Shares on the trading day preceding July 29, 2019, the date of announcement of the 2019 A Share Incentive Scheme; and

2. 50% of the average trading prices of the A Shares for the last 60 trading days preceding the date of announcement of the 2019 A Share Incentive Scheme.

(v) Particulars of movements of unvested awards

All awards under the 2019 A Share Incentive Scheme have been granted to the relevant participants prior to the Reporting Period, and the relevant A Shares have been issued. These granted Restricted A Shares have a contractual term of no more than four years with 40%, 30% and 30% of the awards unlocking upon meeting certain unlocking conditions.

As of December 31, 2023, the conditions for unlocking a total of 4,221,681 Restricted A Shares have been fulfilled (of which 2,622,171 Shares had been listed for trading prior to the Reporting Period and 1,599,510 Shares (as adjusted after the implementation of the 2021 Profit Distribution Plan) have been listed for trading on May 15, 2023). All of such Restricted A Shares under the 2019 A Share Incentive Scheme have therefore been unlocked as of December 31, 2023.

The first grant of Restricted A Shares under the 2019 A Share Incentive Scheme was completed prior to the Reporting Period, and there was no grant of Restricted A Shares during the Report Period. Since the Approved Limit of share incentives have lapsed, no relevant awards have been granted during the Reporting Period and no shares of the Company will be allotted and issued under the reserved share incentives pursuant to the 2019 A Share Incentive Scheme.

(vi) Remaining validity period of the 2019 A Share Incentive Scheme

The 2019 A Share Incentive Scheme shall remain effective from the date of the first grant of the Restricted A Shares through the date on which all the Restricted A Shares have been unlocked or cancelled, or all of the share options granted have been exercised or cancelled, but in any event shall not be more than 48 months. As such, as of December 31, 2023, the 2019 A Share Incentive Scheme has expired.

(vii) Others

On May 15, 2023, 1,599,510 Restricted A Shares under the third unlocking period pursuant to the first grant of the 2019 A Share Incentive Scheme were unlocked for listing and circulation.

At the 2022 annual general meeting of the Company held on June 21, 2023, the Shareholders have approved a special resolution to repurchase (at the repurchase price of RMB11.90 per Share) and cancel a total of 69,750 Restricted A Shares under the 2019 A Share Incentive Scheme due to the resignation of three participants. The repurchase and cancellation were completed in July 2023.

During the Reporting Period, a total of 69,750 Restricted A Shares have been repurchased by the Company and 1,599,510 Restricted A Shares have been unlocked for listing and circulation.

(2) 2021 A Share Incentive Scheme

On July 12, 2021, the Shareholders have resolved to adopt the 2021 A Share Incentive Scheme, the assessment management measures for the implementation of the 2021 A Share Incentive Scheme and the authorization to the Board to handle matters pertaining to the 2021 A Share Incentive Scheme during the extraordinary general meeting of the Company.

(i) Purpose of the 2021 A Share Incentive Scheme

In order to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management, mid-level management, core technical personnel, basic-level management and technical personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized, the 2021 A Share Incentive Scheme was approved by Shareholders during the extraordinary general meeting of the Shareholders on July 12, 2021.

(ii) Category of grantees and participants of the 2021 A Share Incentive Scheme

The total number of grantees who have been granted and who have taken up the relevant Restricted A Shares under the 2021 A Share Incentive Scheme is 204, including core management of the Company, mid-level managements and core technical personnel and basic-level management and technical personnel. All eligible participants must have an employment or labour relationship with the Company or its subsidiaries when a grant under the 2021 A Share Incentive Scheme is made and during the assessment period of the 2021 A Share Incentive Scheme. The total number of Shares to be granted to any participants under all the fully effective share incentive schemes of the Company shall not exceed 1% of the total share capital of the Company.

None of the Directors, supervisors, members of senior management, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or the spouses, parents or children of such de facto controllers of the Company, or their respective associates has been the grantee of any awards granted pursuant to the 2021 A Share Incentive Scheme.

(iii) Maximum entitlement of each participant and maximum number of Restricted A Shares to be issued by the Company under the 2021 A Share Incentive Scheme

None of the grants under the 2021 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants under the 2021 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue.

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. 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 Profit Distribution Plan, and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, the maximum 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.

As a result of the implementation of the 2022 Profit Distribution Plan, and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, the maximum number of Restricted A Shares to be granted under the 2021 A Share Incentive Scheme further increased from 1,161,300 A Shares to 1,741,950 A Shares, representing approximately 0.10% of the Company's total number of issued Shares as of December 31, 2023.

(iv) Grant price and the basis of determining the grant price

The grant price of the Restricted A Shares under the 2021 A Share Incentive Scheme shall be RMB70.47 per A Share (subject to adjustment). Pursuant to the Shenzhen Listing Rules and the Management Measures, the pricing method for the Restricted A Shares under the 2021 A Share Incentive Scheme is independent pricing, and the share price is the 50% of average trading price of the Company's shares for 120 trading days prior to the date of the announcement of the 2021 A Share Incentive Scheme, which is RMB70.47 per share:

1. 50% of the average trading price of the Company's shares on the trading day immediately preceding the date of the announcement on the adoption of the 2021 A Share Incentive Scheme amongst other things, being RMB92.57 per A Share;

2. 50% of the average trading price of the Company's shares for the 20 trading days immediately preceding the date of the announcement on the adoption of the 2021 A Share Incentive Scheme amongst other things, being RMB89.86 per A Share;

3. 50% of the average trading price of the Company's shares for the 60 trading days immediately preceding the date of the announcement on the adoption of the 2021 A Share Incentive Scheme amongst other things, being RMB77.47 per A Share; and

4. 50% of any one of the average trading price of the Company's shares for the 120 trading days immediately preceding the date of the announcement on the adoption of the 2021 A Share Incentive Scheme amongst other things, being RMB70.47 per A Share.

The grant price was determined in accordance with the price references abovementioned. This was also determined with a view to stabilize talents and effectively incentivize employees under different cycles and business environments which may allow the Company to gain advantage in the competitive industry that it operates in. The Board has also taken into consideration the level of difficulty of the performance targets which eligible participants must achieve for the restricted A Share(s) to be attributed, and considers that this is in balance with a discount in the grant price.

(v) Implementation of the 2021 Profit Distribution Plan

As a result of the implementation of the 2021 Profit Distribution Plan 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 adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB70.17 per A Share to RMB46.48 per A Share.

(vi) Implementation of the 2022 Profit Distribution Plan

As a result of the implementation of the 2022 Profit Distribution Plan and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, on October 27, 2023, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB46.48 per A Share to RMB30.79 per A Share, and the number of Restricted A Shares granted but not vested under the 2021 A Share Incentive Scheme from 773,775 A Shares to 1,160,678 A Shares (prior to the resignation or voluntary waive of Restricted A Shares of certain eligible employees).

(vii) Vesting of Restricted A Shares

In January 2023, the Company conducted the registration of vesting of Restricted A Shares. Restricted A Shares were vested to a total of 136 eligible employees, and the total number of Restricted A Shares vested was 156,925. The Restricted A Shares vested were circulated on February 1, 2023. In the process of payment of funds and share registration, a total of 101,000 Restricted A Shares that could be vested to 53 eligible employees were forfeited in whole or in part due to personal reasons. Please refer to the announcement of the Company dated January 19, 2023 for further details.

(viii) Particulars of movement of unvested awards during the Reporting Period

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.

Set out below are details of the unvested awards and the movements of the number of granted awards under the 2021 A Share Incentive Scheme during the Reporting Period:

Category of grantee	Date of grant	Vesting period	Grant Price[(1)]	Number of unvested awards as at January 1, 2023	Cancelled or lapsed before the 2022 Profit Distribution Plan	Vested before the 2022 Profit Distribution Plan	Adjustment due to the 2022 Profit Distribution Plan	Cancelled or lapsed after the 2022 Profit Distribution Plan	Vested after the 2022 Profit Distribution Plan[(2)]	Number of unvested awards as at December 31, 2023
Employees	July 27, 2021	First tranche: • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date Second tranche: • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date Third tranche: • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date Fourth tranche: • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	RMB30.79	1,031,700	101,000	156,925	386,903	13,500	0	1,147,178

Note:

(1) The grant price was adjusted from RMB46.48 to RMB30.79 as a result of the implementation of the 2022 Profit Distribution Plan. Please refer to "– (2) 2021 A Share Incentive Scheme – (vi) Implementation of the 2022 Profit Distribution Plan" for further details.

(2) The weighted average closing price of the A Shares immediately before the dates on which the awards were vested was RMB28.29.

No awards were granted under the 2021 A Share Incentive Scheme during the Reporting Period, and no further share incentives shall be available for grant under the 2021 A Share Incentive Scheme.

(ix) Remaining validity period of the 2021 A Share Incentive Scheme

The 2021 A Share Incentive Scheme is valid until the date on which all Restricted A Shares available for issue under the 2021 A Share Incentive Scheme have been attributed or forfeited, and such period shall not exceed 60 months from the grant date (i.e. the date on which the Restricted A Shares are granted to a eligible participant as determined by the Board for the purposes of the 2021 A Share Scheme). As such, as of December 31, 2023, the remaining life of the 2021 A Share Incentive Scheme is 30 months.

(x) Others

In January 2024, the Company conducted the registration of vesting of Restricted A Shares. Restricted A Shares were vested to a total of 43 eligible employees, and the total number of Restricted A Shares vested was 79,694. The Restricted A Shares vested were circulated January 29, 2024. In the process of payment of funds and share registration, a total of 302,678 Restricted A Shares that could be vested to 140 eligible employees were forfeited in whole or in part due to personal reasons. Please refer to the announcement of the Company dated January 25, 2024 for further details.

(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.

(i) Purpose of the 2022 A Share Incentive Scheme

In order to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management, mid-level management and core technical personnel, basic-level management and technical personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized, the 2022 A Share Incentive Scheme was approved by Shareholders' meeting of the Company and became effective on May 31, 2022.

(ii) Category of grantees and participants of the 2022 A Share Incentive Scheme

The total number of the eligible participants for the grant proposed under the 2022 A Share Incentive Scheme shall be 379. All eligible participants must have an employment or labour relationship with the Company or its subsidiaries when a grant under the 2022 A Share Incentive Scheme is made and during the assessment period of the 2022 A Share Incentive Scheme. None of the Directors, supervisors, members of senior management, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or the spouses, parents or children of such de facto controllers of the Company, or their respective associates has been the grantee of any awards granted pursuant to the 2022 A Share Incentive Scheme.

(iii) Maximum entitlements of each participant and maximum number of Restricted A Shares to be issued by the Company under the 2022 A Share Incentive Scheme

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. For details of the terms of the 2022 A Share Incentive Scheme, please refer to the circular of the Company dated May 6, 2022.

None of the grants made under the 2022 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants made under the 2022 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue.

As a result of (i) resignations or voluntary waive of Restricted A Shares of certain eligible employees, and (ii) the implementation of the 2021 Profit Distribution Plan, 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, representing approximately 0.12% of the Company's total number of issued Shares as of December 31, 2023, pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme. The total number of Shares to be granted to any participants under all the fully effective share incentive schemes of the Company shall not exceed 1% of the total share capital of the Company.

(iv) Grant price and the basis of determining the grant price

The grant price of the Restricted A Shares under the 2022 A Share Incentive Scheme was RMB58.38 per A Share (subject to adjustment). Pursuant to the Shenzhen Listing Rules and the Management Measures, the grant price of the Restricted A Shares shall be not less than the par value of the Shares, and in principle not less than the higher of:

1. 50% of the average trading price of the Company's A Shares for one trading day immediately preceding the date of the announcement with respect to the adoption of the 2022 A Share Incentive Scheme, being RMB58.38 per A Share; and

2. 50% of the average trading price of the Company's A Shares for the 20 trading days immediately preceding the date of the announcement with respect to the adoption of the 2022 A Share Incentive Scheme, being RMB55.06 per A Share.

The grant price was determined in accordance with the price references abovementioned. This was also determined with a view to stabilize talents and effectively incentivize employees under different cycles and business environments which may allow the Company to gain advantage in the competitive industry that it operates in. The Board has also taken into consideration the level of difficulty of the performance targets which Participants must achieve for the restricted share(s) to be attributed.

(v) Implementation of the 2021 Profit Distribution Plan

As a result of the implementation of the 2021 Profit Distribution Plan, and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme, on July 28, 2022, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2022 A Share Incentive Scheme from RMB58.38 per A Share to RMB38.62 per A Share.

Further, as a result of resignations or voluntary forfeiture of Restricted A Shares of certain eligible employees, the number of Restricted A Shares to be issued by the Company were adjusted from 1,548,800 A Shares to 2,203,200 A Shares.

(vi) Implementation of the 2022 Profit Distribution Plan

As a result of the implementation of the 2022 Profit Distribution Plan, and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme, on October 27, 2023, the Board has resolved to adjust the grant price of Restricted A Shares granted under the 2022 A Share Incentive Scheme from RMB38.62 per A Share to RMB25.55 per A Share, and the number of Restricted A Shares granted but not vested under the 2022 A Share Incentive Scheme were adjusted from 2,203,200 A Shares to 3,304,800 A Shares (prior to the resignation or voluntary waive of Restricted A Shares of certain eligible employees).

(vii) Particulars of movement of unvested awards during the Reporting Period

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.

Set out below are details of the unvested awards and the movements of the number of granted awards under the 2022 A Share Incentive Scheme during the Reporting Period:

Category of grantee	Date of grant	Vesting period	Grant Price [1]	Number of unvested awards as at January 1, 2023	Cancelled or lapsed before the 2022 Profit Distribution Plan	Vested before the 2022 Profit Distribution Plan	Adjustment due to the 2022 Profit Distribution Plan	Cancelled or lapsed after the 2022 Profit Distribution Plan	Vested after the 2022 Profit Distribution Plan	Number of unvested awards as at December 31, 2023
Employees	July 28, 2022	First tranche: • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date Second tranche: • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date Third tranche: • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date Fourth tranche: • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	RMB25.55	2,203,200	0	0	1,101,600	158,400	0	3,146,400

Note:

(1) The grant price was adjusted from RMB38.62 to RMB25.55 as a result of the implementation of the 2022 Profit Distribution Plan. Please refer to "– (3) 2022 A Share Incentive Scheme – (vi) Implementation of the 2022 Profit Distribution Plan" for further details.

No awards were granted under the 2022 A Share Incentive Scheme during the Reporting Period, and no further share incentives shall be available for grant under the 2022 A Share Incentive Scheme.

(viii) Remaining validity period of the 2022 A Share Incentive Scheme

The 2022 A Share Incentive Scheme shall be valid until the date on which all Restricted A Shares have been attributed or forfeited, and such period shall not exceed 60 months. As such, as of December 31, 2023, the remaining life of the 2022 A Share Incentive Scheme is 42 months.

(ix) Others

In January 2024, the Company conducted the registration of vesting of Restricted A Shares. Restricted A Shares were vested to a total of 286 eligible employees, and the total number of Restricted A Shares vested was 582,397. The Restricted A Shares vested were circulated January 29, 2024. In the process of payment of funds and share registration, a total of 204,102 Restricted A Shares that could be vested to 81 eligible employees were forfeited in whole or in part due to personal reasons. Please refer to the announcement of the Company dated January 25, 2024 for further details.

(4) 2023 A Share Incentive Scheme

On June 21, 2023, the Shareholders have resolved to adopt the 2023 A Share Incentive Scheme, the assessment management measures for the implementation of the 2023 A Share Incentive Scheme and the authorization to the Board to handle matters pertaining to the 2023 A Share Incentive Scheme during the annual general meeting of the Company.

(i) Purpose of the 2023 A Share Incentive Scheme

In order to further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management, mid-level management, core technical personnel, basic-level management and technical personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized, the 2023 A Share Incentive Scheme was approved by Shareholders' meeting of the Company and became effective on June 21, 2023.

(ii) Category of grantees and participants of the 2023 A Share Incentive Scheme

The total number of the eligible participants for the first grant proposed under the 2023 A Share Incentive Scheme shall be 295. All eligible participants must have an employment or labor relationship with the Company or its subsidiaries when a grant under the 2023 A Share Incentive Scheme is made and during the assessment period in relation to the First Grant and the Reserved Grant under the 2023 A Share Incentive Scheme.

None of the Directors, supervisors, chief executive, members of senior management, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or the spouses, parents or children of such de facto controllers of the Company, or their respective associates has been the grantee of any awards granted pursuant to the 2023 A Share Incentive Scheme.

(iii) Maximum entitlements of each participant and maximum number of Restricted A Shares to be issued by the Company under the 2023 A Share Incentive Scheme

None of the grants made under the 2023 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants made under the 2023 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue.

The maximum number of Restricted A Shares to be granted under the First Grant pursuant to the 2023 A Share Incentive Scheme would be 1,479,300 A Shares, representing approximately 90% of the A Shares available under the 2023 A Share Incentive Scheme, with the remaining 10%, being 164,400 A Shares reserved for further award grants. However, as a result of change of eligibility of four proposed Participants, and the voluntary waivers of Restricted A Shares by nine proposed Participants, the number of Restricted A Shares to be issued by the Company under the First Grant has been adjusted from 1,479,300 A Shares to 1,444,500 A Shares, representing approximately 0.08% of the Company's total number of issued Shares as of December 31, 2023, pursuant to the Management Measures and the 2023 A Share Incentive Scheme.

The total number of Shares to be granted to any participants under all the fully effective share incentive schemes of the Company shall not exceed 1% of the total share capital of the Company.

(iv) Grant price and the basis of determining the grant price

The Grant Price of the Restricted A Shares under the First Grant and the Reserved Grant shall be RMB28.58 per A Share (subject to adjustment).

Pursuant to the Shenzhen Listing Rules and the Management Measures, the grant price of the Restricted A Shares under the First Grant and the Reserved Grant shall be not less than the par value of the Shares, and in principle not less than the higher of:

1. 50% of the average trading price of the Company's A Shares for one trading day immediately preceding the date of the announcement in relation to the adoption of the 2023 A Share Incentive Scheme, being RMB28.51 per A Share; and

2. 50% of the average trading price of the Company's A Shares for the 20 trading days immediately preceding the date of the announcement in relation to the adoption of the 2023 A Share Incentive Scheme, being RMB28.58 per A Share.

The Grant Price is at a substantial discount of the then prevailing trading price of the A Shares. The Grant Price was determined in accordance with the price references abovementioned. This was also determined with a view to stabilize talents and effectively incentivize employees under different cycles and business environments which may allow the Company to gain advantage in the competitive industry that it operates in. The Board has also taken into consideration the level of difficulty of the performance targets which Participants must achieve for the Restricted Share(s) to be attributed, and considers that this is in balance with the substantial discount in the Grant Price.

(v) Particulars of the awards granted during the Reporting Period

Category of grantee	Date of grant[2]	Vesting period	Number of granted shares[3]	Grant Price[1]	Performance Targets
Employees	July 7, 2023	First tranche: • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date Second tranche: • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date Third tranche: • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date Fourth tranche: • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	1,444,500 (under the First Grant) 25,800 (under the reserved grant)	RMB28.58	Performance assessment requirements at the Company level: First tranche: • 20% increase in relation to the Company's revenue for the year ended December 31, 2023 as compared to the year ended December 31, 2022 Second tranche: • 40% increase in relation to the Company's revenue for the year ended December 31, 2024 as compared to the year ended December 31, 2022 Third tranche: • 60% increase in relation to the Company's revenue for the year ended December 31, 2025 as compared to the year ended December 31, 2022 Fourth tranche: • 80% increase in relation to the Company's revenue for the year ended December 31, 2026 as compared to the year ended December 31, 2022 The vesting of the awards are also subject to additional performance assessment requirements at the project group and individual level for each grantee.

Note:

(1) The grant price was determined at RMB28.58. Please refer to "– (5) 2023 A Share Incentive Scheme – (iv) Grant price and the basis of determining the grant price" for further details.

(2) The closing price of the A Shares immediately before the date on which the awards were granted was RMB38.94.

(3) The fair value of the restricted A shares under the 2023 A Share Incentive Scheme as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	The 2023 A Share Incentive Scheme
The fair value (RMB)	15,282,000.00
Grant date A Share price (RMB)	38.28
Expected volatility in the black-out period	16.00%-20.54%
Expected life (years)	0.52-3.52
Risk-free interest rate	1.50%-2.75%

(vi) Particulars of movement of unvested awards during the Reporting Period

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.

Set out below are details of the unvested awards and the movements of the number of granted awards under the 2023 A Share Incentive Scheme during the Reporting Period:

Category of grantee	Date of grant	Vesting period	Grant Price [1]	Number of unvested awards as at January 1, 2023	Cancelled or lapsed before the 2022 Profit Distribution Plan	Vested before the 2022 Profit Distribution Plan	Adjustment due to the 2022 Profit Distribution Plan	Cancelled or lapsed after the 2022 Profit Distribution Plan	Vested after the 2022 Profit Distribution Plan [2]	Number of unvested awards as at December 31, 2023
Employees	July 7, 2023	First tranche: • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date Second tranche: • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date Third tranche: • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date Fourth tranche: • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	RMB28.58	0	0	0	0	0	0	1,470,300

Note:

(1) Employees shall pay for the grant price of the vested Restricted A Shares based on the amount vested at the time of each vesting.

As of December 31, 2023, no Restricted A Shares under the First Grant, and 138,600 Restricted A Shares under the Reserved Grant are available for future grant under the aforementioned scheme mandate limit, which represents approximately 0.01% of the Company's total number of issued A Shares as of December 31, 2023. As of the same date, the remaining parts of the Reserved Grant have not been granted.

(vii) Remaining validity period of the 2023 A Share Incentive Scheme

The 2023 A Share Incentive Scheme shall be valid until the date on which all Restricted A Shares have been attributed or forfeited, and such period shall not exceed 72 months. As such, as of December 31, 2023, the remaining life of the 2023 A Share Incentive Scheme is 66 months.

(5) Concluding statement

The total number of Shares that may be issued in respect of awards granted under all A Share incentive schemes of the Company during the year ended December 31, 2023 divided by the weighted average number of A Shares in issue for the year ended December 31, 2023 was 0.49%.

(6) 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. The source of the award shares under the First H Share Award and Trust Scheme shall be H Shares to be acquired by the trustee through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the relevant scheme rules. The H Share Scheme is comprised of two parts, namely (i) the Employee Share Award Plan and (ii) the Share Bonus Plan.

(i) Purpose of First H Share Award and Trust Scheme

The purposes of the Employee Share Award Plan are:

1. to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company;

2. to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and

3. to (a) recognize the contributions of the leadership of the Company including the Directors and long standing employees of the Company; (b) encourage, motivate and retain the leadership of the Company and long standing employees whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for the leadership of the Company and long standing employee by aligning the interests of the leadership of the Company to that of the Shareholders and the Group as a whole.

The purposes of the Share Bonus Plan are:

1. to reward and motivate key employees responsible for increments in the Company's performance;

2. to strengthen employees' initiative in striving for the enhancement of the Company's performance; and

3. to align the interests of employees with that of the Shareholders.

(ii) Category of grantees and participants of the First H Share Award and Trust Scheme

Eligible employees who may participate in the First H Share Award and Trust Scheme include eligible employees for the Employee Share Award Plan, and eligible employees for the Share Bonus Plan. Eligible employees of the Employee Share Award Plan include any individual, being a Director, senior management, key operating team member, employee, or consultant, who is a full-time PRC or non-PRC employee of any members of the Group. Eligible employees of the Share Bonus Plan include any individual, being a Director, senior management, or key operating team member, who is a full-time PRC or non-PRC employee of any members of the Group.

None of the Directors, supervisors, members of senior management, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or the spouses, parents or children of such de facto controllers of the Company, or their respective associates has been the grantee of any awards granted pursuant to the First H Share Award and Trust Scheme.

(iii) Maximum entitlements of each participant and maximum number of H Shares to be granted by the Company under the First H Share Award and Trust Scheme

None of the grants made under the First H Share Award and Trust Scheme was subject to approval by the shareholders of the Company. The grants made under the First H Share Award and Trust Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue.

Pursuant to the 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 was 11,910,000 H Shares as at January 1, 2023, representing approximately 1% of the Company's total number of issued H Shares as at January 1, 2023. The maximum number was further adjusted from 11,910,000 H Shares to 17,865,000 H Shares on July 28, 2023 as a result of the implementation of the 2022 Profit Distribution Plan, which represents approximately 1% of the Company's total number of issued H Shares as of December 31, 2023.

As of December 31, 2023, 17,859,000 H Shares had been purchased by the trustee appointed by the Company through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the relevant scheme rules.

The Company shall not make any further grant of award which will result in the aggregate number of H Shares underlying all grants made pursuant to the First H Share Award and Trust Scheme to exceed the scheme limit without Shareholders' approval. Award shares that have been forfeited in accordance with the First H Share Award and Trust Scheme shall not be added to the scheme limit, nor shall such forfeited shares be added to the total number of H shares granted under the First H Share Award and Trust Scheme. As of December 31, 2023, there are 1,539,339 H Shares to be granted under the First H Share Award, which represents approximately 0.51% of the Company's total number of issued H Shares as of the same date.

(iv) Particulars of the awards granted during the Reporting Period

Unless otherwise specified in the award letter approved by the Board or the delegatee of the Board, and subject to the vesting conditions set out in the scheme rules of the First H Share Award and Trust Scheme, all awards under the Employee Share Award Plan shall be vested in four equal tranches (i.e., 25%, 25%, 25% and 25%), and all awards under the Share Bonus Plan shall be vested in two equal tranches (i.e., 50% and 50%). Such awards will be vested on each anniversary date after the commencement of the vesting period which shall be determined by the Board or the delegatee of the Board in its sole and absolute discretion upon meeting certain sales performance conditions. Pursuant to the First H Share Award and Trust Scheme, no grant price is payable to receive an award.

Category of grantee	Date of grant[2]	Vesting period	Numbers of granted shares[1]	Grant price	Performance targets
Employees	August 29, 2023	First tranche: • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date Second tranche: • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date Third tranche: • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date Fourth tranche: • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	1,942,071	N/A	First tranche: • 20% increase in relation to the Company's revenue for the year ended December 31, 2023 as compared to the year ended December 31, 2022 Second tranche: • 40% increase in relation to the Company's revenue for the year ended December 31, 2024 as compared to the year ended December 31, 2022 Third tranche: • 60% increase in relation to the Company's revenue for the year ended December 31, 2025 as compared to the year ended December 31, 2022 Fourth tranche: • 80% increase in relation to the Company's revenue for the year ended December 31, 2026 as compared to the year ended December 31, 2022
Employees	August 29, 2023	First tranche: • 50% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date Second tranche: • 50% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date	112,500	N/A	First tranche: • 20% increase in relation to the Company's revenue for the year ended December 31, 2023 as compared to the year ended December 31, 2022 Second tranche: • 40% increase in relation to the Company's revenue for the year ended December 31, 2024 as compared to the year ended December 31, 2022

Note:

(1) The fair value of the award shares under the H Share Award and Trust Scheme as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	First H Share Award and Trust Scheme
The fair value (RMB)	29,294,000
Grant date H Share price (HKD)	19.12
Expected volatility in the black-out period	70.60%
Expected life (years)	0.66-3.66/0.66-1.66
Risk-free interest rate	3.91%

(2) The closing price of the H Shares immediately before the date on which the awards were granted was HKD18.26 per H Share.

(v) Particulars of movement of unvested awards during the Reporting Period

All of the relevant granted H Shares shall be vested either 1) over a four-year period, with 25%, 25%, 25% and 25%; or 2) over a two-year period with 50% and 50% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions.

Set out below are details of the movements of the number of unvested awards under the First H Share Award and Trust Scheme during the Reporting Period:

Category of grantee	Date of grant	Grant Price	Number of unvested awards as at January 1, 2023	Cancelled or lapsed before the 2022 Profit Distribution Plan	Vested before the 2022 Profit Distribution Plan [1]	Adjustment due to the 2022 Profit Distribution Plan	Cancelled or lapsed after the 2022 Profit Distribution Plan	Vested after the 2022 Profit Distribution Plan	Number of unvested awards as at December 31, 2023
Employees	August 29, 2023	N/A	0	0	0	0	0	0	112,500
	August 29, 2023	N/A	0	0	0	0	0	0	1,942,071
	May 31, 2022	N/A	7,588,450	140,750	1,859,223	2,794,239	0	0	8,382,716
	April 1, 2022	N/A	751,110	40,125	173,521	268,732	0	0	806,196
	December 14, 2020	N/A	889,537	22,163	258,666	304,354	0	0	913,062
Total			9,229,097	203,038	2,291,410	3,367,325	0	0	12,156,545

Note:

(1) The weighted average closing price of the H Shares immediately before the date on which the awards were vested was HKD20.59.

None of the grantees is a director or connected person of the Company or one of its five highest paid individuals during the Reporting Period, and none of the abovementioned grants was subject to approval by the shareholders of the Company.

(vi) Remaining validity period of the First H Share Award and Trust Scheme

The First H Share Award and Trust Scheme shall be valid and effective for a term commencing on the date on which the Shareholders and the Board approved the First H Share Award and Trust Scheme (the "Adoption Date"), and ending on the business day immediately prior to the 10th anniversary of the Adoption Date, and after which no further awards will be granted, and thereafter for so long as there are any non-vested award shares granted hereunder prior to the expiration of the First H Share Award and Trust Scheme, in order to give effect to the vesting of such award shares or otherwise as may be required in accordance with the provisions of the rules of the First H Share Award and Trust Scheme. As such, as of December 31, 2023, the remaining life of the First H Share Award and Trust Scheme is 82 months.

(vii) Others

On July 28, 2023, the Company adjusted the number of granted but unvested Award Shares to each selected participant awarded under the employee share award plan (unless forfeited on or before July 27, 2023) according to the 2022 Profit Distribution Plan, on the basis of 5 Shares for every 10 Shares held.

For the 12 months ended December 31, 2023, the Group had recorded share-based compensation expenses of RMB147,963,000 (the 12 months ended December 31, 2022: RMB127,248,000) in relation to the First H Share Award and Trust Scheme. The total number of Shares granted to any participants under all the fully effective share incentive schemes of the Company was 16,325,661, which represents approximately 0.91% of the total share capital of the Company as of December 31, 2023.

13. Miscellaneous

(1) Connected/Related Transactions

a. Capital increase of Pharmaron Ningbo Biologics

As part of the mid and long-term growth strategies, the Company actively strengthens its biologics and CGT services platform. In order to further strengthen the development and the operation of the biologics and CGT services segment and enhance the Company's R&D service capabilities, the Company entered into the Capital Increase Agreement with Kangjun Zhongyuan, Kangjun Investment, Hongfeng Venture, the Non-Connected Investors and Pharmaron Ningbo Biologics in relation to the Capital Increase in Pharmaron Ningbo Biologics on March 30, 2023. The final consideration of the Capital Increase was approximately RMB950 million. The Capital Increase was completed on September 19, 2023. Please refer to the Company's announcements dated March 30, 2023, April 10, 2023 and September 20, 2023 for further details. During the Reporting Period, the Company continued to integrate the biologics and CGT research and development service capabilities of Pharmaron's subsidiaries and departments through Pharmaron Ningbo Biologics, and successfully restructured Pharmaron (Exton) Lab Services LLC and its subsidiaries Pharmaron (San Diego) Lab Services LLC and Pharmaron (Boston) Lab Services LLC into the Pharmaron Ningbo Biologics.

b. Investment in PharmaGend

On October 18, 2023, the Board approved to enter into an agreement with CMS Medical Venture Pte. Ltd., Rxilient Health Pte. Ltd. and Healthy Goal Limited to investment a company in Singapore, namely the PharmaGend. The consideration of US$10.5 million was fully paid on December 15, 2023, and the Company owns 35% in PharmaGend through Pharmaron (Hong Kong) International Limited, its wholly-owned subsidiary. The investment will enable the Company to establish an advanced manufacturing presence in Singapore, which is a major step towards implementing the Company's globalization strategy and enriching the Company's global service network. Please refer to the overseas regulatory announcements of the Company dated October 18, 2023 and December 19, 2023 for further details.

c. Renewal of commissioned experiments and research framework agreement

In light of the upcoming expiration of the Commissioned Experiments and Research Framework Agreement 2021 (the "Framework Agreement 2021") on December 31, 2023, the Board approved to renew the Framework Agreement 2021 by entering into the Commissioned Experiments and Research Framework Agreement 2023 (the "Framework Agreement 2023") with Ningbo Newbay Technology Development Co., Ltd.* (寧波新灣科技發展有限公司) (together with its subsidiaries, the "Newbay Group") on October 27, 2023. The Framework Agreement 2023 will commence on January 1, 2024 and has a term of three years. Pursuant to the Framework Agreement 2023, the Group will continue to provide Services to the Newbay Group. Please refer to the Company's announcement dated October 29, 2023 for further details.

(2) 2022 Profit Distribution Plan

On June 21, 2023, the 2022 Profit Distribution Plan of the Company was approved at the annual general meeting of the Company. Pursuant to the 2022 Profit Distribution Plan, the Company would (i) pay a cash dividend of RMB0.30 (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 July 26, 2023 (the "Record Date"), which represented a total increase of 595,577,402 Shares comprising 495,065,027 A Shares and 100,512,375 H Shares, based on the Company's total share capital of 1,191,154,804 Shares comprising 990,130,054 A Shares and 201,024,750 H Shares as at the Record Date. The implementation of the 2022 Profit Distribution Plan was completed on July 28, 2023 and as a result, a total of 495,065,027 A Shares and 100,512,375 H Shares were issued on July 27, 2023. Please refer to the circular of the Company dated May 25, 2023 and the relevant announcement of the Company dated June 21, 2023 for further details.

(3) Appointment of the Supervisor of the third session of the Supervisory Committee

According to the Articles of Association, the term of office of the second session of the Supervisory Committee is three years and expired in 2023. On May 10, 2023, the employee representatives' meeting of the Company re-elected Ms. Zhang Lan ("Ms. Zhang") as the employee representative Supervisor for the third session of the Supervisory Committee. On June 21, 2023, the Company held the 2022 annual general meeting, reviewed and adopted the relevant proposals for the election of the Supervisory Committee, and elected Mr. Kexin Yang and Ms. Feng Shu as non-employee representatives of the third session of the Supervisory Committee. The term of the third session of the Supervisory Committee is three years commencing from the conclusion of the 2022 annual general meeting, which is the same as the term of office of the third session of the Supervisory Committee. Please refer to the announcement of the Company dated May 10, 2023 and the circular of the Company dated May 25, 2023 for further details.

(4) Appointments of Directors of the third session of the Board

According to the Articles of Association, the term of office of the second session of the Board is three years and expired in 2023. With a view to accommodate the actual situation and business development needs of the Company, further strengthen the decision-making efficiency and optimize the corporate governance of the Company, the Board proposed that the composition of there should be a decrease of Board members from 11 to 9 for the third session of the Board, which shall include three executive Directors, two non-executive Directors and four independent non-executive Directors. In particular, the proportion of the number of independent non-executive Directors will increase, which can ensure that (i) the decision making process of the Board can be supervised; (ii) corporate governance of the Company can be enhanced; and (iii) the interests of the minority Shareholders can be protected.

Nomination were made for Dr. Lou Boliang, Mr. Lou Xiaoqiang and Ms. Zheng Bei were appointed as executive Directors, Mr. Hu Baifeng and Mr. Li Jiaqing were appointed as non-executive Directors, and Mr. Zhou Qilin, Ms. Li Lihua, Mr. Tsang Kwan Hung Benson and Mr. Yu Jian as independent non-executive Directors of the third session of the Board, respectively, and their appointment to the Board was approved at the annual general meeting of the Company held on June 21, 2023. The appointment took effect at the conclusion of the annual general meeting held on June 21, 2023.

Please refer to the announcements of the Company dated April 27, 2023 and June 21, 2023 and the circular of the Company dated May 25, 2023 for further details.

(5) Amendments to the Articles of Association

On June 21, 2023, the Shareholders resolved to approve the amendments to the Articles of Association by virtue of (i) the changes of the registered capital of the Company and (ii) the change in board composition, and in order to reflect the latest regulatory requirements from the China Securities Regulatory Commission and the Stock Exchange as well as to incorporate certain housekeeping amendments. Please refer to the announcements of the Company dated March 30, 2023, April 27, 2023 and June 21, 2023 and the circular of the Company dated May 25, 2023 for further details.

On September 15, 2023, the Company held an extraordinary general meeting to review the amendments to its Articles of Association. The proposed deletions of relevant provisions on class meetings and corresponding rights of shareholders were not passed. Therefore, the latest Articles of Association shall be the version approved by the AGM on June 21, 2023. Please refer to the Company's announcements on June 21, 2023, August 27, 2023, and September 15, 2023 for further details.

(6) Authority of issuing offshore debt financing instruments

In order to increase the flexibility of both domestic and overseas funds of the Company and leverage the favourable market opportunities in time, at the extraordinary general meeting on September 15, 2023, the Shareholders approved to grant the Board absolute authority to issue offshore debt financing instruments in any event deemed appropriate by the Board in the future, which include but are not limited to: H-share convertible bonds, offshore RMB bonds and foreign currency bonds, perpetual bonds and other offshore RMB or foreign currency debt financing instruments authorized by the regulatory authorities. The Company has also obtained the approval of the National Development and Reform Commission of the PRC, which is valid for one year. Thus, the Board will have authority to issue offshore debt financing instruments in any event deemed appropriate within one year by the Board in the future without the need to obtain prior approval from the relevant governmental bodies or the shareholder's meeting. Please refer to the Company's circular dated August 30, 2023 for further details.

C. Technical Investment Results

Since its inception, Pharmaron has been investing significantly in the development of its sustainable technology platform and promoting innovation, making sure that the science and technology developed in Pharmaron is in line with the advancement of current and future new drug discovery and development in the biopharmaceutical industry, meeting the requirements of guidelines and regulations set forth by global regulatory authorities. More recently, we have continuously invested in AI, green chemistry and "proteomics, gene-editing and HTS integrated technologies", to meet current and future clients' needs.

1. The Application and Initiative Exploration of Artificial Intelligence (AI) in Drug Discovery

(1) Utilizing AI technology to predict the growth trends of immortalized cells in vitro.

In 2023, we employed AI technology to develop a machine learning model that simulates the growth curve of immortalized cells *in vitro*. Trained on historical data of cell growth *in vitro*, the model can now capture the growth pattern of cells in the early stages and predict growth trends over extended culture periods. This model could be used to facilitate screening of experimental conditions *in vitro* for drug efficacy tests on tumor cells, allowing for optimization of experiments in a short period of time. In 2024, we will continue refining the existing model, including predicting cell growth trends in complex matrices or co-culture conditions.

(2) Utilizing AI technology to predict drug mechanisms of action (MOAs) in vitro.

During the early exploratory stage of drug development, the discovery of some lead compounds is achieved through phenotypic screening with no initial clues about their underlying MOAs. In 2023, we introduced single-cell imaging technology to a high-content platform to capture subtle intracellular changes induced by drugs. By treating cells with a library of compounds with known MOAs and utilizing single-cell imaging, we obtained a vast amount of experimental data. Based on this extensive dataset, we trained an AI model to unravel the intricate connections between subtle morphological changes in cells and the MOAs of drugs. Using single-cell imaging combined with subsequent AI models, we could predict the related signaling pathways and even identify potential targets for compounds with unknown MOAs, while also forecasting potential off-target effects. In 2024, we will continue to expand the applicability of the model and improve the accuracy, providing a robust assessment strategy for the early discovery and elucidation of MOAs behind lead compounds.

(3) Application of AI technology for reaction condition prediction and route design.

In 2023, we embarked on developing AI models for reaction condition recommendation and synthetic route design. It could significantly accelerate the synthesis of target drug molecules by shortening time on route exploration and condition optimization.

(4) Established an AI model for enzyme design and evolution.

The application of biological enzymes to catalyzing organic reactions is an important component of green chemistry for organic synthesis and chemical manufacture. In 2023, we established an AI model in the field of enzyme catalysis, based on a large amount of complex data such as protein three-dimensional structure, sequence information and reaction performance, to efficiently and accurately design and modify enzyme performance. Currently, it has been applied to predict enzyme activity and stability, which has been revised by data from the validation experiments with iteration. Through several rounds of modification of the enzymes, the performance of the enzymes has been improved. The application of AI technology is of great significance in understanding the working mechanism of the enzymes, designing new enzymes, modifying the activity and stability of existing enzymes, and providing a broader space for the application of biocatalysis to chemical synthesis and production. In 2024, we will continue to expand the application of AI in the field of enzyme catalysis, establishing models for screening candidate enzymes, and optimizing their performance to further improve the efficiency of chemical process development.

2. Utilizing Advanced Technology and Practicing Green Chemistry Concept

(1) Flow Chemistry (continuous production technology)

In 2023, Pharmaron achieved fruitful results in the field of Flow Chemistry using continuous production technology – Over 130 continuous production projects ranging from kilogram to ton-scale were successfully delivered. This technological advantage has empowered us to tackle chemical challenges that were previously difficult to address using conventional methods, such as hazardous reactions, high-temperature & high-pressure reactions, unstable reactions, selective reactions, etc. Simultaneously, we have made significant advancements in the development of flow chemistry technology and equipment improvement for solid-liquid phase, gas-liquid phase, and gas-solid-liquid reactions. Our deployment of continuous photochemistry from R&D to pilot-scale production facilities has expanded our production capacity to hundreds of kilograms. Breakthroughs have been made in CSTR (Continuous Stirred-Tank Reactor) and continuous hydrogenation, which has successfully transitioned the technology from the laboratory to large-scale production. In 2023, Pharmaron's Shaoxing site established commercial-scale continuous production capabilities for GMP/Non-GMP manufacturing and successfully completed several ton-scale continuous production projects. Notably, our implementation of large-scale continuous hydrogenation in the Shaoxing Plant yielded remarkable reductions in catalyst usage while boosting overall efficiency. In 2024, our focus remains steadfast on expanding large-scale manufacturing capabilities in continuous ozonation and continuous photochemistry, enabling sustainable development with a low-cost and high-efficiency.

(2) Biocatalysis

Biocatalysis refers to the application of biological enzymes to catalyze chemical reactions. Biological enzymes are nature occurring catalysts with higher catalytic efficiency. Biocatalysts are generally non-toxic, environmental friendly, low in energy consumption, high in efficiency and selectivity, and are essential technologies for the transition of traditional chemical production to "green chemistry". Since the establishment of the biocatalytic department at Pharmaron in 2020, we have produced more than three thousand biocatalytic enzymes, including over two thousand natural enzymes and over nine hundreds genetically modified mutant enzymes. With the accumulation of experience and the development of the team, the work efficiency has been greatly improved. In 2023, we have developed more than eight hundred new enzymes and completed over two hundreds enzyme screening projects. The enzymes identified from the screening have high conversion rates and good stereoselectivity and been successfully applied in large-scale synthesis for multiple clients' projects. Some of the enzymes have been successfully used in chemical production at kilogram and hundred kilogram scales. We will continue to expand the types and quantities of our biocatalysts, further improve efficiency of the enzyme screening and optimize the platform for enzyme activity evolution and expand the capacity of enzyme production. A pilot plant for enzyme production has been put in place and will start operation in the first half of 2024.

(3) Electrochemistry

Electrochemistry technology is to utilize electrons as clean reactants for chemical synthesis, avoiding the use of toxic or hazardous redox reagents. Under normal temperature and pressure, the reaction selectivity and rate are controlled by electrode potential and electric current. With the advantage of simpler reaction conditions and reduced steps, less raw material consumption and fewer byproduct occurrence, the synthesis of drug molecules could be achieved in a greener and environment friendly manner. Currently, Pharmaron's electrochemistry platform is equipped with various commercially available instruments, including IKA Electrosyn, E-HIVE, Carousel Complete, and HTe-Chem, etc., together with a wide variety of electrodes and electrolytic cells, which enables high-throughput parallel optimization and electrochemical synthesis under constant voltage or current conditions. To further improve the efficiency of electrochemical synthesis, our chemists designed and constructed devices with multiple cells and flow electrochemical devices, which were successfully applied to deliver dozens of projects with scales ranging from milligrams to hundreds of grams with significant reduction of the synthetic steps, producing intermediates which are difficult to be prepared by traditional methods.

3. Integrating Chemical Proteomics Platform, Gene Editing Technologies, and High-Throughput Techniques to Explore a Broader Drug Space and Accelerate Drug Discovery Process

(1) Chemical Proteomics Platform

This platform combines methods and tools from various disciplines such as medicinal chemistry, biology/bioinformatics, pharmacology, and proteomics. It elucidates the molecular mechanisms of small molecules based on the interaction between biologically active chemical probes and the proteome, and reveals the target proteins or off-target sites for small molecules within cells or tissues. Currently, this platform has become a robust tool for screening hit and lead compounds. In 2023, we optimized the sample preparation and mass spectrometry data acquisition processes for complex systems, with which, we developed multiple quantitative methods and identified over 3000 proteins covering more than 10,000 active sites. We will continue to expand the application of the chemical proteomics platform to drug discovery, and develop new target discovery techniques for more drug types.

(2) Gene Editing Technology

In 2023, we implemented several advanced gene editing techniques, delivery methods, and detection techniques. After integration and optimization, we significantly improved the success rates and shortened the timeline of experiments, including upregulation, inhibition and knockout of target proteins. We also developed a variety of inducible expression systems for more precise gene regulation. We provided a number of clients with gene knockdown, knockout, knock-in, and site-directed mutagenesis services, facilitating early-stage target validation, compound efficacy screening and model construction. Additionally, we developed multiple CRISPR library screening technologies, supporting the discovery of new targets, studies on drug resistance mechanisms, and prediction of drug resistance-associated mutations. In 2024, we will continue to optimize delivery methods and implement more advanced and efficient gene editing methods. Furthermore, we plan to apply gene editing technology to human primary cells, providing more clinically relevant information for drug target validation and safety assessment. We will also establish additional CRISPR library screening techniques to offer more diverse and advanced technical support. Meanwhile, we will integrate gene editing technology with iPS and organoid platforms to further support drug discovery.

(3) DNA-encoded library (DEL) technology platform

The technological platform for DNA-encoded compound libraries was further consolidated in 2023. More than two hundred libraries containing over twenty billion organic small molecule compounds with novel structures and favorable druggability have been constructed. A number of lead compound series with biological activity for multiple clients using our DEL platform were identified and the syntheses of on-DNA probes and DNA-encoded libraries were successfully delivered for several clients. We conducted novel on-DNA organic reactions, devised precise quantitative techniques to assess DNA damage in chemical reactions, investigated unique mechanisms of on-DNA chemical reactions, just to mention a few. This helps us innovate to advance the DEL technology. Pharmaron have implemented novel technical approaches to enhance our DEL platform. We have filed 26 patent applications and published 12 research articles on peer-reviewed scientific journals in the DEL field.

(4) High-throughput experimentation (HTE) platform

This platform can evaluate up to hundreds of conditions at once in a short period by using HTE technology and provide the best solution to solve a key problem in synthesis. In 2023, we made great efforts on the platform automation, miniaturization, intellectualization, and precision of HTE experimental procedure. For example, we applied "Chembead" technology to improve precision of microscale solid dispensing, which dramatically reduced the required amounts of starting materials for HTEs; We applied an AI model to assist in designing reaction condition screening plan. With all these improvements, today, a HTE chemist can perform over 600 parallel microscale reactions per day to optimize multiple parameters of reaction condition. In 2023, we screened over 550,000 conditions for around 8,100 reactions, with the success rate increased by 5.2% compared to 2022.

D. Core Competitiveness Analysis

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

1. Industry-leading fully-integrated pharmaceutical R&D services platform with strong capabilities and provides comprehensive service offerings for customers 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, preclinical 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 services platform. In addition, the Company is in an industry-leading position in drug discovery, preclinical 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 preclinical 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, the Company has established a comprehensive global service network for ADME/DMPK studies, and further strengthen its leading position in discovery and development DMPK services.

(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 the 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 preclinical 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 preclinical R&D team for planning of IND-enabling. These high-quality interactions between preclinical and clinical teams accelerate projects progressing in high-quality from preclinical to clinical stage, allowing our customers to fully enjoy the benefits of the Company's fully integrated services 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 therapies, gene therapies and disease prevention methods are flourishing. These gene therapies and cell therapies 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 initially built an integrated services platform of "laboratory testing – IND enabling – process development and manufacturing" for gene therapy products, including a comprehensive and industry leading analytical platform for biologics and CGT products that are in compliance with ICH guidelines of GLP/GCP/GMP in the U.S., and an integrated platform for the development and GMP manufacturing of gene therapy products in the 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 preclinical 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 for customers

The Company operates globally through our 21 operating facilities, clinical and manufacturing facilities in China, U.K., and U.S., of which 11 operating facilities are located 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.

Currently, the Company has established an integrated CMC (small molecule CDMO) services platform across China, the U.K. and the U.S.. Leveraging its global capacities, the Company is able to offer its global customers a more flexible, scalable, and environmentally sustainable end-to-end API production services. In 2023, the Company, through its wholly-owned subsidiary Pharmaron (Hong Kong) International Limited, co-invested with partners CMS MEDICAL VENTURE PTE. LTD., Rxilient Health Pte. Ltd., and HEALTHY GOAL LIMITED in PharmaGend located in Singapore. Furthermore, PharmaGend acquired certain state-of-the-art production machinery and equipment from Strides Pharma Global Pte. Ltd., and leased a pharmaceutical manufacturing plant with top-tier infrastructure in Singapore ("Singapore Manufacturing Plant"). The Singapore Manufacturing Plant had passed inspections from HSA, FDA and TGA. It represented a milestone of the Company's global drug product CDMO services and further strengthened its global CMC (small molecule CDMO) services 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 continually 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, 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 16 of who were 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-calibre 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, 2023, the Company had over 18,239 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-calibre 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 2023, the Company introduced over 800 new customers, with over 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 knowhow 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 2024

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$625.1 billion in 2023, and it is estimated that the global pharmaceutical R&D and manufacturing spending will increase to US$825.0 billion by 2028, representing an expected CAGR of 5.7% from 2023 to 2028; of which, the pharmaceutical R&D and manufacturing spending in China was approximately RMB686.8 billion in 2023, and it is estimated that pharmaceutical R&D and manufacturing spending in China will increase to RMB1,035.6 billion by 2028, representing an expected CAGR of 8.6% from 2023 to 2028.

(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$159.4 billion in 2023, and it is estimated that such size will increase to US$265.3 billion by 2028, representing an expected CAGR of 10.7% from 2023 to 2028. 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 15.1% of the global market in 2023, and it is estimated that such size will increase to RMB444.2 billion by 2028, which represent 23.5% 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$11.9 billion in 2023, representing an outsourcing penetration rate of 47.6% (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$19.1 billion by 2028, representing an expected CAGR of 10.0% from 2023 to 2028, and the penetration rate of global drug discovery R&D service market will reach 65.9%; meanwhile, the size of China's drug discovery R&D CRO service market was estimated to be RMB20.4 billion in 2023, accounting for approximately 24.1% of the total global size. It is estimated that the size of China's drug discovery R&D service market will increase to RMB50.4 billion by 2028 with the market share increase to 37.1% of the total global market.

Note: Sullivan has adjusted the statistical caliber of drug discovery R&D services in this industry report. According to the updated caliber, the adjusted global drug discovery R&D service market in 2022 is USD11.2 billion, and the Chinese drug discovery R&D service market in 2022 is RMB18.2 billion.

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$76.9 billion in 2023. It is estimated that the size of global pharmaceutical CDMO service market will increase to US$134.1 billion by 2028, representing an expected CAGR of 11.8% from 2023 to 2028; meanwhile, the size of China's pharmaceutical CDMO service market was estimated to be RMB78.3 billion in 2023, accounting for 14.3% of the global pharmaceutical CMO service market. It is estimated that the size of China's pharmaceutical CDMO service market will increase to RMB199.3 billion by 2028 with the market share increase to 20.9% 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$57.5 billion in 2023, with outsourcing penetration rate of 46.1% (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$91.3 billion by 2028, representing an expected CAGR of 9.7% from 2023 to 2028, and the outsourcing penetration rate will rise to 49.1%; meanwhile, the market for China's drug clinical development outsourcing services was estimated to be RMB48.5 billion in 2023, accounting for 11.8% 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 RMB135.7 billion by 2028, during which the CAGR of service scale will be 22.9%, and the market share increase to 20.9% 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 basically completed the establishment and integration of services platforms for clinical development services, 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 multi-disciplinary 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. In the clinical development services segment, the Company will further promote the cooperation between teams in China and the U.S., while enhancing its integrated clinical services platform. The Company is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities.

The Company will adhere to its business development strategy and continue to expand its domestic and overseas market shares. In overseas market, with years of proven track record, the Company has a large and loyal customer base with solid relationships. By continuously optimizing and upgrading the technical service platform, the Company is committed to providing customers with high-quality services and continuously improving and expanding its service offerings. Also, with the Company's excellent reputation and brand influence in the industry, it is actively attracting more new customers. For the domestic market, the Company 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 2024

Despite the impact of global biotech funding environment and the temporary slowdown of the growth of customer demands, the long-term industry fundamentals for pharmaceutical R&D remain intact. In 2024, the Company will continue to adhere to the growth strategy of "end-to-end, fully integrated and global", and is committed to providing customers with better services and winning more market share. The Company will focus on the following tasks:

(1) Develop new technologies and maintain the Company's industry leading position

Since inception, the Company has placed great emphasis on technology and innovation to meet the customers' evolving R&D needs. In 2024, the Company shall keep up with the development direction of new technologies and processes to further strengthen its fully-integrated service platform and maintain its leading position in the industry. The Company will continue to cultivate new technologies and continuously improve and enhance the existing chemistry and bioscience technological capabilities through internal research and development, cooperation with universities and professional organizations, collaboration with customers, and acquisitions.

(2) Strengthen the fully integrated service platform for multiple modalities

a. Strengthening its leading position in small molecules and continue to develop capabilities for new modalities

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 2024, 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. In addition, the Company will continue to expand and deepen its service offerings in new modalities including oligonucleotides, peptides, antibodies, ADC, and CGT products, and promote the diversification of its integrated platform.

b. Continue to improve its CMC (small molecule CDMO) services capabilities

The Company's 600 m^3 of commercial manufacturing capacity in Shaoxing had been put into operation in 2022. In addition, the Company expanded its commercial manufacturing capacities in the U.S. and the U.K. through acquisitions. After the integration of the capacities in China, the U.K. and the U.S., the Company has set up a production information center to coordinate the equipment, manpower and materials of these CDMO facilities to improve utilizations; it has streamlined and simplified the operating processes and documentations to facilitate the project transfers and business coordination, and improve productivities. In 2024, the Company will continue to promote the integration among the facilities in China, the U.K. and the U.S. to enhance the synergies and provide customers with more flexible, more cost-effective and customized solutions to meet their needs across different regions. With its unique competitive advantages, the Company expects to undertake more late-stage or commercial projects.

c. 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. Overseas clinical services extend to clinical development services for patients with oncology and non-oncology diseases, based on the consolidation and enhancement of early-stage clinical trial services focusing on healthy volunteers. In 2024, while driving the continuous improvement of the integrated clinical service platform, the Company will further promote the cooperation between teams in China and the U.S., and help overseas customers develop their products in China and help China customers develop their products overseas.

d. Continue improving biologics and CGT services platform

For the biologics R&D services, in 2024, the Company will continue to develop biologics discovery service capabilities by expanding its team, hence broadening its services offerings. The Company will also advance the construction of its biologics development and manufacturing facilities in Ningbo (Campus II in Ningbo) and establish a quality management system that meets the highest international standard.

In the field of cell and gene therapies services, the Company will continue to realize the synergies between its CGT services in the U.S. and its gene therapy CDMO services in the U.K., and gradually increase its business scale and operation efficiency. Leveraging the strengths of its service platforms, the Company will actively expand its customer base and capture the growing needs of domestic and overseas customers.

(3) 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. As of December 31, 2023, the total number of employees of the Company was 20,295, including more than 1,000 new graduates recruited on campus. In 2024, 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. Implement differentiated content training according to business needs to different level managers, so that employees and the Company can grow together, so as to provide strong support to the future growth of the Company.

(4) Further enhance the synergy effect of the fully integrated platform

The Company will continue to focus on improving the synergies of the service platform through vertical and horizontal directions, and continuously invest 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 services offering, and promoting the interdisciplinary collaborations. In 2024, the Company will proactively promote cooperations across different segments and geographic regions, and strengthen its internal control system to improve productivities and reduce cost.

(5) Improve the Company's global business development and marketing capabilities

In 2024, the Company's business development (BD) team, marketing team and its scientists and technicians will work together to better serve its customers. From domestic to overseas, from preclinical to clinical, BD and marketing teams will build an integrated, multi-dimensional, and powerful network to support Company's development strategy. For overseas market, the Company will continue to maintain its solid relationships with its existing customers, and explore new business opportunities. Leveraging its scientific and technical expertise, the Company is committed to providing high quality services to its customers and maintaining its loyal customer base. For domestic market, the Company will adopt a China market strategy to better expand its domestic customer base and meet the domestic customers' needs.

(6) Enhance the Company's safety practice

In 2024, the Company will continue to put production safety and information security as the top priority in its daily operations to ensure the health and safety of its employees and protect information and intellectual property of its customers. On the one hand, the Company will continue to attach great importance to production safety. On the other hand, the Company will continue to strengthen the intellectual property management system, and comprehensively protect the information security of its customers. The Company's information system provides technical support for intellectual property management, and project management is in line with the information system to build a more rigorous intellectual property management system. In addition, the Company will continue to attach importance to its quality management system, strictly abide by the highest international quality control standards, and provide customers with high-quality products and services.

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. In the medium and long term, the global pharmaceutical industry is expected to keep growing driven by such factors as an aging population, higher disposable income and increased medical expenditure. However, due to the volatility of the global biotech funding environment and other factors, the growth rate of the pharmaceutical R&D outsourcing industry may fall behind our projections, 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. 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.

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, 2023, the net proceeds from the Global Offering have been fully utilized in accordance with the purposes set out in the prospectus of the Company dated November 14, 2019.

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, 2023, the net proceeds had been fully utilized. The net proceeds from the Convertible Bonds have been 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, 2023.

Use of proceeds	Percentage of allocation of net proceeds	Allocation of net proceeds *(RMB million)*	Unutilized amount as at January 1, 2023 *(RMB million)*	Utilized amount during the Reporting Period *(RMB million)*	Unutilized net proceeds as at December 31, 2023 *(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	146.0	146.0	–	Had been fully utilized by December 31, 2023
Expanding the Group's R&D and manufacturing service platform for biologics	33.3%	1,258.7	554.5	554.5	–	Had been fully utilized by December 31, 2023
Expanding capabilities of the Group's laboratory services in drug safety assessment	13.3%	503.4	131.4	131.4	–	Had been fully utilized by December 31, 2023

Use of proceeds	Percentage of allocation of net proceeds	Allocation of net proceeds *(RMB million)*	Unutilized amount as at January 1, 2023 *(RMB million)*	Utilized amount during the Reporting Period *(RMB million)*	Unutilized net proceeds as at December 31, 2023 *(RMB million)*	Expected timeline for utilizing the net proceeds
Expanding capacities and capabilities of the Group's laboratory and manufacturing facilities in the United Kingdom	10.0%	377.6	–	–	–	Had been fully utilized by December 31, 2023
Replenishing working capital and other general corporate purposes	10.0%	377.6	–	–	–	Had been fully utilized by December 31, 2023
Total	**100%**	**3,776.0**	**831.9**	**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 2022 Profit Distribution Plan, the conversion price of the Series 1 Bonds and Series 2 Bonds has been adjusted from HK$166.42 per H Share to HK$110.32 per H Share and from HK$152.32 per H Share to HK$100.97 per H Share, respectively, with effect from July 27, 2023, being the day immediately after the Record Date for determining H Shareholders' entitlement to the 2022 Profit Distribution Plan.

Save as disclosed above, all other terms of the Series 1 Bonds and Series 2 Bonds remain unchanged. Please refer to the relevant announcements of the Company dated March 30, 2023 and July 26, 2023 for further details.

D. Employee Remuneration and Relations

As at December 31, 2023, the Group had a total of 20,295 employees, as compared to 19,481 employees as at December 31, 2022. 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 annual general meeting held on June 21, 2023, the Shareholders have approved a special resolution to repurchase (at the repurchase price of RMB11.90 per Share) and cancel a total of 69,750 Restricted A Shares under the 2019 A Share Incentive Scheme due to the resignation of 3 participants. The repurchase and cancellation were completed on July 6, 2023.

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

F. Material Events after the Reporting Period

1. Partial repurchase and cancellation of the Series 1 Bonds

Between January 8, 2024 and January 12, 2024, the Company has repurchased an aggregate principal amount of US$68.1 million of the Series 1 Bonds with the rights to convert into 4,789,469 shares of the Company, representing approximately 22.7% of the aggregate principal amount of the Series 1 Bonds originally issued. On January 15, 2024, the Company further repurchased an aggregate principal amount of US$11.5 million of the Series 1 Bonds with the rights to convert into 808,794 shares of the Company, representing approximately 3.8% of the aggregate principal amount of the Series 1 Bonds originally issued (collectively, the "Repurchased Series 1 Bonds").

The Board considered that there will be no material impact on the financial position of the Company as a result of the aforesaid repurchase of the Repurchased Series 1 Bonds. The Board believes that the repurchase and subsequent cancellation of the Repurchased Series 1 Bonds reflects the Company's confidence in its long-term business prospects and could also enhance the return to the shareholders of the Company. The Company has cancelled the Repurchased Series 1 Bonds and immediately after the cancellation, an aggregate principal amount of US$220.4 million of the Series 1 Bonds remained outstanding.

2. Partial repurchase and cancellation of the Series 2 Bonds

Between January 8, 2024 and January 12, 2024, the Company has repurchased an aggregate principal amount of RMB705.0 million of the Series 2 Bonds with the rights to convert into 8,478,572 shares of the Company, representing approximately 36.8% of the aggregate principal amount of the Series 2 Bonds originally issued. On January 15, 2024, the Company further repurchased an aggregate principal amount of RMB160.0 million of the Series 2 Bonds with the rights to convert into 1,924,215 shares of the Company, representing approximately 8.4% of the aggregate principal amount of the Series 2 Bonds originally issued (collectively, the "Repurchased Series 2 Bonds").

The Board considered that there will be no material impact on the financial position of the Company as a result of the aforesaid repurchase of the Repurchased Series 2 Bonds. The Board believes that the repurchase and subsequent cancellation of the Repurchased Series 2 Bonds reflects the Company's confidence in its long-term business prospects and could also enhance the return to the shareholders of the Company. The Company has cancelled the Repurchased Series 2 Bonds and immediately after the cancellation, an aggregate principal amount of RMB1,051.0 million of the Series 2 Bonds remained outstanding.

G. Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 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 C1 to the Listing Rules, with the exception that the roles of the chairman of the Board and the chief executive officer of the 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 the Company and that Dr. LOU has assumed the role of chief executive officer of the Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of the Company that Dr. LOU assumes the roles of the chairman of the Board as well as the chief executive officer of the 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 paragraph D.3 of part 2 of the Corporate Governance Code as set out in Appendix C1 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, 2023 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 6th meeting of the 3rd 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.cn). The Group's 2023 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.

"^{14}C"	Carbon-14 (^{14}C), or radiocarbon, a radioactive isotope of carbon with an atomic nucleus containing 6 protons and 8 neutrons
"^{3}H"	Tritium or Hydrogen-3, a radioactive isotope of hydrogen, whose nucleus contains one proton and two neutrons
"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 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
"2021 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
"2022 A Share Incentive Scheme"	the 2022 Restricted A Share Incentive Scheme of the Company
"2022 Dividends"	proposed distribution of 2022 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 July 26, 2023, being the record date for ascertaining the entitlement to dividend on Shares, based on a rule of receiving RMB0.30 per Share held by the Shareholders payable in RMB to the A Shareholders and in HK$ to the H Shareholders
"2022 Profit Distribution Plan"	the 2022 Profit Distribution and 2022 Capitalization of Reserve
"2023 A Share Incentive Scheme"	the 2023 Restricted A Share Incentive Scheme of the Company
"ADC"	Antibody-drug Conjugate

"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, 2023
"AMS"	accelerator mass spectrometry
"Antibodies"	An immunoglobulin that specifically binds to a corresponding antigen.
"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 the 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
"Bioanalysis"	A sub-discipline of analytical sciences covering the quantitative analysis of xenobiotics (drugs, their metabolites, and biomolecules at unusual locations or concentrations) and biotoxins (macromolecules, proteins, DNA, biologics, metabolites) in biological systems
"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
"Clinical research"	The clinical research of innovative drugs is divided into four stages from I to IV. The work involves the whole process of clinical trial, including the preparation before the trial, the selection of clinical trial research institutions and investigators, assisting the sponsor to prepare for the deliberation of the ethics committee, and working with the sponsor and investigators to design and implement the clinical trial protocol
"CMC"	chemistry, manufacturing and controls
"CMO"	Contract Manufacturing Organization
"Commercialization"	The stage of drug development when a new drug is approved and marketed
"Company" or "Pharmaron"	Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司), a joint stock limited company incorporated under the laws of the PRC on July 1, 2004, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 300759) and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3759)
"Convertible Bonds"	the (i) US$300.0 million zero coupon convertible bonds due 2026 (debt stock code: 40725) and the (ii) RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 (debt stock code: 40733) issued by the Company on June 18, 2021
"CRC"	Clinical Research Coordinator
"CRO"	Contract Research Organization, a company focused on providing pharmaceutical research and development services to companies in the pharmaceutical markets
"Crystal screening"	Adopt high-throughput screening technology to obtain various types of solid forms that may exist in the drug, characterize the physicochemical properties of various forms using a variety of solid-state analytical techniques, and adopt multidisciplinary and comprehensive means to assess the biopharmaceutical performance of the advantageous forms, in order to screen out the advantageous crystalline forms of the drug that are suitable for production, high bioavailability, and conducive to the preparation of the drug
"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
"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
"Druggability"	Preliminary pharmacodynamic studies, early evaluation of pharmacokinetic properties and safety, with potential for development as a drug
"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, an 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
"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
"Supervisors"	supervisors of the Company
"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 the 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)
"HSA"	the Health Sciences Authority of Singapore
"IND"	investigational new drug
"Independent Third Party(ies)"	third parties independent of and not connected with the Company and its connected persons
"Lead compound"	A compound with certain strength and selective activity against a certain target or model, which generally has a novel chemical structure, and its physical and chemical properties, pharmacokinetic properties and safety meet certain requirements, so it has the property of analogy and exploitability. Generally, lead compounds can not be directly used as drugs, and their chemical structures need to be optimized to achieve the best configuration of the above properties. The quality of lead compounds directly affects the speed and success rate of new drug research and development
"Linkers"	A component of an ADC that links antibodies to toxic molecules
"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

"Management Measures"	the Management Measures for Share Incentives of Listed Companies
"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
"Oligonucleotides"	A compound in which nucleotides are linked by phosphodiester bonds
"PBPK"	Physiologically Based Pharmacokinetic
"Peptide"	A compound of amino acids linked by peptide bonds
"Pharmacology"	It is an experimental content to study the activity, biological effect and efficacy of drugs, as well as the relationship between bioavailability, tissue distribution and efficacy through *in vitro* tests and animal tests, and to explore the mechanism and target of drug action, so as to carry out pharmacodynamic evaluation and pharmacological research
"Pharmacovigilance"	Scientific research and activities related to the detection, evaluation, understanding and prevention of adverse reactions or any other problems that may be related to drugs
"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 the Company
"Pharmaron Ningbo Biologics"	Pharmaron (Ningbo) Biologics Co., Ltd. (康龍化成(寧波)生物醫藥有限公司), a limited liability company incorporated in PRC on October 9, 2020, which is held as to 88.89% by the Company
"PharmaGend"	PharmaGend Global Medical Services Pte. Ltd., a joint stock company of the Company, which is held as to 35% by the Company, formerly known as Rxilient Biohub Pte. Ltd.
"Plasmid"	Double-stranded circular DNA, a common vector used in genetic engineering

"Preclinical"	Of or relating to the preclinical stage of drug research
"QC/QA"	quality control and quality assurance
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2023
"Restricted A Shares"	the restricted A Shares granted by the Company under the respective 2019 A Share Incentive Scheme, 2021 A Share Incentive Scheme, 2022 A Share Incentive Scheme and 2023 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
"Shareholder(s)"	the holder(s) of the Share(s)
"SSU"	Study Start up, the start-up specialist of a clinical project
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structure-activity relationship"	The relationship between the chemical structure of drugs or other physiologically active substances and their physiological activities is one of the main research contents of medicinal chemistry
"Synthetic process"	A single or multi-step unitary reaction process that converts a specific raw material to a desired product. Synthesis routes are generally discussed in relation to specific products

"TGA"	the Therapeutic Goods Administration of Australia
"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
"Target spot"	Biological macromolecules, such as some proteins and nucleic acids, which have pharmacodynamic functions *in vivo* and can be acted on by drugs. Those genes encoding target proteins are also known as target genes. The prior identification of target molecules associated with specific diseases is the basis of modern new drug development
"U.K."	the United Kingdom
"U.S."	the United States
"US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	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 27, 2024

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. HU Baifeng and Mr. LI Jiaqing 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.