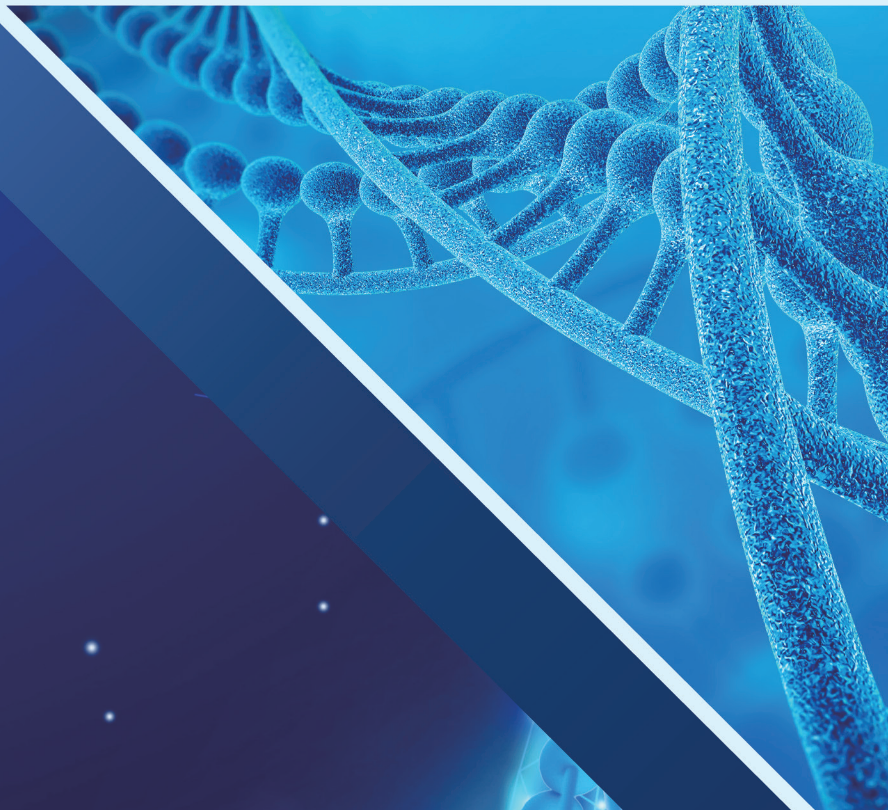
Asymchem Laboratories (Tianjin) Co., Ltd.

凱萊英醫藥集團（天津）股份有限公司

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



2021
ANNUAL REPORT

www.asymchem.com

Stock Code: 6821

ASYMCHEM

CONTENTS

DEFINITIONS

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires.

"Annual General Meeting"	The Annual General Meeting of the Company to be held on June 9, 2022
"ALAB"	Asymchem Laboratories, Incorporated, a limited liability company incorporated in the United States on November 27, 1995, which is a controlling shareholder and owned as to 71.19% and 19.52% by Dr. Hao Hong and Dr. Ye Song, respectively, as of the date of this annual report
"Asymchem Biotechnology"	Shanghai Asymchem Biotechnology Co., Ltd. (上海凱萊英生物技術有限公司), a limited liability company incorporated in the PRC
"A Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 per share, which are listed for trading on the Shenzhen Stock Exchange and traded in Renminbi
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"CAGR"	compound annual growth rate
"CDMO"	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman" or "Chairman of the Board"	the chairman of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Company," "our Company," "the Company," or "Asymchem"	Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司), was established under the laws of the PRC as an enterprise legal person on October 8, 1998, the A Shares of which are listed on the Shenzhen Stock Exchange and the H Shares of which are listed on the Hong Kong Stock Exchange
"Corresponding Period"	for the year ended December 31, 2020
"Group," "our Group," "we," "us," or "our"	our Company and its subsidiaries
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	the date, namely December 10, 2021, on which the H Shares were listed and from which dealings in the H Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus of the Company dated November 30, 2021
"Relevant Period"	the period from the Listing Date to December 31, 2021
"Reporting Period"	for the year ended December 31, 2021

DEFINITIONS

"RMB" or "Renminbi"	the lawful currency of the PRC
"Shareholder(s)"	shareholder(s) of the Company
"Supervisory Committee"	the supervisory committee of our Company
"Target Company" or "Asymchem Biotechnology Development"	Shanghai Asymchem Biotechnology Development Co., Ltd. (上海凱萊英生物技術發展有限公司), a limited liability company incorporated in the PRC. It is a subsidiary of the Company
"Tianjin Tianhao"	Tianjin Tianhao Management Consulting Partnership (Limited Partnership) (天津天浩管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC which is an affiliate of the Company

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

Unless otherwise defined herein, capitalized terms used in this annual report shall have the same meanings as those defined in the Prospectus.

CORPORATE INFORMATION

BOARD

Executive Directors

Dr. Hao Hong
Ms. Yang Rui
Mr. Zhang Da
Mr. Hong Liang

Non-executive Directors

Dr. Ye Song
Ms. Zhang Ting

Independent Non-executive Directors

Ms. Zhang Kun
Mr. Wang Qingsong
Mr. Lee, Kar Chung Felix

REGISTERED OFFICE AND HEAD OFFICE

No. 6 Dongting 3rd Street
Economic – Technological
Development Area
Tianjin
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

40th Floor, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Xu Xiangke
Mr. Cheng Ching Kit *(associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*

AUTHORIZED REPRESENTATIVES

Mr. Zhang Da
Mr. Xu Xiangke

AUDIT COMMITTEE

Ms. Zhang Kun *(Chairwoman)*
Ms. Zhang Ting
Mr. Wang Qingsong

STRATEGY COMMITTEE

Dr. Hao Hong *(Chairman)*
Ms. Yang Rui
Mr. Lee, Kar Chung Felix

NOMINATION COMMITTEE

Mr. Lee, Kar Chung Felix *(Chairman)*
Mr. Hong Liang
Mr. Wang Qingsong

REMUNERATION AND EXAMINATION COMMITTEE

Mr. Wang Qingsong *(Chairman)*
Mr. Zhang Da
Ms. Zhang Kun

CORPORATE INFORMATION

STOCK CODES

Hong Kong Stock Exchange (H Shares): 6821
Shenzhen Stock Exchange (A Shares): 002821

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISERS TO THE COMPANY

Hong Kong laws

CYL & Partners in Association with Cooley HK
Suites 3501-3505, 35/F
Two Exchange Square
8 Connaught Place
Central
Hong Kong

PRC laws

DeHeng Law Offices
12/F, Tower B, Focus Place
19 Finance Street
Xicheng District
Beijing
PRC

COMPANY'S WEBSITE

www.asymchem.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2021 was a year full of milestones for Asymchem: the Company's revenue exceeded RMB4.5 billion, the profit exceeded RMB1 billion, and the number of employees exceeded 7,000. Among these many dazzling achievements, the most noteworthy milestones were as follows:

The first was receiving the largest order in the history of the small molecule CDMO industry, highlighting Asymchem's top-of-the-line global competitiveness. With global pharmaceutical companies keenly watching us compete against our peers, Asymchem stood out and was ultimately chosen to be entrusted with a product highly anticipated in the pandemic. The coveted order came with a tight timeline (less than one year from clinical stage to commercialization), a heavy task (the need to rapidly achieve tonnage production), and high quality requirements. This proves to the world that we are among the top CDMOs around the globe, and Asymchem team members have put on a dazzling show on the strength of their strong execution. To quickly achieve tonnage production, all staff from R&D analysis to production and supply chain management pulled together. Opportunity only favors those who are prepared. This achievement is attributed to the Asymchem team members who are well grounded in doing the hard but right thing and who have adhered to the principle of customer first for more than 20 years. I believe that this beautiful victory will be like a shining token business card for us, which will bring even greater development opportunities for the Company!

The second milestone was debuting on the international capital market. The year 2021 marked the fifth anniversary of our A-share IPO. We are also listed and our shares traded on the Hong Kong Stock Exchange. Our Hong Kong IPO is the largest IPO of the healthcare industry in the Hong Kong market and the second largest IPO of Chinese healthcare industry in the world last year. Many international top-tier institutional investors participated in our Hong Kong IPO last year. Landing in the international capital market allows us to show our talent and ability under the global spotlight and let more people see the persistence and drive of Asymchem team members. Looking back on the process of this offering, the hardships should not be overlooked, as we completed the offering in the midst of a very volatile period for the healthcare sector in the Hong Kong market and against the backdrop of a very pessimistic investor sentiment.

We have also achieved many other extraordinary results in the past year. Our continuous-flow technology has been widely applied across various-scale projects and released into the industry; our cell-free synthesis platform and intelligent manufacturing technology have started to take shape; our Chinese market share continues to soar and our Japanese market share has made an important breakthrough after years of cultivation; our emerging businesses have blossomed with revenue growth of over 67% and our chemical macromolecules, biological macromolecules, clinical CRO and formulation business have all entered the fast track; and we have established the Chemical Business Group and the Emerging Business Group, making the Company's organizational system more efficient and more dynamic.

The year of 2022 is very critical for Asymchem. We will take bigger strides and achieve more new milestones. In the past decade, once almost every three years, the Company would receive a very large order and our business would take off. 2016 and 2019 both witnessed such events and growths. This year, we will again ride the momentum brought by these large orders and take our business to new heights and stages that we have never seen before. Since our A-share IPO in 2016, we have enjoyed a higher potential and greater attraction for talents, and we have also been to more rapidly promote the development of many new businesses. After the IPO in Hong Kong, our global expansion officially set sail. Our goals for 2022 are "large order delivery, market enlargement, system upgrade, and technology advancement". We will guarantee large order delivery to live up to the trust of our customers and help patients in need of our products recover as soon as possible; we will be very active in exploring new markets and new customers, especially the biotech market in the United States, promoting the super-regular and rapid expansion of new business segments, exploring the reserve of early projects, facilitating the layout of overseas expansion, and laying a solid foundation for the Company's future sustainable growth; we will enhance the soft strength of the organization, improve the management system, and make the organization's mobilization capacity match the revenue volume in the next few years; we have to continue to promote the comprehensive application of new technologies, help partners improve efficiency and reduce costs, respond effectively to the national call for low-carbon economy with new technologies, continue to promote the construction of R&D platforms for cell-free synthesis and intelligent manufacturing, and maintain our technological leadership position in the industry.

In 2008, when talking to investors about the future of Asymchem, I made the point that the pharmaceutical industry would be a combination of three forces: large pharmaceutical companies, biotech companies, and CRO/CDMO platforms, all three dividing up the work and moving forward together. In retrospect, the entire pharmaceutical industry has been indeed evolving along this direction. The mission of Asymchem is to pioneer innovation through cooperation. Our vision is to become a trusted and preferred partner in global pharmaceutical R&D and production, starting with individual customers, products and services, and over time becoming an essential part of the global innovative drug value chain. I believe that with the unremitting efforts of all Asymchem team members together, we will eventually accomplish our goals!

In 2022, let's continue to work together and strive together!

Sincerely,
Dr. Hao Hong
Chairman

SUMMARY OF FINANCIAL RESULTS

Revenue for the Reporting Period was approximately RMB4,632,121 thousand, representing an increase of 47.7% from approximately RMB3,136,724 thousand for the corresponding period of 2020.

Gross profit for the Reporting Period was approximately RMB2,049,725 thousand, representing an increase of 41.0% from approximately RMB1,453,224 thousand for the corresponding period of 2020.

Net profit attributable to shareholders of the listed company for the Reporting Period amounted to approximately RMB1,069,274 thousand, representing an increase of 48.6% from approximately RMB719,742 thousand for the corresponding period of 2020.

Non-IFRS adjusted net profit attributable to shareholders of the listed company for the Reporting Period amounted to approximately RMB1,122,997 thousand, representing an increase of 42.1% from approximately RMB790,242 thousand for the corresponding period of 2020.

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

FINANCIAL HIGHLIGHTS

	For the year ended December 31,			
	2018	2019	2020	**2021**
	RMB'000 (except percentages)			
Results of Operations:				
Revenue	1,822,787	2,445,849	3,136,724	**4,632,121**
Gross profit	838,110	1,100,563	1,453,224	**2,049,725**
Profit for the year	406,357	551,589	719,703	**1,069,256**
Net profit attributable to shareholders of the listed company	428,202	551,589	719,742	**1,069,274**
Profitability:				
Gross profit margin	46.0%	45.0%	46.3%	**44.3%**
Net profit margin	22.3%	22.6%	22.9%	**23.1%**
Earnings per share (RMB):				
– Basic	1.88	2.41	3.09	**4.40**
– Diluted	1.86	2.38	3.07	**4.39**

	As at December 31,			
	2018	2019	2020	**2021**
	RMB'000 (except percentages)			
Total assets	3,188,076	3,788,053	7,182,650	**15,156,297**
Total liabilities	677,688	745,004	1,192,900	**2,546,285**
Total equity	2,510,388	3,043,049	5,989,750	**12,610,012**
Owners' equity of the parent	2,510,388	3,043,049	5,989,789	**12,610,012**
Bank balances and cash	629,971	435,252	2,124,615	**6,234,457**
Gearing ratio (Note)	21.3%	19.7%	16.6%	**16.8%**

Note: Gearing ratio is calculated by dividing total liabilities by total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Industry in Which the Company Operates During the Reporting Period

Development trends in the industry in which the Company operates

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

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

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

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

Position of the Company in the industry

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

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

Principal Businesses of the Company during the Reporting Period

Company overview

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

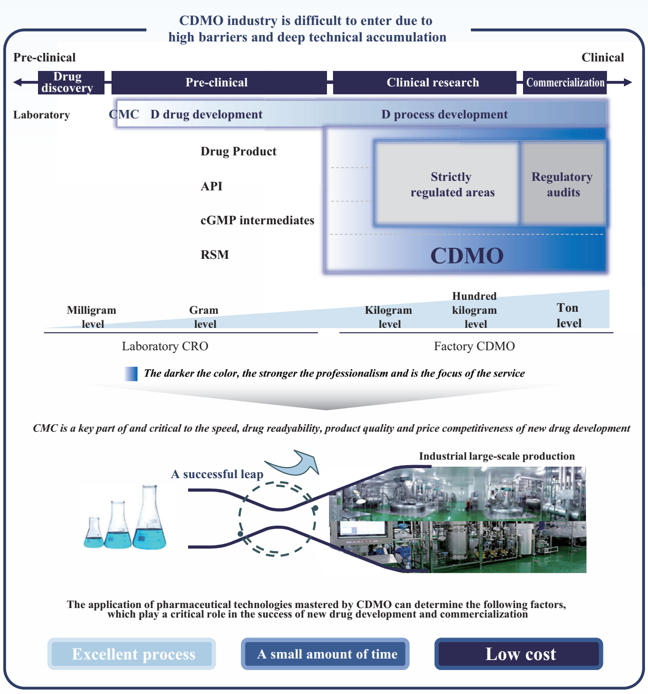
We have 20 years of experience in the small molecule CDMO field and are actively exploring and rolling out new businesses to build a professional one-stop service platform.

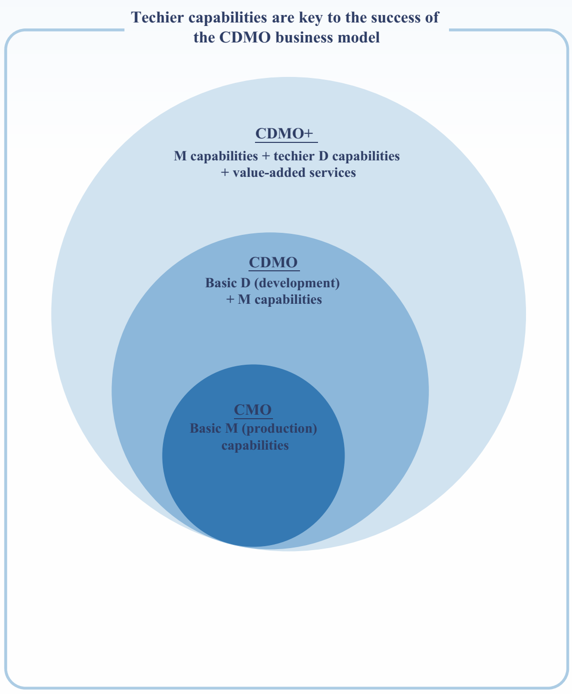
Small molecule CDMO service

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

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

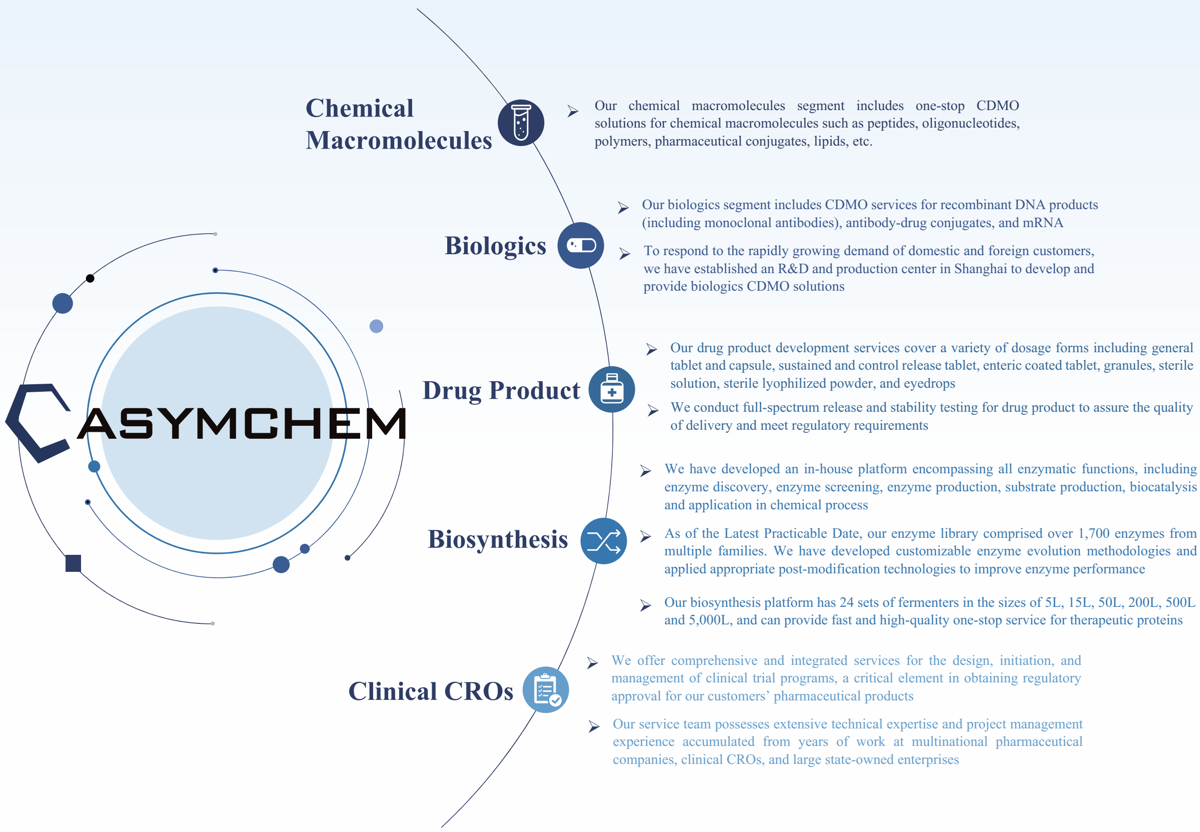
Our position in the industrial value chain





Emerging services

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



Major performance drivers during the Reporting Period

Small molecule CDMO business witnessed significant growth

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

Emerging business entered the fast track

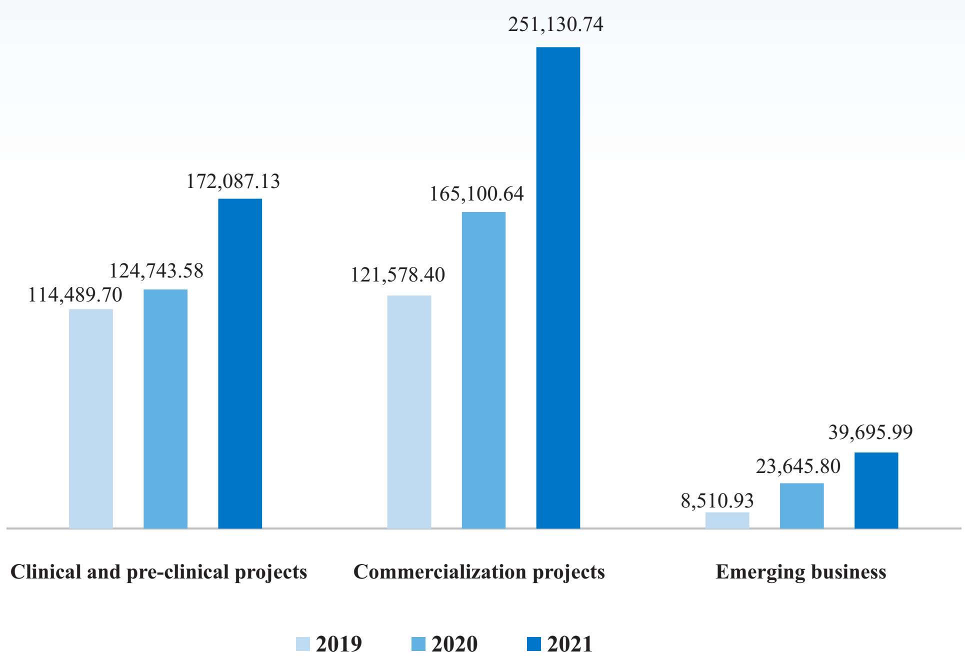
In accordance with the "two-wheel drive" strategy, the Company promoted the development of emerging business segments such as chemical macromolecule, biomolecule CDMO, drug product, clinical CRO, etc. The annual revenue of emerging business segments increased by more than 67% year-on-year. Without taking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

Business Summary

Business overview and analysis during the Reporting Period

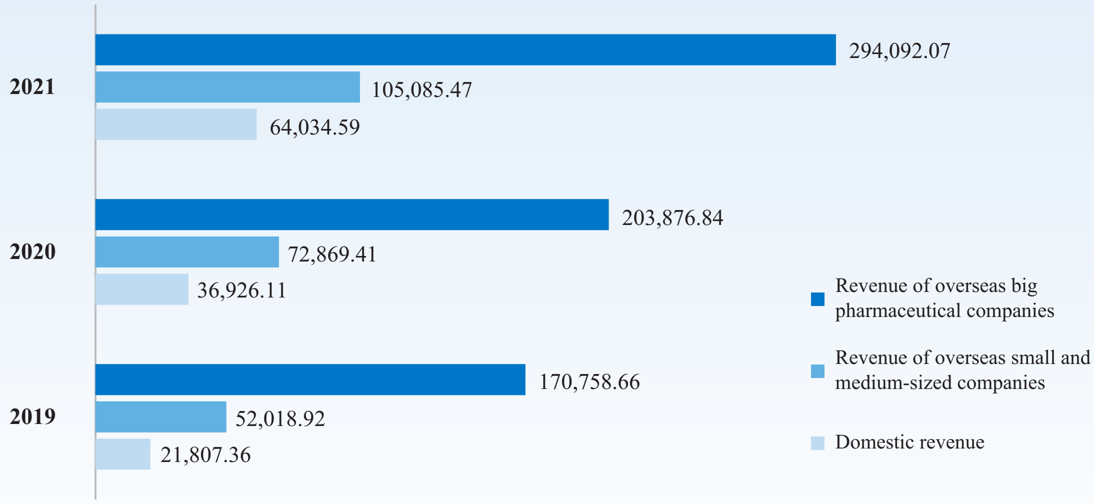
During the Reporting Period, the Company recorded a total revenue of RMB4.632 billion, representing an increase of 47.67% year-on-year. Without taking into account the impact of exchange rate, the figure would be 56.38%. In the fourth quarter of 2021, the Company recorded a revenue of RMB1.715 billion,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

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



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

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

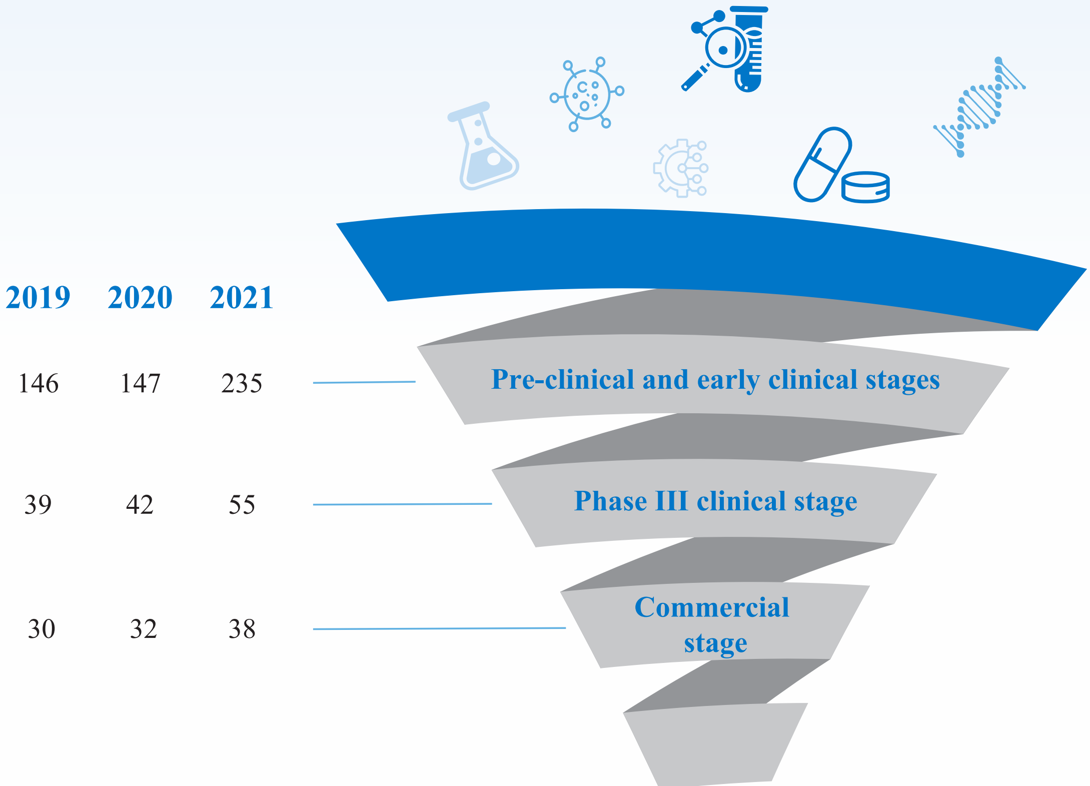


During the Reporting Period, net profit attributable to shareholders of listed companies was RMB1.069 billion, representing an increase of 48.47% year-on-year. Benefiting from the industry boom, the continued improvement of the Company's competitiveness, robust growth in its orders, as of the date of this annual report, the total orders under execution were US$1.898 billion, representing an increase of 320% compared to the same period last year.

Small molecule CDMO business

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

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



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

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

- Domestic market ushers in the harvest period

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

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

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

- Classic project cases completed during the Reporting Period

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

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

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

Emerging services

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

- Chemical macromolecule business segment

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

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

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

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

- Drug product segment

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

- Biosynthesis technology

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

- Clinical development services

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

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

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

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

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

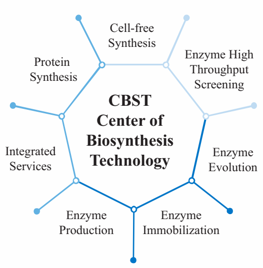
- Biological macromolecules CDMO

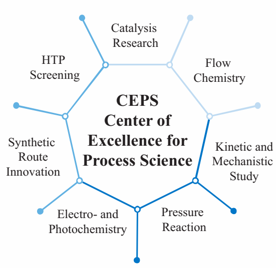
The Company further deployed the biological macromolecules CDMO services including advanced therapeutics. The CDMO services for biological macromolecules include Antibody (mAb), and recombinant protein and ADC one-stop CDMO service platform. The CDMO services for advanced therapeutics cover a wide range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

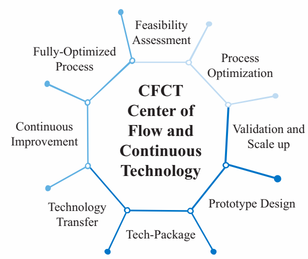
During the Reporting Period, the biological macromolecules CDMO of the Company includes several new projects, such as antibody IND project, ADC IND project and biological drug analysis project. In 2021, Company introduced several management personnel with rich industry experience and technical expertise, further set up professional and mature research and development, analysis and quality control integrated technical teams, and completed the establishment of biological drug CDMO service platform. At present, Asymchem biologics team has more than 200 persons. To improve the biological drug CDMO capacity, we have built the R&D and pilot production capacity in Jinshan, Shanghai. At present, the facility has the capacity of 200L/500L disposable bioreactor. As of the date of this annual report, our orders on hand for biological macromolecules CDMO reached RMB130 million. It is expected that the capacity construction of 2x2,000L disposable bioreactor antibody stock solution and 2x500L commercial ADC coupling stock solution will be completed in mid-2022. At present, the process development laboratory of plasmid and mRNA in the Suzhou business segment has the ability to undertake R&D-level orders. In mid-2022, it will have the pilot production capacity of plasmid and mRNA and the service capacity of IND and clinical sample preparation.

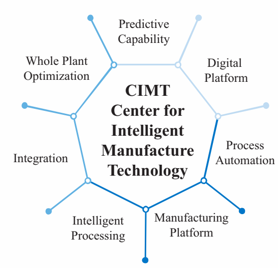
R&D platform construction

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









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

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

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

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

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

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

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

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

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

Construction of key production capacity during the Reporting Period

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

We have completed the construction and delivery of the capacity of small molecule CDMO business during the reporting period. The new plant of the subsidiary Jilin Asymchem was put into operation, and subsidiaries such as Asymchem Laboratories, Asymchem Pharmaceutical and Jilin Asymchem Pharmaceutical completed the upgrading of workshops and plants according to the development needs. Continuous reaction equipment was installed in several workshops to further enhance the reaction efficiency and yield through the large-scale application of continuous reaction technique. This secured capacity for undertaking the integrated production from clinical to commercialization, from raw materials to cGMP intermediates and APIs for domestic and foreign customers. As of the end of 2021, the volume of the Company's traditional batch reactor was approximately 4,700m^3. As of the date of this annual report, traditional batch reactor was 5,000m^3. It is expected that the production capacity of traditional batch reactors for small molecules by the end of 2022 will increase by 46% as compared with that by the end of 2021.

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

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

Cultivation of talent team

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

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

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

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

Zheng Guoxi
Senior vice president

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

Gao Kai
Vice president and chief technology officer of biological macromolecules

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

Li Tangqing
Vice president

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

Zheng Mingzhi
Vice president &
head of chemical engineering department

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

Chen Weibin
Executive vice president of biomolecules

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

Liu Donglian
Vice president of biomolecules

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

Dai Peng
Head of Boston R&D Center

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

Luo Zhenyu
Vice president

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

	2021		2020		Change Ratio
	RMB'000	**Proportion**	RMB'000	Proportion	
Commercial stage CDMO solutions	**2,511,307**	**54.2%**	1,651,006	52.7%	52.1%
Clinical stage CDMO solutions	**1,720,871**	**37.2%**	1,247,437	39.8%	38.0%
Emerging services	**396,960**	**8.6%**	236,458	7.5%	67.9%
Total revenue from principal business	**4,629,138**	**100.0%**	3,134,901	100.0%	47.7%
Revenue from other businesses	**2,983**		1,823		63.6%
Total revenue	**4,632,121**		3,136,724		47.7%

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

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

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

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

Costs of sales

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

Gross profit and gross profit margin

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

Clinical and pre-clinical gross profit increased from RMB611.22 million in 2020 to RMB699.86 million in 2021, and gross profit margin decreased from 49% in 2020 to 40.7% in 2021. Excluding the foreign exchange impact, the gross profit margin in 2021 was 43.7%, representing a decrease of 5.3%.

Gross profit from commercialization increased from RMB743.79 million in 2020 to RMB1,193.17 million in 2021, and gross profit margin increased from 45.1% in 2020 to 47.5% in 2021. Excluding the foreign exchange impact, the gross profit margin in 2021 was 50.9%, representing an increase of 5.8%.

Gross profit from new business increased from RMB97.87 million in 2020 to RMB156.76 million in 2021, and gross profit margin decreased from 41.4% in 2020 to 39.5% in 2021. Excluding the foreign exchange impact, gross profit margin in 2021 was 40.6%, representing a decrease of 0.8%.

Other income and gains

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

Selling and distribution expenses

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

Administrative expense

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

R&D expense

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

Finance cost

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

Income tax expense

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

Net profit and net profit margin

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

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

Basic and diluted earnings per share

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

Property, plant and equipment

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

Right-of-use assets

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

Goodwill

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

Deferred tax assets

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

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

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

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

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

Inventory

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

Trade receivables

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

Cash and cash equivalents

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

Other payables and accruals

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

Interest-bearing bank and other borrowings

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

Lease liabilities (current portion and non-current portion)

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

Contingent liabilities and guarantees

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

Foreign exchange risk

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

Non-IFRS Measures

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

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

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

Notes:

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

(i) share-based compensation expense;

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

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

Cash Flows

During the year ended December 31, 2021, the Group's net cash flows from operating activities amounted to RMB113.15 million, representing a decrease of RMB459.76 million as compared with the year ended December 31, 2020. The decrease was mainly due to the increase in purchase of raw materials and payment of employee remuneration during the period and a timing gap arising from the credit period of our revenue in the fourth quarter.

During the year ended December 31, 2021, the Group's net cash flows used in investing activities amounted to RMB2,205.21 million, representing an increase of RMB1,103.44 million as compared to the year ended December 31, 2020. The increase was mainly due to the expansion of production capacity, the increase in investment in fixed assets, and the increase in purchase of wealth management products with idle funds during the Reporting Period.

During the year ended December 31, 2021, the Group's net cash flows from financing activities amounted to RMB6,210.71 million, representing an increase of RMB3,946.46 million as compared with the year ended December 31, 2020. The increase was mainly due to the proceeds received from the issuance of H Shares.

Capital Structure

Total equity attributable to shareholders of the Group amounted to approximately RMB12,610.01 million as at December 31, 2021, as compared to approximately RMB5,989.79 million as at December 31, 2020.

Pledge of Assets

As at December 31, 2021, the net book value of buildings, land and equipment pledged by the Group amounted to approximately RMB35.24 million (as at December 31, 2020: approximately RMB0 million); the pledged deposits amounted to approximately RMB2.42 million (as at December 31, 2020: approximately RMB3.06 million).

The above pledged assets have guaranteed the Group's interest-bearing bank loans and other borrowings.

Contingent Liabilities

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

Capital Expenditure

During the Reporting Period, the Group's capital expenditure on property, plant and equipment, land use rights and other intangible assets amounted to approximately RMB1,659.74 million (December 31, 2020: approximately RMB1,014.96 million).

Capital Commitments

As at December 31, 2021, the Group had capital commitments of approximately RMB851.49 million (as at December 31, 2020: approximately RMB335.88 million), all of which were used for the purchase of items of property, plant and equipment.

Gearing Ratio

As at December 31, 2021, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 16.8% (December 31, 2020: 16.6%).

OUTLOOK AND PROSPECT

Industry Competition and Development

Industry pattern and trend

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

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

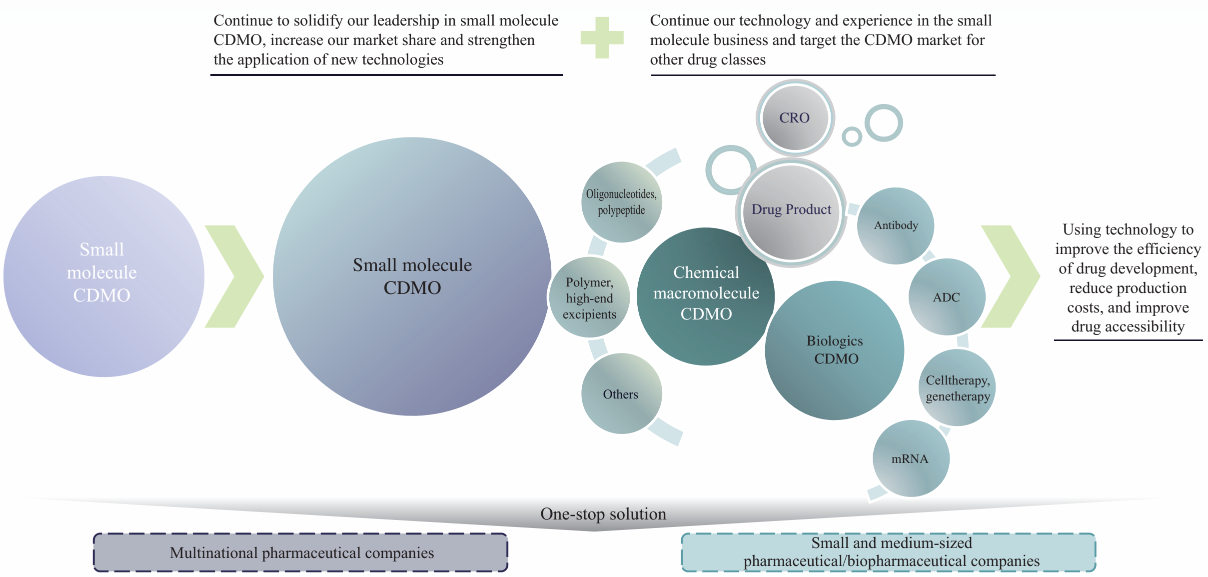
Overall, from the important forward-looking indicators such as global new drug R&D investment, innovative drug sales, China's new drug R&D investment and financing amount of small innovative drug companies, it is expected that China's CDMO industry will maintain a higher average growth rate than the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

Outlook and strategy for the future development of the Company

Development strategy

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

Our growth strategy



Annual business plan for 2022

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

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

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

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

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

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

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

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

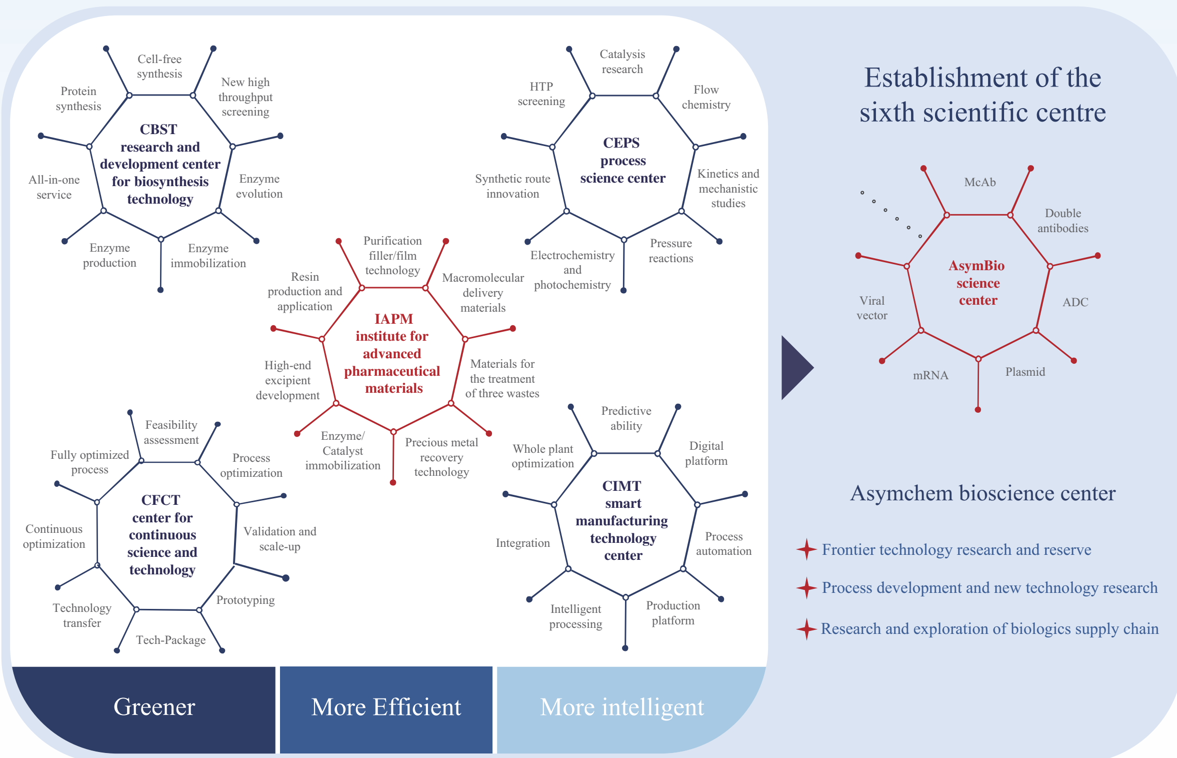
- Further enhancing capacity release capability to lay the foundation for undertaking more projects

  In view of the relatively tight capacity of small molecules, the Company has started to intensify efforts in production capacity to satisfy the growing demand for orders. The Company rapidly pushes forward the construction and use of several small molecule production projects in Tianjin, Dunhua and Yangtze River Delta. In the first half of 2022, four buildings will be added to the Dunhua plant, and about 1,000m^3 batch capacity will be delivered. For the whole year, it is expected that new batch capacity of small molecule of more than 2,000m^3 will be realized in Dunhua, Tianjin and Yangtze River Delta. Certain workshops and production lines are upgraded, and the application of new technologies represented by continuous reaction is strengthened, to improve capacity efficiency and support the fast-growing capacity demand of the small molecule CDMO business. The Company pushes forward the construction of kilogram capacity for small nucleic acids, and R&D and production of biosynthesis technology centers, and speeds up the construction of R&D and production capacity for biopharmaceutical CDMO business, among which, the construction of the first phase of the Shanghai Fengxian biological macromolecules pilot scale and commercial production base project has started, including the commercial production capacity of antibody stock solution of 16,000L, the drug product fill-finish production line which can be used for the manufacturing for both liquid and freeze-dried drug product, ADC conjugations stock solution production capacity 1,500L and ADC drug product fill-finish production line, to meet the fast-growing capacity demand for orders of strategic emerging business. The Company accelerates the construction of R&D platforms and production capacity at home and abroad in line with the use of funds raised from the Company's overseas listing, to secure short-term and medium – to long-term project growth.

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

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

R&D technology platform of Asymchem Laboratories



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

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

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

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

Potential Risk

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth information about our Directors.

Name	Age	Position	Date of first appointment
Executive Directors			
Dr. Hao Hong	66	Founder, Chairman of the Board, Executive Director and Chief Executive Officer	Appointed as the Chairman of the Board and the General Manager on July 18, 2011 and re-designated as Chief Executive Officer on January 19, 2022
Ms. Yang Rui (楊蕊)	45	Executive Director and Co-Chief Executive Officer	Appointed as a Director and a Deputy General Manager on July 18, 2011 and as a Co-Chief Executive Officer on January 19, 2022
Mr. Zhang Da (張達)	41	Executive Director and Chief Financial Officer	Appointed as the Chief Financial Officer on August 7, 2018, as a Deputy General Manager on April 4, 2019, as a Director on April 18, 2019 and re-designated as Chief Financial Officer on January 19, 2022
Mr. Hong Liang (洪亮)	48	Executive Director and Executive Vice President	Appointed as a Director on July 18, 2011, as a Deputy General Manager on October 31, 2017 and re-designated as Executive Vice President on January 19, 2022
Non-executive Directors			
Dr. Ye Song	61	Non-executive Director	Appointed as a Director on July 18, 2011
Ms. Zhang Ting (張婷)	36	Non-executive Director	Appointed as a Director on February 9, 2021
Independent Non-executive Directors			
Ms. Zhang Kun (張昆)	49	Independent Non-executive Director	Appointed as an independent non-executive Director on January 16, 2017
Mr. Wang Qingsong (王青松)	43	Independent Non-executive Director	Appointed as an independent non-executive Director on April 18, 2019
Mr. Lee, Kar Chung Felix (李家聰)	40	Independent Non-executive Director	Appointed as an independent non-executive Director on June 16, 2021

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Hao Hong, aged 66, is currently the chairman, the executive Director and the chief executive officer of the Company. Dr. Hao Hong is responsible for the formulation of the strategic direction, business plans and major operational decisions and direct day-to-day management of our brands, sales and daily operation of the Group.

Prior to founding ALAB, a Controlling Shareholder of the Company, in November 1995, Dr. Hao Hong has served at North Carolina State University (北卡州立大學) as a post-doctoral research associate and was mainly responsible for conducting scientific researches. Dr. Hao Hong founded Chirachem Laboratories (Tianjin) Co., Ltd. (天津凱萊英精細有機化工有限公司, the predecessor of the Company) in October 1998 and was appointed as the chairman of the board and the general manager.

Dr. Hao Hong obtained a bachelor's degree of medicine from Sichuan Medical College (四川醫學院, currently known as West China Hospital of Sichuan University (四川大學華西醫院)) in March 1982 and a master's degree of medicine from the China Capital Medical University (中國首都醫科大學) in June 1985. He also obtained a doctorate degree of medicinal chemistry from the Chinese Academy of Medical Sciences (中國醫學科學院) in October 1988. Dr. Hao Hong has been awarded as "Outstanding Overseas Student of Tianjin" ("天津市傑出留學人員") by Tianjin Municipal People's Government (天津市人民政府) and Tianjin Municipal Committee of Communist Party of China (中國共產黨天津市委員會) in February 2004, "Outstanding Entrepreneurship Award" of Professional Overseas Chinese (華僑華人專業人士"傑出創業獎") by Overseas Chinese Affairs Office Of The State Council (國務院僑務辦公室) in September 2005, "2007 Excellent Entrepreneur of Tianjin" ("2007年度天津市優秀企業家") by Tianjin Municipal People's Government (天津市人民政府) in June 2008 and "Excellent Overseas Student of Tianjin" ("天津市優秀留學人員") by Tianjin Municipal People's Government (天津市人民政府) in January 2009.

Dr. Hao Hong is the spouse of Dr. Ye Song (a non-executive Director), the uncle of Mr. Hong Liang (an executive Director and executive vice president).

Ms. Yang Rui (楊蕊), aged 45, is currently the executive Director and the co-chief executive officer of the Company. Ms. Yang Rui is responsible for the major operational decisions and direct day-to-day management of the Group.

Ms. Yang Rui joined the Company in April 1999 and successively served several managerial positions in the administration office, import and export department and accounting department, as a deputy general manager and as the executive deputy general manager. Ms. Yang Rui concurrently serves as a director or the chairman of the board of directors of several subsidiaries of the Company. Ms. Yang Rui has been serving as a director of Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Ms. Yang Rui obtained a bachelor's degree of engineering from Tianjin Institute of Light Industry (天津輕工業學院, currently known as Tianjin University of Science & Technology (天津科技大學)) in July 1999 and a master's degree of EMBA from Peking University in July 2013. She was selected as Tianjin New Entrepreneur Training Project (天津市新型企業家培養工程) and was named as 2020 Tianjin Model Worker (2020年天津市勞動模範).

Mr. Zhang Da (張達), aged 41, is currently the executive Director and the chief financial officer of the Company. Mr. Zhang Da is responsible for our financial operation, financing and investment activities of the Group.

Prior to joining the Company, Mr. Zhang Da joined the CSRC in July 2006 and served for 8 years. Mr. Zhang Da later served as a director, a deputy general manager and the secretary to the board in Beijing Youyuan Online Technology Company Limited (北京友緣在線網絡科技股份有限公司) from December 2014 to May 2018. He has been concurrently serving as an independent director of Hunan Nucien Pharmaceutical Co., Ltd. (湖南南新製藥股份有限公司) since April 2018 and a director of Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Mr. Zhang Da obtained a bachelor's degree of engineering from Tianjin University (天津大學) in June 2003 and a master's degree of economics from the Financial Research Institute of The People's Bank of China (中國人民銀行金融研究所) in October 2006.

Mr. Hong Liang (洪亮), aged 48, is currently the executive Director and the executive vice president of the Company. Mr. Hong Liang is responsible for the major operational decisions and direct day-to-day management of the Group.

Mr. Hong Liang joined the Group in October 1998 and successively served as the director of the production department and a deputy general manager of the engineering equipment department of the Company and a deputy general manager of the engineering equipment department, the general manager and the chairman of the board of directors of Asymchem Laboratories, a wholly-owned subsidiary of the Company. Mr. Hong Liang concurrently serves as a director or the general manager of several subsidiaries of the Company.

Mr. Hong Liang obtained an associate's degree of clinical medicine from Jilin Medical School (吉林醫學院) in July 1996.

Mr. Hong Liang is the nephew of Dr. Hao Hong, the founder, chairman of the Board, executive Director and chief executive officer of the Company.

Dr. Ye Song, aged 61, is currently the non-executive Director of the Company. Dr. Ye Song is responsible for advising on our business plans, major decisions and investment activities.

Dr. Ye Song joined ALAB, a Controlling Shareholder of the Company, since it was founded in November 1995 and successively served as a deputy general manager, the general manager, a director and the chief financial officer of ALAB. Dr. Ye Song concurrently serves as a director and/or chief financial officer of several subsidiaries of the Company and has been serving as a director of Tianjin Qingya Tourism Information Consulting Co., Ltd. (天津青亞旅遊信息諮詢有限公司) since March 2017.

She obtained a bachelor's degree of science from Peking University in July 1983, a master's degree of science from Peking University in July 1986 and a PhD's degree from North Carolina State University in May 1999.

Dr. Ye Song is the spouse of Dr. Hao Hong, the founder, chairman of the Board, executive Director and chief executive officer of the Company.

Ms. Zhang Ting (張婷), aged 36, is currently the non-executive Director of the Company. Ms. Zhang Ting is responsible for advising on our business plans, major decisions and investment activities and is currently in charge of the Company's operation management office, audit management, PCO management and other related matters within the Company.

Ms. Zhang Ting joined the group in March 2008 and successively served as a clerk and deputy director of the department of project management and the executive deputy general manager assistant of Asymchem Laboratories, a wholly-owned subsidiary of the Company. She then served as the head of the audit department, the executive deputy general assistant and deputy general manager of the operation management office. Ms. Zhang Ting concurrently serves as a supervisor of several subsidiaries of the Company.

Ms. Zhang Ting obtained a bachelor's degree of science from Hubei University (湖北大學) in June 2008.

Ms. Zhang Kun (張昆), aged 49, is currently an independent non-executive Director of the Company. Ms. Zhang Kun is responsible for supervising and providing independent judgement to the Board and offering strategic advice and guidance as to our financial management, internal control and external investment.

Prior to joining the Company, Ms. Zhang Kun has served at Hujiang Deloitte Certified Public Accountants (滬江德勤會計師事務所, currently known as Deloitte Huayong Certified Public Accountants (德勤華永會計師事務所)). Ms. Zhang Kun later served as an audit manager, a senior audit manager and a partner (since September 2009) at ShineWing Certified Public Accountants (special general partnership) (信永中和會計師事務所) from October 1999, as an independent director at Jiuzhitang Co., Ltd. (九芝堂股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000989) from December 2017 to July 2020.

Ms. Zhang Kun obtained a bachelor's degree of economics from Renmin University of China (中國人民大學) in July 1995. Ms. Zhang Kun is recognized by Chinese Institute of Certified Public Accountants (中國註冊會計師協會) as a certified public accountant.

Mr. Wang Qingsong (王青松), aged 43, is currently an independent non-executive Director of the Company. Mr. Wang Qingsong is responsible for supervising and providing independent judgement to the Board.

Mr. Wang Qingsong joined Deloitte Touche Tohmatsu CPA Ltd. Shenzhen Branch (德勤華永會計師事務所有限公司深圳分所) as an associate in September 2002 and transferred to Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch (德勤華永會計師事務所有限公司北京分所) in January 2004. Later, he served as a lawyer in Orrick Herrington & Sutcliffe LLP from April 2006 to July 2008 and started working at JSM Beijing Representative Office (HK) (香港孖士打律師事務所北京代表處) in September 2008. He served as a partner of AllBright Law Offices (錦天城律師事務所) from April 2011 to April 2015 and continued to practice there as a lawyer until May 2020. Mr. Wang Qingsong also successively served as the chief legal officer of Beijing Beike Times Network Technology Co., Ltd. (北京貝殼時代網絡科技有限公司) and the general manager of management center of Beike Zhaofang (Beijing) Technology Co., Ltd. (貝殼找房(北京)科技有限公司) from March 2018 to April 2021.

Mr. Wang Qingsong obtained a bachelor's degree from Northwestern Polytechnical University (西北工業大學) in July 2000 with major in management engineering and a master's degree of management from Guanghua School of Management, Peking University in July 2002.

Mr. Lee, Kar Chung Felix (李家聰), aged 40, is currently an independent non-executive Director of the Company. Mr. Lee, Kar Chung Felix is responsible for supervising and providing independent judgement to the Board.

Mr. Lee, Kar Chung Felix is currently a senior vice president of Chow Tai Fook Enterprises Limited ("**CTFE**") with responsibilities in making investments in the healthcare sector in Asia and globally since September 2014 and a director of Healthcare Ventures Holdings Limited, a wholly owned subsidiary of CTFE. Mr. Lee is also an executive director of UMP Healthcare Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 722) since September 2014 and an independent non-executive director of China Resources Medical Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1515, formerly known as Phoenix Healthcare Group Co., Ltd.) since August 2015. He has over 15 years of experience in law and finance. He served as a solicitor with the law firm Freshfields Bruckhaus Deringer from January 2005 to February 2008, an analyst in the investment banking department of UBS AG, Hong Kong branch from March 2008 to January 2009. He then joined Deutsche Bank AG, Hong Kong branch and last held the position of director in the Corporate Finance Division, where he worked from January 2009 to August 2014.

Mr. Lee obtained a bachelor's degree of laws from the London School of Economics and Political Sciences and a postgraduate certificate in Laws from the University of Hong Kong in July 2003 and June 2004, respectively. He is a solicitor of the High Court of Hong Kong since September 2007 and a solicitor (non-practicing) in the Senior Courts of England and Wales since February 2013. Mr. Lee is also a Vice Chairman of the China Committee, the Hong Kong General Chamber of Commerce.

SUPERVISORS

Our Supervisory Committee consists of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. The following table sets forth the information about our Supervisors.

Name	Age	Position	Date of first appointment
Ms. Zhi Xinxin (智欣欣)	41	Shareholder representative Supervisor and Chairman of the Supervisory Committee	July 18, 2011
Ms. Hou Jingyi (侯靖藝)	38	Employee representative Supervisor	January 24, 2021
Ms. Di Shanshan (狄姍姍)	35	Shareholder representative Supervisor	October 31, 2017

Ms. Zhi Xinxin (智欣欣), aged 41, is currently a shareholder representative Supervisor and the Chairman of Supervisory Committee of the Company and is responsible for overseeing our operations and financial activities.

Ms. Zhi Xinxin joined the Group in July 2003 and successively served as a clerk of the comprehensive office and a deputy director of human resource department in Asymchem Laboratories, a wholly-owned subsidiary of the Company.

Ms. Zhi Xinxin obtained an associate's degree of arts in general studies from Southwest Missouri State University in July 2003.

Ms. Hou Jingyi (侯靖藝), aged 38, is currently an employee representative Supervisor of the Company and is responsible for overseeing our operations and financial activities.

Ms. Hou Jingyi joined the Group in July 2007 and successively served as a general manager assistant, a director of the comprehensive office and a director of human resources department in Asymchem Laboratories (Fuxin), a wholly-owned subsidiary of the Company, from July 2007 to November 2020 and a director of the comprehensive office and a director of human resources department in Jilin Asymchem Laboratories, a wholly-owned subsidiary of the Company, from June 2015 to November 2020. Ms. Hou Jingyi currently serves as a director of human resources department in Asymchem Laboratories, a wholly-owned subsidiary of the Company since November 2020.

Ms. Hou Jingyi obtained a bachelor's degree of engineering from Liaoning Petrochemical University (遼寧石油化工大學) in July 2007.

Ms. Di Shanshan (狄姍姍), aged 35, is currently a shareholder representative Supervisor of the Company and is responsible for overseeing our operations and financial activities.

Ms. Di Shanshan joined the Group in August 2012 and successively served as a clerk and a deputy director of the administration office of Asymchem Laboratories, a wholly-owned subsidiary of the Company.

Ms. Di Shanshan obtained a bachelor's degree of pharmaceutical engineering from Hebei University of Technology (河北工業大學) in July 2009 and a master's degree of pharmaceutical engineering from Sichuan University (四川大學) in June 2012.

SENIOR MANAGEMENT

The following table sets forth the information about our senior management.

Name	Age	Position	Date of first appointment
Dr. Hao Hong	66	Founder, Chairman of the Board, Executive Director and Chief Executive Officer	Appointed as the Chairman of the Board and the General Manager on July 18, 2011 and re-designated as Chief Executive Officer on January 19, 2022
Ms. Yang Rui (楊蕊)	45	Executive Director and Co-Chief Executive Officer	Appointed as a Director and a Deputy General Manager on July 18, 2011 and as a Co-Chief Executive Officer on January 19, 2022
Mr. Zhang Da (張達)	41	Executive Director and Chief Financial Officer	Appointed as the Chief Financial Officer on August 7, 2018, as a Deputy General Manager on April 4, 2019, as a Director on April 18, 2019, and re-designated as Chief Financial Officer on January 19, 2022

Name	Age	Position	Date of first appointment
Mr. Hong Liang (洪亮)	48	Executive Director and Executive Vice President	Appointed as a Director on July 18, 2011, as a Deputy General Manager on October 31, 2017 and re-designated as Executive Vice President on January 19, 2022
Dr. James Randolph Gage	58	Chief Science Officer	Appointed as a Deputy General Manager on July 18, 2011 and re-designated as Chief Scientific Officer on January 19, 2022
Mr. Chen Chaoyong (陳朝勇)	41	Executive Vice President	Appointed as a Deputy General Manager on October 31, 2017 and re-designated as Executive Vice President on January 19, 2022
Mr. Jiang Yingwei (姜英偉)	46	Executive Vice President	Appointed as a Deputy General Manager on June 23, 2020 and re-designated as Executive Vice President on January 19, 2022
Dr. Xiao Yi (肖毅)	60	Senior Vice President	Appointed as a Deputy General Manager on April 4, 2019 and re-designated as Senior Vice President on January 19, 2022
Ms. Huang Xiaolian (黃小蓮)	48	Senior Vice President	Appointed as a Deputy General Manager on July 18, 2011 and re-designated as Senior Vice President on January 19, 2022
Dr. Zhou Yan (周炎)	42	Vice President	Appointed as a Deputy General Manager on October 31, 2017 and re-designated as Vice President on January 19, 2022
Mr. Xu Xiangke (徐向科)	42	Vice President	Appointed as a Deputy General Manager and Secretary to the Board on July 18, 2011 and re-designated as Vice President on January 19, 2022

For the biographical details of Dr. Hao Hong, Ms. Yang Rui, Mr. Zhang Da and Mr. Hong Liang, please refer to the section headed "Biographies of Directors, Supervisors and Senior Management – Directors."

Dr. James Randolph Gage, aged 58, is currently a Chief Science Officer of the Company and is responsible for guiding the new technology development and commercial applications of the Company's research and development, production and drug synthesis development.

Dr. James Randolph Gage has nearly 30 years of work experience in the medicinal chemistry industry. From February 2006 to November 2010, Dr. James Randolph Gage served as a deputy general manager of ALAB, a Controlling Shareholder of the Company. In November 2010, Dr. James Randolph Gage joined Asymchem Inc., a wholly owned subsidiary of the Company, and has been serving as a deputy general manager of it since then. Prior to joining the Company, he has served at Pfizer Inc. and Pharmacia Corp., a subsidiary of Pfizer Inc., from October 1991 to February 2006.

Dr. James Randolph Gage obtained a bachelor's degree of science from Columbia University in December 1985 and a PhD's degree of Organic Chemistry from Harvard University in November 1991.

Mr. Chen Chaoyong (陳朝勇), aged 41, is currently an Executive Vice President of the Company and is responsible for the overall management of project commercial development and production.

Mr. Chen Chaoyong joined the Group in July 2003 and successively served as the R&D supervisor and deputy general manager of the Company. He currently serves as the general manager of Jilin Asymchem Laboratories, the chairman of Asymchem Laboratories (Fuxin) and the executive director of Jilin Asymchem Pharmaceuticals Co., Ltd. (吉林凱萊英製藥有限公司), all of which are subsidiaries of the Company.

Mr. Chen Chaoyong obtained a bachelor's degree of science from Sichuan University (四川大學) in July 2003.

Mr. Jiang Yingwei (姜英偉), aged 46, is currently an Executive Vice President of the Company and is responsible for the overall management, organization and coordination, supervision and evaluation of the Group's human resources.

Prior to joining the Company in January 2020, Mr. Jiang Yingwei served in Beijing Alliance PKU Management Consultants Ltd. (北京北大縱橫管理諮詢有限責任公司) from July 2008 to July 2014. He participated in the founding of Peking University Entrepreneurship Training Camp in August 2014 and has been working at there since then and served as the co-founder and general manager of the Jiangsu Base of Peking University Entrepreneurship Training Camp from June 2015 to December 2019. Mr. Jiang Yingwei served as a supervisor of Yanyuan Alumni (Beijing) Technology Development Co., Ltd. (燕園校友（北京）科技發展有限公司) from February 2016 to July 2021.

Mr. Jiang Yingwei obtained a bachelor's degree of engineering from North China School of Engineering (華北工學院, currently known as North University of China (中北大學)) in June 1999 and a master's degree of MBA from Guanghua School of Management, Peking University in July 2008.

Dr. Xiao Yi (alias: Hsiao Yi) (肖毅), aged 60, is currently a Senior Vice President of the Company and is responsible for the innovation and breakthrough of the Company's business, technology and professional solutions.

Dr. Xiao Yi joined the Group in September 2018 as senior vice president in the project processing and development center of Asymchem Life Science, a wholly-owned subsidiary of the Company, and has been serving as the chairman and general manager of Asymchem Life Science since May 2019. Prior to joining the Group, Dr. Xiao Yi has worked at the department of Process Research of Merck Research Laboratories and then served as the senior principal scientist in Bristol-Myers Squibb (百時美施寶公司) from May 2006 to August 2018. Dr. Xiao Yi has over 20 years of work experience in pharmaceutical technology research and development and has created a catalyst research laboratory for Bristol-Myers Squibb (百時美施寶公司).

Dr. Xiao Yi obtained a bachelor's degree of science from Sun Yat-Sen University (中山大學) in July 1983 and a PhD's degree of chemistry from Nagoya University in Japan in January 1994.

Ms. Huang Xiaolian (黃小蓮), aged 48, is currently a Senior Vice President of the Company and is responsible for the overall management of procurement process, optimizing the supervising and evaluating process of suppliers.

Ms. Huang Xiaolian joined the company in October 1998 and successively served as a director and a senior director in the procurement department and a Deputy General Manager of the Company.

Ms. Huang Xiaolian obtained an associate's degree of business administration from China Central Radio and TV University (中央廣播電視大學, currently known as The Open University of China (國家開放大學)) in January 2016.

Dr. Zhou Yan (周炎), aged 42, is currently a Vice President of the Company and is responsible for the overall management of the Company's quality system.

Dr. Zhou Yan joined the Group in July 2007 and successively served as a senior researcher, a R&D supervisor and a senior R&D supervisor of Asymchem Life Science, a wholly-owned subsidiary of the Company. In addition, he is currently deputy general manager of several subsidiaries of the Company.

Dr. Zhou Yan obtained a bachelor's degree of science from Central China Normal University (華中師範大學) in June 2002 and a doctor's degree of science from Wuhan University (武漢大學) in June 2007.

Mr. Xu Xiangke (徐向科), aged 42, is currently a Vice President of the Company and is responsible for managing day-to-day work of the Board and corporate governance matters.

Mr. Xu Xiangke has extensive experience in corporate securities affairs, government affairs and public utilities. Mr. Xu Xiangke joined the Company in July 2003 and served successively as the director of the general manager secretariat and the director of the public affairs department of the Company. Mr. Xu Xiangke has served as a deputy general manager and the director of the public affairs department of Asymchem Life Science from June 2008 to December 2011, a wholly-owned subsidiary of the Company and has been serving as a supervisor of Jilin Asymchem Laboratories, a wholly-owned subsidiary of the Company, since March 2015. Other than positions in the Group, he also serves as a supervisor of Haiyingchuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Mr. Xu Xiangke obtained a bachelor's degree of engineering from Inner Mongolia Agricultural University (內蒙古農業大學) in July 2003 and has completed all the requirements prescribed by Shanghai Advanced Institute of Finance (上海高級金融學院) for the degree of EMBA in December 2018.

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL BUSINESS

Our Company is a world-leading, technology-driven one-stop integrated CDMO service provider. It accelerates the clinical research and commercial application of innovative drugs by providing domestic and international pharmaceutical and biotech companies with one-stop CMC services throughout the drug lifecycle, as well as efficient and high-quality R&D and manufacturing services.On November 18, 2016, our A Shares were listed on the Shenzhen Stock Exchange with stock code of 002821. On December 10, 2021, our H shares were listed on the Main Board of the Stock Exchange with stock code of 6821.

The business and details of the Company's principal subsidiaries are set out in note 1 to the financial statements. An analysis of the Group's revenue for the year by principal business is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the financial statements.

BUSINESS REVIEW

Discussion and analysis of the Group's business in accordance with Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in the following sections of this annual report, which form an integral part of this Report of the Board of Directors:

- Chairman's Statement (pages 7 to 8)
- Business Review (pages 11 to 30)
- Financial Highlights (page 10) and Financial Review (pages 31 to 37)
- Potential Risk (page 44)
- Financial Risk Management Objectives and Policies (note 39 to financial statements)
- Events After the Reporting Period (page 73 and note 40 to financial statements)

In addition, the Group's policies and performance in environmental, social and governance aspects, and compliance with relevant laws and regulations will be disclosed in the Environmental, Social and Governance Report to be published by the Company in due course during the Reporting Period.

RESULTS OF OPERATIONS

The consolidated results of the Group for the Reporting Period are set out on pages 99 to 106 of this annual report.

PROFIT DISTRIBUTION

The Company's Profit Distribution Policy

The Company has adopted a dividend policy, which provides the principles and guidelines in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

In recommending or declaring dividends, the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth as well as its shareholder value. Details of the dividend policy of the Company is set out in the section headed "Corporate Governance Report – Dividend Policy" of this annual report.

Regarding the declaration and payment of dividends, the Board considers the results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), market conditions, the Company's strategy and projection for business, the Company's contractual restrictions and obligations, taxation, regulatory restrictions, cash requirements and availability and any other factors that the Board may consider relevant.

2021 PROFIT DISTRIBUTION PLAN

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

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

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

Taxation

A Shareholders

According to the relevant provisions of the State Administration of Taxation of the PRC, the Capitalization Issue shall be proceeded by the reserves of the Company, and is exempt from any tax or any withholding tax.

According to the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85) 《財政部、國家稅務總局、證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for the relevant individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements above.

According to Article 26.2 of the PRC Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of the PRC Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the PRC Enterprise Income Tax Law include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the PRC Enterprise Income Tax Law and its implementation rules, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

H Shareholders

According to the Enterprise Income Tax Law of the PRC and its implementation rules, both effective from January 1, 2008, the Company shall withhold and pay enterprise income tax at the rate of 10% before distributing dividends to non-resident enterprise Shareholders whose names appear on the Company's register of members for H Shares.

According to the Notice on Collection of Individual Income Tax after the Repeal of Guo Shui Fa No. [1993] 045 (Guo Shui Han No. [2011] 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of the H Shares.

If the individual holders of the H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of the Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2019, No. 35) (《非居民納稅人享受稅收協定待遇管理辦法》(國家稅務總局公告2019年第35號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authority.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such taxation treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any taxation treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling the Company's Shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environmental protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Details of the Group's environmental policies and performance will be disclosed in the Environmental, Social and Governance Report of the Company for the Reporting Period to be published in due course.

SHARE CAPITAL

Details of the movements in share capital of the Group during the Reporting Period are set out in note 28 to the financial statements.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 103 to 104 of this annual report. Details of movements in the reserves of the Company during the Reporting Period are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company's distributable reserves, calculated in accordance with PRC rules and regulations, were RMB349.26 million.

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

Repurchase and Cancellation of Certain Restricted A Shares

Repurchase and cancellation of certain restricted A Shares granted under the 2018 Restricted A Share Incentive Scheme and the 2020 Restricted A Share Incentive Scheme

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

Repurchase and cancellation of certain restricted A Shares granted under the 2019 Restricted A Share Incentive Scheme and the 2020 Restricted A Share Incentive Scheme

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

Repurchase and cancellation of certain restricted A Shares granted under the 2018 Restricted A Share Incentive Scheme, the 2020 Restricted A Share Incentive Scheme and the 2021 Restricted A Share Incentive Scheme

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

Reserved grant of the Restricted Share Incentive Scheme

Reserved grant of the 2020 Restricted Share Incentive Scheme

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

Initial grant of the 2021 Restricted Share Incentive Scheme

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the global offering by the Company (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB5,979.09 million(1), and the balance of unutilized net proceeds of approximately RMB5,979.09 million as at the date of this annual report.

The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage as of the date of this annual report:

Use of proceeds		Allocation of Net Proceeds (HKD million)	Allocation of Net Proceeds (RMB million)	Utilized amount (as of the date of this annual report) (RMB million)	Unutilized amount (as of the date of this annual report) (RMB million)	Expected timetable for utilizing the unutilized net proceeds
To further enhance the manufacturing capacity and capabilities of our small molecule CDMO solutions	20%	1,463.61	1,195.82	0.00	1,195.82	
– To construct phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang, and purchase relevant equipment and machinery	15%	1,097.71	896.86	0.00	896.86	On or before January 2024
– To upgrade the equipment and machinery and expand the capacity of our existing manufacturing sites in Tianjin and Dunhua	5%	365.90	298.96	0.00	298.96	On or before December 2023
To strengthen our Emerging Services and expand our service offerings	35%	2,561.32	2,092.68	0.00	2,092.68	
– To construct a R&D and manufacturing facility for oligonucleotides and polypeptides in Tianjin and invest in R&D and manufacturing facilities for recombinant DNA products (including mAb) and ADC	20%	1,463.61	1,195.82	0.00	1,195.82	On or before December 2025
– To improve our capabilities related to our biosynthesis solutions and drug products solutions	10%	731.81	597.91	0.00	597.91	On or before December 2023
– To build up our capabilities related to advanced therapy medicinal products (ATMPs), including cell therapy and gene therapy	5%	365.90	298.95	0.00	298.95	On or before December 2023
To invest in R&D initiatives and maintain our technology leadership	20%	1,463.61	1,195.82	0.00	1,195.82	
– To upgrade our flow and continuous technology platform	10%	731.81	597.91	0.00	597.91	On or before December 2022
– To fund the R&D initiatives led by our Center of Biosynthesis Technology (CBST)	10%	731.80	597.91	0.00	597.91	On or before December 2022
To selectively pursue strategic investments and acquisitions	15%	1,097.71	896.86	0.00	896.86	On or before December 2023
For working capital and general corporate purposes	10%	731.81	597.91	0.00	597.91	On or before December 2023
	100%	7,318.06	5,979.09	0.00	5,979.09	

Note:

(1) The total proceeds included approximately RMB5,591.36 million from the Global Offering in December 2021 and RMB387.73 million from the partial exercise of over-allotment option in January 2022 as disclosed in the announcement of the Company dated January 2, 2022.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, the names of the Directors, Supervisors and senior management of the Group are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, biographical details of the Directors, Supervisors and senior management of the Group are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed in this annual report, there are no other changes in the Directors', Supervisors' and senior management's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

CONTRACTS WITH SUBSTANTIAL SHAREHOLDERS

No contract of significance was entered into or subsisted between the Company or any of its subsidiaries and a substantial Shareholder or any of its subsidiaries during the Reporting Period and no contract of significance for the provision of services to the Company or any of its subsidiaries by a substantial Shareholder or any of its subsidiaries was entered into or subsisted as at December 31, 2021.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director/Supervisor or any entity connected with such Director/Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of the date of this annual report, the Company did not have any existing plan for material investments or acquisition of capital assets.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Directors, Supervisors and senior management of the Group are decided by the Board with reference to the recommendations of the Remuneration and Examination Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' remuneration and remuneration of the five highest paid individuals in the Group are set out in note 9 to the financial statements in this annual report.

Details of the remuneration of the executive Directors, Supervisors and senior management of the Group are set out in note 8 to the financial statements in this annual report.

During the Reporting Period, no remuneration were paid by the Group to any of the Directors and Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors and Supervisors waived any remuneration for the year ended December 31, 2021.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2021, by the Group to or on behalf of any of the Directors.

INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors, Supervisors, Controlling Shareholders or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

ON-GOING DISCLOSURE RESPONSIBILITIES UNDER THE LISTING RULES

Save as disclosed in this annual report, the Company has no other disclosure responsibilities under rules 13.20, 13.21 and 13.22 of the listing rules.

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

CONVERTIBLE BONDS

During the Reporting Period, the Group did not issue any convertible bonds.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, save as disclosed in the share incentive arrangement in the section headed "- A Share Incentive Schemes" in this annual report and note 31 to the financial statements, the Company has not entered into any equity-linked agreement.

MATERIAL LITIGATION

During the Reporting Period, the Company was not engaged in any material litigation or arbitration of material importance, or the Directors were not aware of any material litigation or claim pending or threatened against the Group.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

LOANS AND GUARANTEES

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the Controlling Shareholders or their respective connected persons.

A SHARE INCENTIVE SCHEMES

Pursuant to Administrative Measures for the Equity Incentives of Listed Companies《上市公司股權激勵管理辦法》issued by the CSRC, as amended and supplemented from time to time, the Company may adopt various equity incentive schemes at the same time provided that the aggregate number of A Shares involved in equity incentive schemes within any validity period shall not exceed 10% of the Company's total share capital.

The 2016 Share Option and Restricted A Share Incentive Scheme, the 2018 Restricted A Share Incentive Scheme, the 2019 Restricted A Share Incentive Scheme, the 2020 Restricted A Share Incentive Scheme and the 2021 Restricted A Share Incentive Scheme (collectively, the "**A Share Incentive Schemes**") were adopted and approved by the Shareholders' meetings held on January 16, 2017, July 12, 2018, April 12, 2019, July 9, 2020 and July 5, 2021, respectively.

The options granted under the 2016 Share Option and Restricted A Share Incentive Scheme have all been canceled. As such, the terms of the A Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of options by our Company to subscribe for new Shares after the Listing.

Terms of each of the A Share Incentive Schemes

The terms of each of the A Share Incentive Schemes are substantially similar and are summarized below.

Purpose

The purpose of the A Share Incentive Schemes is to establish the long-term incentive mechanism of the Company, attract and retain talents, mobilize the enthusiasm of the directors, senior management and key technical employees of the Company, foster shared interests among the shareholders, the Company and operators, thereby promoting sustained, long-term and healthy growth of the Company.

Types of Awards

The A Share Incentive Schemes provides for awards of options (only under 2016 Share Option and Restricted A Share Incentive Scheme) and restricted A Shares (the "**Awards**").

Administration

The Shareholders' meeting is the highest authority of the A Share Incentive Schemes. The Board is the managing authority of the A Share Incentive Schemes. The board of Supervisors and independent non-executive Directors are the supervising authorities of the A Share Incentive Schemes.

Scope of Participants

The Directors, senior or mid-level management and key technical employees of the Company (excluding independent non-executive Directors, Supervisors, Shareholders that hold more than 5% of the Company's shares and the Controlling Shareholders and their spouses, parents, and children) (the "**Participants**").

Source of Shares

The Shares underlying the A Share Incentive Schemes shall be ordinary A Shares.

Maximum Number of Shares

The maximum number of shares involved with the Awards to be granted to an eligible employee under all effective A Share Incentive Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of shares involved with all effective A Share Incentive Schemes shall not exceed 10% of the total outstanding share capital of the Company.

Validity Period of the A Share Incentive Schemes

Subject to the termination provisions under the A Share Incentive Schemes, the A Share Incentive Schemes shall be valid and effective commencing on the date that the Awards are granted (the "**Initial Grant**") to when such Awards are no longer under any lock-ups, fully exercised or cancelled. The term of validity underlying the A Share Incentive Schemes of 2016, 2018, 2020 and 2021 shall not exceed 60 months. The term of validity underlying the 2019 Restricted A Share Incentive Scheme shall not exceed 48 months.

Date of Grant

The date on which the Awards are granted shall be determined by the Board, subject to approval of the A Share Incentive Schemes by the shareholders' meeting, which shall be a trading day. The Awards shall be granted, registered and announced within 60 days after the approval of the A Share Incentive Schemes by the shareholders' meeting. Otherwise, the A Share Incentive Schemes shall be terminated, and the Awards thereunder that have not been granted shall become invalid.

Lock-up Period

The lock-up periods for the Awards underlying the A Share Incentive Schemes (other than the special Awards granted under the 2021 Restricted A Share Incentive Scheme) are 12 months, 24 months and 36 months, respectively, and the lock-up periods for the special Awards granted under the 2021 Restricted A Share Incentive Scheme are 12 months, 24 months, 36 months and 48 months, respectively. All the above-mentioned lock-up periods commence from the date on which the Awards were registered (the "**Registration Date**"). During the lock-up period, the Awards shall not be transferred, used as guarantee or repayment of debt.

The unlocking periods (each, an "**Unlocking Period**") in relation to the Restricted A Shares granted under the Initial Grant are set out below.

Unlocking Period of the A Share Incentive Schemes (other than the special Awards granted under the 2021 Restricted A Share Incentive Scheme):

	Unlocking Period	Proportion of unlocking
First Unlocking Period	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	40%
Second Unlocking Period	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	30%
Third Unlocking Period	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	30%

Unlocking Period of the special Awards granted under the 2021 Restricted A Share Incentive Scheme:

	Unlocking Period	Proportion of unlocking
First Unlocking Period	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	30%
Second Unlocking Period	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	20%
Third Unlocking Period	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	20%
Fourth Unlocking Period	From the first trading day after 48 months from the Registration Date to the last trading day within 60 months from the Registration Date	30%

Grant and Exercise of Awards

On and subject to certain terms of the A Share Incentive Schemes, Awards can be granted to or exercised by any eligible employee, i.e., linking the grant and exercise of the Awards to the attainment or performance of milestones by the Company and the grantee. If the performance of the Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the Awards shall be repurchased or cancelled by the Company.

Amendment or Termination of the A Share Incentive Schemes

Any amendment or termination of the A Share Incentive Schemes shall be submitted to the Board and shareholders for consideration. The independent Directors and Supervisory Committee shall express their relevant views and the Company's legal adviser shall provide professional advice to the Board whether such adjustment is fair and reasonable and in compliance with the A Share Incentive Schemes and the relevant laws and regulations. Any amendment that results in early exercise or unlocking or lowers the exercise price or grant price is prohibited.

Restricted A Shares Granted

The options granted under the 2016 Share Option and Restricted A Share Incentive Scheme have all been canceled. As of the date of the annual report, a total of 3,030,700 restricted A Shares were granted to 437 eligible Participants under A Share Incentive Schemes other than certain restricted A Shares repurchased and canceled by the Company due to resignation of certain Participants. The following table set forth the restricted A Shares held by relevant Participants under the A Share Incentive Schemes as of the date of the annual report:

Name	Position	Number of restricted A Shares granted up to the date of the annual report	Percentage to the total number of Shares in issue as of the date of the annual report *(%)*
Director			
Zhang Da	Executive Director and Chief Financial Officer	54,000	0.02%
Senior management			
Xiao Yi	Senior Vice President	90,000	0.03%
Jiang Yingwei	Executive Vice President	108,000	0.04%
Members of senior or mid-level management (excluding senior management) and key technical employees of the Company		2,778,700	1.06%
Total		3,030,700	1.15%

Note:

1. None of the Participants is independent non-executive Director, Supervisor, shareholder that hold more than 5% of the Company's shares and the controlling shareholder and their spouses, parents, and children.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at December 31, 2021, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or Underlying Shares of our Company

Name of Director and chief executive	Nature of interest	Class of shares	Number of Shares interested(1)	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued shares
Dr. Hao Hong	Beneficial owner	A Shares	10,191,928 (L)	4.17%	3.87%
	Interests of controlled corporation	A Shares	88,510,520 (L)(2)	36.18%	33.64%
Dr. Ye Song	Interests of spouse	A Shares	98,702,448 (L)(3)	40.34%	37.52%
Mr. Zhang Da	Beneficial owner	A Shares	180,000 (L)(4)	0.07%	0.07%
Mr. Hong Liang	Interests of controlled corporation	A Shares	4,743,360 (L)(5)	1.94%	1.80%

Notes:

(1) (L) represents long position and (S) represents short position.

(2) Dr. Hao Hong directly holds 71.19% equity interest in ALAB. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the Shares held by ALAB.

(3) Dr. Ye Song is the spouse of Dr. Hao Hong. By virtue of the SFO, Dr. Ye Song is deemed to be interested in the same parcel of Shares in which Dr. Hao Hong is interested.

(4) 54,000 of which are interests in restricted A Shares granted under the A Share Incentive Scheme.

(5) Mr. Hong Liang directly holds 43.46% equity interest in Tianjin Guorong Business Information Co., Ltd.. Therefore, Mr. Hong Liang is deemed to be interested in the 4,743,360 A Shares held by Tianjin Guorong Business Information Co., Ltd..

(6) As at December 31, 2021, the number of issued shares of the Company was 263,076,518, including 18,415,400 H Shares and 244,661,118 A Shares.

Interest in associated corporations

Name of Director and chief executive	Associated Corporations	Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding interest
Dr. Hao Hong	Yugen Medtech	Interests of controlled corporation	3,418,800 (L) [2]	10.53%

Notes:

(1) (L) denotes long position and (S) denotes short position.

(2) Dr. Hao Hong is a limited partner of Tianjin Tianhao holding 90.7% limited partnership interest in Tianjin Tianhao. Yugen Medtech is a limited liability company established in the PRC with a registered capital of RMB32,478,600, of which Tianjin Tianhao contributed RMB3,418,800, representing approximately 10.53% of the registered capital of Yugen Medtech. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the limited partnership interest in Yugen Medtech held by Tianjin Tianhao.

Save as disclosed above, to the best knowledge of the Directors, as at December 31, 2021, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2021, so far as it was known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of interest	Class of shares	Number of Shares interested[1]	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued shares
ALAB	Beneficial owner	A Shares	88,510,520 (L)	36.18%	33.64%
FMR LLC	Interests of controlled corporation	H shares	3,900,928 (L) [2]	21.18%	1.48%
Fidelity Management & Research Company LLC	Beneficial owner	H shares	2,328,185 (L) [2]	12.64%	0.88%
	Interests of controlled corporation	H shares	487,415 (L)	2.65%	0.19%
FIDELITY CONTRAFUND	Beneficial owner	H shares	1,523,202 (L)	8.27%	0.58%
FIDELITY INVESTMENT TRUST	Beneficial owner	H shares	1,244,653 (L)	6.76%	0.47%
JPMorgan Chase & Co.	Interests of controlled corporation	H shares	152,500 (L)	0.83%	0.06%
		H shares	11,000 (S)	0.06%	0.00%
	Investment manager	H shares	3,616,100 (L) [3]	19.64%	1.37%
	Security interest in shares	H shares	69,300 (L)	0.38%	0.03%
JPMorgan Asset Management (Asia Pacific) Limited	Investment manager	H shares	3,184,300 (L) [3]	17.29%	1.21%
HHLR Advisors, Ltd.	Investment manager	H shares	2,820,000 (L)	15.31%	1.07%
HHLR Fund, L.P.	Beneficial owner	H shares	2,707,500 (L)	14.70%	1.03%
The Goldman Sachs Group, Inc.	Interests held jointly with another person	H shares	2,762,300 (L) [4]	15.00%	1.05%
	Interests of controlled corporation	H shares	1,740,400 (L)	9.45%	0.66%
	Interests of controlled corporation	H shares	1,951,580 (S) [4]	10.60%	0.74%
Goldman Sachs (Asia) Corporate Holdings L.L.C.	Interests held jointly with another person	H shares	2,762,300 (L) [4]	15.00%	1.05%
	Interests of controlled corporation	H shares	1,657,380 (S) [4]	9.00%	0.63%
Goldman Sachs Holdings (Asia Pacific) Limited	Interests held jointly with another person	H shares	2,762,300 (L) [4]	15.00%	1.05%
	Interests of controlled corporation	H shares	1,657,380 (S) [4]	9.00%	0.63%
Goldman Sachs Holdings (Hong Kong) Limited	Interests held jointly with another person	H shares	2,762,300 (L) [4]	15.00%	1.05%
	Interests of controlled corporation	H shares	1,657,380 (S) [4]	9.00%	0.63%
Goldman Sachs (Asia) L.L.C.	Interests held jointly with another person	H shares	2,762,300 (L) [4]	15.00%	1.05%
	Interests of controlled corporation	H shares	1,657,380 (S) [4]	9.00%	0.63%

Name of substantial shareholder	Nature of interest	Class of shares	Number of Shares interested[1]	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued shares
Springhill Fund Asset Management (HK) Company Limited	Investment manager	H shares	1,006,800 (L)	5.47%	0.38%
Springhill Global Feeder Fund Limited	Interests of controlled corporation	H shares	1,006,800 (L) [5]	5.47%	0.38%
Springhill Fund Limited	Interests of controlled corporation	H shares	1,006,800 (L) [5]	5.47%	0.38%
Springhill Master Fund Limited	Beneficial owner	H shares	1,006,800 (L) [5]	5.47%	0.38%

Notes:

(1) (L) represents long position, (S) represents short position, (P) represents lending pool.

(2) Fidelity Management & Research Company LLC is wholly-owned by FMR LLC. By virtue of the SFO, FMR LLC is deemed to be interested in the Shares held by Fidelity Management & Research Company LLC.

(3) JPMorgan Asset Management (Asia Pacific) Limited is indirectly owned as to 99.9% by JPMorgan Chase & Co.. By virtue of the SFO, JPMorgan Chase & Co. is deemed to be interested in the Shares held by JPMorgan Asset Management (Asia Pacific) Limited.

(4) Goldman Sachs (Asia) L.L.C. is wholly-owned by Goldman Sachs Holdings (Hong Kong) Limited, which is in turn wholly-owned by Goldman Sachs Holdings (Asia Pacific) Limited. Goldman Sachs Holdings (Asia Pacific) Limited is wholly-owned by Goldman Sachs (Asia) Corporate Holdings L.L.C., which is in turn wholly-owned by The Goldman Sachs Group, Inc.. By virtue of the SFO, The Goldman Sachs Group, Inc., Goldman Sachs (Asia) Corporate Holdings L.L.C., Goldman Sachs Holdings (Asia Pacific) Limited and Goldman Sachs Holdings (Hong Kong) Limited are deemed to be interested in the Shares held by Goldman Sachs (Asia) L.L.C..

(5) Springhill Master Fund Limited is a controlled corporation of Springhill Global Feeder Fund Limited and Springhill Fund Limited. By virtue of the SFO, Springhill Global Feeder Fund Limited and Springhill Fund Limited are deemed to be interested in the Shares held by Springhill Master Fund Limited.

(6) As at December 31, 2021, the number of issued shares of the Company was 263,076,518, including 18,415,400 H Shares and 244,661,118 A Shares.

Save as disclosed above, to the best knowledge of the Company, as at December 31, 2021, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in the respective types of capital in issue of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "- A Share Incentive Schemes" in this annual report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the revenue generated from Group's largest customer accounted for 38.10% of the Group's total revenue and the revenue generated from the Group's five largest customers accounted for 58.92% of the Group's total revenue.

During the Reporting Period, the purchases from the Group's largest supplier accounted for 6.64% of the Group's total purchases and the purchases from the Group's five largest suppliers accounted for 17.13% of the Group's total purchases.

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

TAX INCENTIVES AND EXEMPTIONS FOR HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax incentives or exemption available to the Shareholders by reason of their holding of the Company's securities.

EMPLOYEES AND REMUNERATION POLICY

At the end of the Reporting Period, the Group had 7,126 employees and their salaries and allowances were determined based on their performance, experience and the prevailing market remuneration. We have also invested in continuing education and training programs, including internal and external training, so that our management personnel and other employees can improve their skills and knowledge. We also offer competitive salaries, packages and equity incentive plans to our employees, especially key employees.

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

The Company has also adopted the A Share Incentive Schemes. For further details, please refer to the section headed "- A Share Incentive Schemes" in this annual report.

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

CONNECTED TRANSACTIONS

During the Reporting Period, the Group had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the Reporting Period are set out in note 36 to the financial statements in this annual report.

The related party transactions as disclosed in note 36 to the financial statements were not regarded as connected transactions under the Listing Rules which were not exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

DIRECTORS' INDEMNITIES

During the Reporting Period, the Company has in force the permitted indemnity provisions (as defined in the Hong Kong Companies Ordinance) in relation to the directors' and officers' liability insurance.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code of corporate governance practices.

In the opinion of the Directors, except for code provision A.2.1 of the Corporate Governance Code (see the paragraph headed "Corporate Governance Report – Chairman and Chief Executive Officer" in this annual report), the Company has complied with the relevant code provisions contained in the CG Code during the Period.

In order to maintain a high standard of corporate governance, the Board will continue to review and monitor the operation of the Company.

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

DONATION

During the Reporting Period, the Company donated a total of RMB0.8 million.

AUDITOR

On December 10, 2021, the H shares of the Company were listed on the Main Board of the Stock Exchange. There has been no change in auditors of the Company since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Ernst & Young, Certified Public Accountants, who are proposed for re-appointment at the AGM.

EVENTS AFTER THE REPORTING PERIOD

Partial Exercise of the Over-allotment Option

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

Equity Acquisition

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

Establishment of a Wholly-owned Subsidiary by External Investment

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

The Capital Contributions and Deemed Disposal

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

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company has complied with the relevant laws and regulations that have a significant impact on the Company, including the requirements under the Hong Kong Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code in relation to, among other things, information disclosure and corporate governance. During the Reporting Period and up to the date of this report, none of the Group and the Directors, Supervisors and senior management of the Company had been subject to any investigation or administrative penalty by the CSRC, banned from access to the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial authorities or held criminally responsible, nor were they involved in any other litigation, arbitration or administrative proceedings that would have a material adverse effect on our business, financial condition or results of operations.

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

Tianjin, March 30, 2022

CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present the corporate governance report for the year ended December 31, 2021. Unless otherwise stated, the code provisions in this Corporate Governance Report with reference to the CG Code are the provisions set out in Appendix 14 to the Listing Rules which were in force during the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

The H Shares of the Company were listed on the Hong Kong Stock Exchange on December 10, 2021. The Corporate Governance Code as set out in Appendix 14 to the Listing Rules has been applicable to the Company with effect from the Listing Date. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and has complied with the code provisions of the Corporate Governance Code from the Listing Date to December 31, 2021, except for code provision A.2.1 of the Corporate Governance Code (see the paragraph headed "Chairman and Chief Executive Officer" below).

SECURITIES TRANSACTIONS BY DIRECTORS

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

THE BOARD OF DIRECTORS

The Board is accountable to the shareholders' general meeting and is primarily responsible for the overall management and control of the Company, determining the Company's business plans and investment plans, and providing leadership and approving strategic policies and plans to enhance shareholders' value. All Directors carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company, and whether he/she is spending sufficient time performing them (including attendance at regular meetings).

BOARD MEMBERS

During the year ended December 31, 2021 and up to the date of this annual report, the Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Details are as follows:

Executive Directors

Dr. Hao Hong *(Chairman and Chief Executive Officer)*
Ms. Yang Rui
Mr. Zhang Da
Mr. Hong Liang

Non-Executive Directors

Dr. Ye Song
Ms. Zhang Ting

Independent Non-executive Directors

Ms. Zhang Kun
Mr. Wang Qingsong
Mr. Lee, Kar Chung Felix

The biographies of the Directors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report. The relationships among the Directors are disclosed in the respective Director's biography.

Save for the relationships among the Directors as set out in their respective biographies (see the section headed "Biographies of Directors, Supervisors and Senior Management"), none of the Directors has any financial, business, family or other material/relevant relationships with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Hao Hong is the Chairman and the Chief Executive Officer of the Company. Dr. Hao Hong is the founder of our Group and has been managing the business and overall strategic planning of our Group since its establishment, and therefore, our Directors consider that vesting the roles of chairman and chief executive officer in Dr. Hao Hong has the benefit of ensuring consistent leadership within our Group and thus the business prospects and management of our Group. Taking into account all the corporate governance measures implemented by our Group upon Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Relevant Period, the Board at all times met the requirements of the relevant Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, the Directors of the Company (including non-executive Directors and independent non-executive Directors) are appointed for a specific term of three years, subject to re-election upon expiry.

According to the Articles of Association of the Company, Directors shall be elected or replaced at general meetings with a term of office of three years. A Director may be re-elected upon expiry of his/her term of office, provided that the consecutive term of office of an independent Director shall not exceed six years. According to the relevant laws, regulations and regulatory requirements of the place where the Company is listed, if the Board appoints a new director to fill a casual vacancy or as an addition to the Board, the appointed director shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

DIRECTORS' RESPONSIBILITY

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations, serving on committees when potential conflicts of interest arise, scrutinizing the Company's performance against stated corporate goals and objectives, and monitoring reporting on the Company's performance.

All Directors have full and timely access to all the information of the Company to enable them to make informed decisions and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

Each Director is required to disclose to the Company details of other offices held by him/her on a regular basis to ensure that he/she can devote sufficient time to discharge his/her duties as a Director of the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company, and to include matters in the agenda for regular Board meetings so as to enable the Directors to be properly informed of the current matters for discussion. Detailed minutes of Board meetings and Board committee meetings are kept by the secretary of the meetings and are available for inspection by the Directors. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has maintained Directors' and senior management's liability insurance to cover any legal actions taken against the Directors and senior management arising out of corporate activities.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional training to develop and refresh their knowledge and skills. The Company arranges regular internal or external training for Directors as appropriate. Reading materials on relevant topics will be provided to Directors. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2021, all Directors have attended training sessions on the respective responsibilities of the Directors and senior management. In addition, relevant documents including legal and regulatory updates are provided to the Directors for their reference and studying.

For the year ended December 31, 2021, the records of continuous professional development relating to duties, regulatory and business development received by the Directors are summarized as follows:

DIRECTORS	Attending courses/seminars	Reading regulatory materials
EXECUTIVE DIRECTORS		
Dr. Hao Hong	✔	✔
Ms. Yang Rui	✔	✔
Mr. Zhang Da	✔	✔
Mr. Hong Liang	✔	✔
NON-EXECUTIVE DIRECTORS		
Dr. Ye Song	✔	✔
Ms. Zhang Ting	✔	✔
Independent Non-executive Directors		
Ms. Zhang Kun	✔	✔
Mr. Wang Qingsong	✔	✔
Mr. Lee, Kar Chung Felix	✔	✔

BOARD DIVERSITY POLICY

We have adopted the board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The board diversity policy is well implemented as evidenced by the fact that there are four female and five male Directors with experience from different industries and sectors. The Directors are of the view that our Board satisfies the board diversity policy. The Company aims to maintain at least a 20% of female representation in our Board. We will maintain a focus on gender diversity when recruiting staff at mid to senior level so as to develop a pipeline of potential female successors to our Board. Our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically to maintain gender diversity of our Board.

The Nomination Committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection, nomination and appointment of directors of the Company to the Nomination Committee of the Company. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Company has adopted a Director Nomination Policy which sets out the criteria and process in the nomination and appointment of Directors of the Company and sets out the criteria to be considered by the Nomination Committee and/or the Board in evaluating and selecting candidates for directorships.

BOARD COMMITTEES

The Company has established four Board committees, namely the Audit Committee, the Remuneration and Examination Committee, the Nomination Committee and the Strategy Committee.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with C.3.3 of the CG Code and the relevant laws and regulations of the PRC. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group.

The Audit Committee consists of three members, namely non-executive Director Ms. Zhang Ting, independent non-executive Directors Ms. Zhang Kun and Mr. Wang Qingsong with Ms. Zhang Kun, an independent non-executive Directors with the appropriate professional experiences, serving as the chairwoman of the Audit Committee.

The Audit Committee shall include, without limitation the following basic responsibilities:

- To advise the Board on the appointment, renewal, replacement or dismissal of external audit agency;
- To oversee the work of external auditors;
- To oversee the Company's financial control and internal audit policy and the implementation thereof;
- To be in charge of the communications between the Company's internal and external auditors, and supervise the relationship between the Company and external audit;
- To review the Company's financial statements and reports;

- To review the Company's risk management and internal control systems;
- To review the Company's policies and practices on financing and accounting; and
- To perform other duties as required by the Listing Rules.

As the H Shares of the Company were listed on the Hong Kong Stock Exchange on December 10, 2021, no Audit Committee meeting was held during the Relevant Period. The Audit Committee held a meeting on January 19, 2022 to consider and approve the matters in relation to the change of domestic accounting firm for 2021 and the appointment of internal control assurance institution for 2021; and a meeting on March 30, 2022 to review the financial results and reports and financial reporting for the year ended December 31, 2021, the effectiveness of risk management and internal control policies and internal audit function, the renewal of auditors and arrangements for employees to report potential misconduct. The Audit Committee will receive and review regular reports on compliance with the Group's corporate governance matters and other related corporate governance matters, including the Group's policies and practices on compliance with legal and regulatory requirements, and ensure that any deviation from the CG Code is properly explained and disclosed in the Corporate Governance Report.

Remuneration and Examination Committee

The Company has established the Remuneration and Examination Committee with written terms of reference in compliance with B.1.2 of the CG Code and the relevant laws and regulations of the PRC. The Remuneration and Examination Committee is mainly responsible for evaluating the remuneration polices for Directors and senior management of the Group and making recommendations thereon to the Board.

The Remuneration and Examination Committee consists of three members, executive Director Mr. Zhang Da, independent non-executive Directors Ms. Zhang Kun and Mr. Wang Qingsong with Mr. Wang Qingsong serving as the chairman of the Remuneration and Examination Committee.

The Remuneration and Examination Committee shall include, without limitation the following basic responsibilities:

- To advise the Board on the overall remuneration policy and framework for directors and senior management members, and the establishment of a standardized and transparent remuneration policy formulation procedures;
- To formulate remuneration plans or proposals according to the main scope, responsibilities and importance of the management positions of the Directors and senior management, with reference to the remuneration level of other relevant enterprises and relevant positions, time commitment and responsibilities undertaken, employment conditions of other positions in the Company, etc.;

- To determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

- To examine the performance of duties by directors (non-independent Director) and senior management members of the Company and conduct regular performance appraisals and evaluations, and make recommendations;

- To oversee the implementation of the Company's remuneration policies;

- To review and approve the compensation payable to the executive Directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

- To perform other duties as required by the Listing Rules.

As the H Shares of the Company were listed on the Hong Kong Stock Exchange on December 10, 2021, no Remuneration and Examination Committee meeting was held during the Relevant Period. The Remuneration and Examination Committee held a meeting on March 30, 2022 to review the remuneration polices and structure of the Company, make recommendations to the Board on the remuneration packages of the Directors and senior management, etc..

The remuneration of the senior management of the Group by band during the Reporting Period is set out below:

Remuneration	**Number**
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	2
HK$3,000,001 to HK$3,500,000	3
More than HK$3,500,001	2

The remuneration of directors and senior executives is determined with reference to their industry expertise and experience, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Executive directors and employees also participate in year-end bonus arrangements which are determined based on the Group's results and individual performance.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with A.5.2 of the CG Code and the relevant laws and regulations of the PRC. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board qualified candidates to serve as the Directors and monitoring the procedures for evaluating the performance of the Board.

The Nomination Committee consists of three members, namely executive Director Mr. Hong Liang, independent non-executive Directors Mr. Wang Qingsong and Mr. Lee, Kar Chung Felix, with Mr. Lee, Kar Chung Felix serving as the chairman of the Nomination Committee.

The Nomination Committee shall include, without limitation the following basic responsibilities:

- To review the structure, number and composition (including skills, knowledge and experience) of the board of directors annually and providing recommendations to the board of directors on the scale and composition of the board of directors on the basis of the Company's operations, scale of assets and shareholding structure, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- To determine the criteria for identifying, reviewing and assessing the qualifications of Board members and senior management;

- To determine and regularly review measurable objectives for implementing the Board Diversity Policy and oversee the progress on achieving these objectives;

- To identify qualified candidates for the Board members and senior management and make recommendations to the Board on the selection and nomination of personnel nominated for directorships;

- To review the independence of independent non-executive Directors;

- To make recommendations to the Board on the appointment or renewal of Directors and senior management and succession planning for Directors and senior management;

- To determine, review and assess the suitability of corporate governance guidelines of the Company and make recommendations on any proposed changes to the Board for consideration;

- To review and supervise the training and continuous professional development of Directors and senior management;

- To determine, review and oversee the code of conduct and compliance manual (if any) applicable to the Directors and senior management; and

- To perform other duties as required by the Listing Rules.

When performing relevant duties, the Nomination Committee shall consider the diversity policy of the Board specified in these terms of reference. It shall be responsible for monitoring the implementation of the Policy as well as reviewing and revising the Policy to ensure its effectiveness. Where necessary, the Nomination Committee may seek independent professional advice at the Company's expense, to perform its responsibilities.

In reviewing the size and composition of the Board, identifying and nominating candidates for directors, the Nomination Committee shall consider relevant factors to achieve the diversity of the Board members according to the business model and specific demand of the Company. The Nomination Committee may consider the diversity of the Board members from various aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. After considering the aforesaid relevant factors, the Nomination Committee shall make final recommendation on the appointment to the Board based on the merits of the candidates and contribution they may bring to the Board.

The Nomination Committee regularly discusses and determines the measurable objectives for achieving diversity of Board members (if necessary), and recommends them to the Board.

As the H Shares of the Company were listed on the Hong Kong Stock Exchange on December 10, 2021, no Nomination Committee meeting was held during the Relevant Period.

Strategy Committee

The Company has established the Strategy Committee. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

The Strategy Committee consists of three members, namely executive Directors Dr. Hao Hong and Ms. Yang Rui and an independent non-executive Director Mr. Lee, Kar Chung Felix. Dr. Hao Hong serving as the chairman of the Strategy Committee. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

The Strategy Committee shall include, without limitation the following basic responsibilities:

- To study and make recommendations on the strategic development plans of the Company;
- To study and make recommendations on major investment decisions which are required to be approved by the Board under the Articles of Association;
- To study and make recommendations on major capital operations and asset management projects which are required to be approved by the Board under the Articles of Association;
- To study and make recommendations on other significant matters affecting the development of the Company;

- To track and inspect the implementation of the above matters; and
- To perform other duties as required by the Listing Rules.

As the H Shares of the Company were listed on the Hong Kong Stock Exchange on December 10, 2021, no Strategy Committee meeting was held during the Relevant Period.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Employees Written Guidelines and the Company's compliance with the CG Code and disclosure in this corporate governance report for the Reporting Period.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings, Board Committee meetings and the general meetings of the Company held during their tenure of office during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration and Examination Committee	Nomination Committee	Strategy Committee	Shareholders' Annual General Meeting	Other General Meetings and A Shares Class Meeting and H Shares Class Meeting
Dr. Hao Hong	21/21	–	–	–	1/1	0/1	1/6
Ms. Yang Rui (楊蕊)*	21/21	4/4	–	–	1/1	0/1	0/6
Mr. Zhang Da (張達)	21/21	–	2/2	–	–	1/1	0/6
Mr. Hong Liang (洪亮)	21/21	–	–	2/2	–	0/1	1/6
Dr. Ye Song	21/21	–	–	–	–	0/1	1/6
Ms. Zhang Ting (張婷)*	18/21	2/2	–	–	–	0/1	5/6
Ms. Zhang Kun (張昆)	21/21	6/6	2/2	–	–	1/1	0/6
Mr. Wang Qingsong (王青松)	21/21	6/6	2/2	2/2	–	0/1	0/6
Mr. Lee, Kar Chung Felix (李家聰)	16/21	–	–	0/2	0/1	0/1	0/6

* During the Reporting Period, Ms. Yang Rui was a member of the Audit Committee from January 1, 2021 to June 16, 2021, and Ms. Zhang Ting was appointed as a member of the Audit Committee with effect from June 17, 2021.

As the H Shares of the Company were listed on the Hong Kong Stock Exchange on December 10, 2021, no Board Committee meeting was held during the Relevant Period.

As the H Shares of the Company were listed on the Hong Kong Stock Exchange on December 10, 2021, the Chairman had not yet convened a meeting with the independent non-executive Directors without the presence of other Directors during the Relevant Period.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

Our audit committee oversees and manages the overall risks associated with our business operations from time to time. Our audit committee is mainly responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of the Group.

The senior management is responsible for (i) formulating and updating our risk management policy and objectives; (ii) conducting risk assessment, including the identification, prioritization, measurement and categorization of all major risks which may have potential impacts on our operations; (iii) making action plans to mitigate potential risks; and (iv) reporting significant risks to our audit committee.

The Company's internal audit department and other relevant departments are responsible for implementing our risk management policy and the Company's day-to-day risk management practices. They are responsible for (i) collecting data on risks related to all departments' operation and function; (ii) preparing auditing reports for the review of our chief operating officer and our audit committee; (iii) proposing appropriate measures in response to our risk exposure where necessary; and (iv) continuously monitoring major risks related to our operations.

The Company provides regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance with applicable laws and regulations. The Company also adopted and optimized a set of internal policies against bribery and corrupt activities, which strictly prohibit all employees and other personnel acting on behalf of us from making, proposing or promising improper payments, directly or indirectly, in any form of cash, physical assets, loans, gifts, luxury trips, entertainment, donations, other valuables or benefits to anyone, including government officers and healthcare professionals, for the purposes of acquiring or securing any business or improper advantage, regardless of whether we benefit from such improper payments. Employees who violate such policies are subject to penalties, including termination of employment.

The Company has engaged an internal control consultant, to perform certain agreed-upon procedures in connection with our internal control and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, R&D and intangible assets.

The Company has adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- The Company has set up an internal audit department, which are responsible for our overall internal control development and assessment.

- The internal audit department is responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of the Group.

- The internal audit department organizes periodic inspections relating to the implementation of and adherence to the internal controls of each business department. The Company conducts internal control inspections through on-site inspection, sampling method, document review, and walk-through test. Upon completion of the inspections, internal audit department delivers to the head of the relevant business department information and statistics related to the risks discovered during the visits and any suggested remedial action. The head of the relevant business department is then required to carry out the relevant remedies.

- The head of each business department is responsible for implementing relevant internal control policies, measures and procedures and conducting regular review regarding the implementation of such policies, measures and procedures.

- The Company has adopted various measures and procedures for all of our business operations, including project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety. The Company provides our employees with regular training on these measures and procedures.

- The internal audit department has established a mechanism to deal with the complaints against inappropriate behaviors under our internal control policies. The internal audit department has established a specific email for our employees to report their complaints and inquiries and employees can also report their complaints and inquiries through a specific application. Our internal audit department removes the identifying information of the reporting employees and send the complaints to the reported personnel or departments for further adjustment and improvement.

- The Company has engaged compliance adviser to provide advice to our Directors and management team for at least the period commencing from the Listing Date and ending on the date that we publish our first full financial year results regarding matters relating to the Listing Rules.

With the approval of the Board and in accordance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and taking into account the actual situation of the Company, the Company has formulated the information disclosure management system, which specifies the division of responsibilities for information disclosure, the procedures for handling and publishing inside information and other information to be disclosed. Pursuant to the system, the Company shall disclose inside information to the public to the reasonable and practicable extent after any inside information has come to its knowledge or a false market may exist. During the Reporting Period, the Company disclosed information in a true, accurate, legal and timely manner in strict compliance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and the information disclosure management system of the Company, and there were no false representations, misleading statements or material omissions, to ensure that investors could have an equal, timely and effective understanding of the information disclosed.

The Board oversees on an ongoing basis and reviews the risk management and internal control annually. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal audit system and risk management and internal control systems for the year ended December 31, 2021 on March 30, 2022, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Audit Committee and the Board considered that the Group's internal audit system and risk management and internal control systems for the year ended December 31, 2021 were effective and that the resources, staff qualifications and experience of the Group's accounting and financial reporting function were adequate.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

AUDITOR'S REMUNERATION

For the year ended December 31, 2021, the remuneration paid or payable to the external auditor of the Group in respect of auditing services and non-auditing services is summarized as follows:

Scope of services	Amount paid/ payable RMB'000
Auditing services	3,350
Non-auditing services	350
Total	**3,700**

For the year ended December 31, 2021, the non-auditing services were services related to the special assurance report on the proceeds from the offering of the A Shares.

JOINT COMPANY SECRETARIES

The Company's joint company secretaries are Mr. Xu Xiangke and Mr. Cheng Ching Kit.

Mr. Xu Xiangke is the Deputy General Manager of the Company and Secretary to the Board, and is responsible for managing day-to-day work of the Board and corporate governance matters. Mr. Cheng Ching Kit, the other joint company secretary of the Company, is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, and is responsible for assisting Mr. Xu in discharging his duties as a joint company secretary of the Company. Mr. Cheng's primary corporate contact person at the Company is Mr. Xu.

Mr. Xu Xiangke and Mr. Cheng Ching Kit have undertaken not less than 15 hours of relevant professional training during the Reporting Period in accordance with Rule 3.29 of the Listing Rules.

RIGHTS OF SHAREHOLDERS

Convene a General Meeting

The annual Shareholders' general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year. The Company shall convene an extraordinary general meeting within two months from the occurrence of any of the following circumstances:

- when the number of Directors is less than the statutory minimum number of five persons stipulated in the Company Law of the People's Republic of China or two-thirds of the number specified in the Articles of Association;
- when the unrecovered losses of the Company amount to one-third of the total paid-in share capital;
- when the Shareholders individually or jointly holding more than 10% of the Company's shares requests in writing to do so;

- when the board of directors considers it necessary;
- when proposed to hold by the Board of Supervisors; and
- any other circumstances stipulated in the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the Company's shares for over 90 days consecutively may unilaterally convene and preside over such meeting.

Putting Forward Proposals at Shareholders' General Meetings

The shareholders individually or jointly holding more than 3% of the shares of the Company may raise provisional proposal and submit it to the convener in writing 10 days before the general meeting is held. Upon the satisfaction that the proposal complies with the provisions in Article 78 of the Articles of Association, the convener shall, within 2 days after the receipt of the proposal, issue a supplementary notice of general meeting and announce the contents of the provisional proposal.

Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests through the following methods:

Address: Board of Directors Office
No. 71, 7th Street
Economic – Technological Development Area
Tianjin, PRC (For the attention of the Board of Directors/Company Secretary)
Fax: +86 22 66252777
Email: securities@asymchem.com.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. Therefore, the Company has set up a website (www.asymchem.com), from which the public can access the latest information, updates on the Company's business operations and development, financial information and corporate governance practices and other information.

The Company endeavours to maintain an on-going dialogue with Shareholders, in particular through annual general meetings and other shareholders' general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company has amended the Articles of Association three times with effect from May 19, 2021, August 19, 2021 and December 10, 2021, respectively. Subsequent to the end of the Reporting Period and up to the date of the Report, the Company has amended the Articles of Association once with effect from March 11, 2022. The latest version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy with the objective of ensuring that the shareholders of the Company have timely access to comprehensive, equal and easily understandable information about the Company (including its financial performance, strategic objectives and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and the investors to engage actively with the Company.

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to code provision E.1.5 of the CG Code. The Company will implement a reasonable dividend policy based on the Company's operating conditions and market environment, and fully consider the interests of shareholders.

In considering the declaration of dividends, the Board will take into account various factors, including but not limited to, the Group's results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, market conditions, the Company's business strategies and forecasts, cash requirements and availability.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the shareholders of Asymchem Laboratories (Tianjin) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Asymchem Laboratories (Tianjin) Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 99 to 180, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on sale of goods	
The Group's revenue before the year ended 31 December 2021 amounted to RMB4,632,121,000, of which, sale of goods accounted for 88% of the Group's total revenue. According to the provisions of the accounting standard on revenue, sale of goods is a performance obligation satisfied at a point in time and, accordingly, revenue is recognised when the control of the goods is transferred to the customer. As most of the customer groups of the Group are large overseas pharmaceutical companies, overseas sales revenue accounted for a significant proportion of the Group's total revenue; In addition, revenue is one of the key performance indicators of the Group. Therefore, revenue from sales of goods is considered a key audit matter. The disclosures of the revenue from sales of goods are included in notes 2.3, 4 and 5 to the consolidated financial statements.	The audit procedures we performed include: (1) discussing with management and obtained an understanding the revenue recognition policy; (2) performing tests of controls on revenue recognition and tests of details of revenue records selected by the sampling method; (3) inquiring the management, checking the contract terms, and evaluating whether the Group's accounting policies on revenue recognised at a point in time comply with the provisions of the accounting standard; (4) performing analytical procedures, including analysing the reasons for the fluctuation of the gross margin in the current period and comparing it with the previous period;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on sale of goods (continued)	
	(5) for export sales, spot checking large revenue declaration and orders, checking the status of the declaration on the customs website, examining the authenticity of the declaration; and based on the shipping companies/airline companies listed on the bill of lading, logging into the official website of the shipping companies/airline companies, checking the information of the bill of lading; and checking the addresses of the receiving companies based on the customer's receiving address, public information, and the addresses on the waybill; (6) circulation of confirmations to major customers on sales revenue amounts and receivables; for those of material differences identified in the received confirmations, investigating the reasons for the differences. For the non-reply confirmations, we carried out alternative tests by checking the original documents such as sales contracts, sales orders, invoices, warehouse release lists, shipping lists and receipt lists; and (7) examining transactions close to the balance sheet date to determine whether they have been recorded in the correct accounting period.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of equity interests	
On 24 October 2021, Tianjin Clin-Nov Medical Technology Development Co., Ltd. (hereinafter referred to as "Clin-nov Medical"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the former shareholders of Beijing Improve-Quality Technology Co., Ltd. (hereinafter referred to as "Improve-Quality"). With the consensus of all parties, Clin-nov Medical acquired 100% equity interests held by the former shareholders of Improve-Quality for a consideration of RMB136.3 million. Upon completion of this transaction, Clin-nov Medical wholly-owns Improve-Quality. The management believed that Clin-nov Medical obtained the control of Improve-Quality on 17 December 2021 and consolidated the results of Improve-Quality therefrom. Since Improve-Quality was not controlled by the same ultimate shareholder before and after the acquisition, the business combination is accounted for using acquisition accounting. The management engaged a professional valuer to evaluate the fair value of the identifiable assets and liabilities of Improve-Quality on the acquisition date, and recognised the difference between the consideration paid and the fair value of the identifiable net assets of Improve-Quality on the acquisition date as goodwill. Since the determination of fair values on the date of acquisition involved significant judgment and estimation of management, there was an area with uncertainties which required management's judgment on estimates. The key assumptions used in evaluating the fair values of identifiable assets and liabilities at acquisition date highly depends on forecasted data. Therefore, this is regarded as a key audit matter. The disclosures of the acquisition are included in note 32 to the consolidated financial statements.	The audit procedures we performed include: (1) obtaining the relevant contracts or agreements, and the financial statements, appraisal reports and other relevant contents at the time of acquisition to get the necessary information about the transaction; (2) evaluating the competence, capacities and objectivity of the third party professional valuer engaged by management; (3) checking and assessing the Group's estimation on the fair value of the identifiable assets, liabilities and contingent liabilities acquired by Improve-Quality, and inviting the internal appraisal department to review the fair value of the identifiable net assets on the acquisition date of Improve-Quality; and (4) assessing whether the Group's accounting treatment of the acquisition is appropriate.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**4,632,121**	3,136,724
Cost of sales		**(2,582,396)**	(1,683,500)
Gross profit		**2,049,725**	1,453,224
Other income and gains	5	**173,817**	119,773
Selling and distribution expenses		**(99,559)**	(84,253)
Administrative expenses		**(494,775)**	(320,599)
Research and development expenses		**(387,478)**	(258,934)
Losses on impairment of financial and contract assets, net		**(22,380)**	(25,751)
Other expenses		**(15,232)**	(70,583)
Finance costs	7	**(7,328)**	(3,728)
Share of (losses)/profits of associates		**(3,840)**	2,084
PROFIT BEFORE TAX	6	**1,192,950**	811,233
Income tax expense	10	**(123,694)**	(91,530)
PROFIT FOR THE YEAR		**1,069,256**	719,703
Attributable to:			
Owners of the parent		**1,069,274**	719,742
Non-controlling interests		**(18)**	(39)
		1,069,256	719,703
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB per share)	12	**4.40**	3.09
Diluted (expressed in RMB per share)	12	**4.39**	3.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,336,854**	2,208,297
Right-of-use assets	14	**362,649**	284,328
Goodwill	15	**146,183**	43,186
Other intangible assets	16	**62,960**	24,049
Deferred tax assets	27	**186,930**	118,006
Investments in associates	17	**291,848**	269,689
Prepayments, deposits and other receivables	20	**354,709**	169,547
Financial assets at fair value through profit or loss	22	**103,766**	35,000
Total non-current assets		**4,845,899**	3,152,102
CURRENT ASSETS			
Inventories	18	**1,396,115**	726,384
Trade receivables	19	**1,816,201**	978,149
Contract assets	21	**742**	9,046
Prepayments, deposits and other receivables	20	**457,514**	189,598
Tax recoverable		**4,171**	2,756
Financial assets at fair value through profit or loss	22	**401,198**	–
Cash and cash equivalents	23	**6,234,457**	2,124,615
Total current assets		**10,310,398**	4,030,548
CURRENT LIABILITIES			
Trade payables	24	**551,866**	378,616
Other payables and accruals	25	**1,201,140**	518,089
Interest-bearing bank and other borrowings	26	**375,392**	10,034
Lease liabilities	14	**13,217**	2,925
Tax payable		**63,190**	18,919
Total current liabilities		**2,204,805**	928,583
NET CURRENT ASSETS		**8,105,593**	3,101,965
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,951,492**	6,254,067

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	25	**179,049**	151,445
Lease liabilities	14	**45,877**	25,882
Deferred tax liabilities	27	**116,554**	86,990
Total non-current liabilities		**341,480**	264,317
Net assets		**12,610,012**	5,989,750
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**263,044**	242,451
Restricted shares under share-based payment	29	**(481,820)**	(137,358)
Other reserves	30	**12,828,788**	5,884,696
		12,610,012	5,989,789
Non-controlling interests		**–**	(39)
Total equity		**12,610,012**	5,989,750

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 30 March 2022 and were signed on its behalf by:

Hao Hong
Executive Director

Da Zhang
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Restricted shares under share-based payment RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	231,320	(87,828)	1,146,075	50,687	7,685	1,695,110	3,043,049	–	3,043,049
Profit for the year	–	–	–	–	–	719,742	719,742	(39)	719,703
Exchange differences related to foreign operations	–	–	–	–	(11,685)	–	(11,685)	–	(11,685)
Total comprehensive income for the year	–	–	–	–	(11,685)	719,742	708,057	(39)	708,018
Disposal of a subsidiary	–	–	(1,936)	–	–	–	(1,936)	–	(1,936)
Final 2019 dividend declared and paid	–	–	–	–	–	(115,637)	(115,637)	–	(115,637)
Issue of shares	10,179	–	2,264,782	–	–	–	2,274,961	–	2,274,961
Issue of restricted shares	1,018	(118,668)	117,650	–	–	–	–	–	–
Cancellation of restricted shares	(66)	6,271	(5,734)	–	–	–	471	–	471
Vesting of restricted shares	–	62,867	–	–	–	–	62,867	–	62,867
Equity-settled share option arrangements	–	–	17,957	–	–	–	17,957	–	17,957
Transfer to statutory surplus reserve	–	–	–	17,464	–	(17,464)	–	–	–
At 31 December 2020	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Restricted shares under share-based payment RMB'000 (note 29)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750
Profit for the year	–	–	–	–	–	1,069,274	1,069,274	(18)	1,069,256
Exchange differences related to foreign operations	–	–	–	–	(5,132)	–	(5,132)	–	(5,132)
Total comprehensive income for the year	–	–	–	–	(5,132)	1,069,274	1,064,142	(18)	1,064,124
Disposal of a subsidiary	–	–	–	–	–	–	–	57	57
Final 2020 dividend declared and paid	–	–	–	–	–	(145,560)	(145,560)	–	(145,560)
Issue of shares	18,415	–	5,572,948	–	–	–	5,591,363	–	5,591,363
Issue of restricted shares	2,224	(406,361)	404,137	–	–	–	–	–	–
Cancellation of restricted shares	(46)	3,717	(2,632)	–	–	–	1,039	–	1,039
Vesting of restricted shares	–	58,182	–	–	–	–	58,182	–	58,182
Equity-settled share option arrangements	–	–	51,057	–	–	–	51,057	–	51,057
Transfer to statutory surplus reserve	–	–	–	35,200	–	(35,200)	–	–	–
At 31 December 2021	263,044	(481,820)	9,564,304	103,351	(9,132)	3,170,265	12,610,012	–	12,610,012

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**1,192,950**	811,233
Adjustments for:			
Finance costs	7	**7,328**	3,728
Share of (profits)/losses of associates		**3,840**	(2,084)
Interest income	5	**(12,992)**	(15,111)
Investment income		**(31,002)**	–
Fair value gain on financial assets/liabilities at fair value though profit or loss		**(18,965)**	(5,311)
Loss on disposal of items of property, plant and equipment		**874**	335
Loss on termination of leases		**–**	84
Loss on disposal of a subsidiary		**57**	–
Covid-19-related rent concessions from lessors		**–**	(89)
Depreciation of property, plant and equipment	13	**196,937**	153,977
Depreciation of right-of-use assets	14	**15,704**	7,772
Amortisation of other intangible assets	16	**4,104**	3,585
Losses on impairment of trade receivables and contract assets, net		**22,380**	25,751
Equity-settled share option expense		**51,057**	17,957
		1,432,272	1,001,827
(Increase)/decrease in pledged deposits		**(2,413)**	45,558
Increase in inventories		**(669,731)**	(270,265)
Increase in trade receivables		**(863,239)**	(341,368)
(Increase)/decrease in contract assets		**10,227**	(8,319)
Increase in prepayments, deposits and other receivables		**(184,743)**	(98,435)
Increase in trade payables		**173,250**	178,352
Increase in other payables and accruals		**337,609**	154,923
Cash generated from operations		**233,232**	662,273
Tax paid		**(120,082)**	(89,360)
Net cash flows from operating activities		**113,150**	572,913

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**12,992**	15,111
Purchases of items of property, plant and equipment and other intangible assets		**(1,659,737)**	(1,014,960)
Proceeds from disposal of items of property, plant and equipment		**12**	22
Acquisition of a subsidiary	32	**(102,530)**	(8,722)
Disposal of a subsidiary		**–**	(2,686)
Purchases of investments at fair value through profit or loss		**(4,351,000)**	(15,000)
Proceeds from disposal of investments at fair value through profit or loss		**3,918,010**	–
Increase in investments in associates		**(26,000)**	(48,632)
(Increase)/decrease in pledged time deposits		**3,045**	(26,905)
Net cash flows used in investing activities		**(2,205,208)**	(1,101,772)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**5,608,284**	2,274,961
Proceeds from issue of restricted shares		**406,361**	118,668
Share repurchase payment		**(6,568)**	(2,788)
New bank loans		**1,057,078**	150,000
Repayment of bank loans		**(692,685)**	(140,000)
Increase in pledged deposits		**–**	(841)
Acquisition of non-controlling interests		**–**	(14,030)
Principal portion of lease payments		**(8,099)**	(2,394)
Dividends paid to shareholders		**(145,560)**	(115,637)
Interest paid		**(8,104)**	(3,694)
Net cash flows from financing activities		**6,210,707**	2,264,245
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,118,649**	1,735,386
Cash and cash equivalents at beginning of year		**2,121,559**	414,384
Effect of foreign exchange rate changes, net		**(8,175)**	(28,211)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,232,033**	2,121,559
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position		**6,234,457**	2,124,615
Pledged deposits		**(2,424)**	(3,056)
Cash and cash equivalents as stated in the statement of cash flows		**6,232,033**	2,121,559

1. CORPORATE AND GROUP INFORMATION

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

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

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

In the opinion of the directors, the controlling shareholders of the Company are Asymchem Laboratories, Incorporated (or "ALAB"), Mr. Hao Hong and Dr. Ye Song.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Asymchem Life Science (Tianjin) Co., Ltd. (note a)	PRC/Mainland China 30 December 2005	RMB70,000	100	–	Development and drug product manufacturing
Tianjin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC/Mainland China 19 July 2010	RMB224,830	97	3	Development and drug product manufacturing
Tianjin Asymchem Pharmaceutical Analysis, Testing and Evaluation Co., Ltd. (note a)	PRC/Mainland China 29 July 2013	RMB1,000	–	100	Pharmaceutical analysis and testing
Asymchem Laboratories (Fuxin) Co., Ltd. (note a)	PRC/Mainland China 1 April 2002	RMB3,310	100	–	R&D and drug product manufacturing
Jilin Asymchem Laboratories Co., Ltd. (note a)	PRC/Mainland China 17 August 2007	RMB291,490	100	–	Development and drug product manufacturing

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Liaoning Asymchem Laboratories Co., Ltd. (note a)	PRC/Mainland China 2 December 2013	RMB9,200	100	–	Manufacturing, sale and development of medicine raw materials and relevant products
Asymchem Inc. (note b)	United States 12 October 2010	Not applicable	100	–	Sale of drug product
Jilin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC/Mainland China 29 September 2017	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Tianjin Clin-nov Medical Technology Co., Ltd. (note a)	PRC/Mainland China 10 August 2017	RMB40,000	100	–	Wholesaling and retailing drugs
Shanghai Asymchem Biotechnology Co., Ltd. (note a)	PRC/Mainland China 28 January 2019	RMB250,000	100	–	Pharmaceutical science and technology
Asymchem Limited (note c)	United Kingdom 13 February 2017	EUR0.001	100	–	Sale, import and export trade
Asymchem Laboratories (Jilin) Co., Ltd. (note a)	PRC/Mainland China 25 May 2020	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Asymchem Pharmaceuticals (Jiangsu) Co., Ltd. (note a)	PRC/Mainland China 29 September 2020	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Asymchem Taixin Clinical Study Co., Ltd. (note a and d)	PRC/Mainland China 6 March 2020	RMB10,000	–	51	Medical research and development
Tianjin GoalGen Biotechnology Co., Ltd. (note a)	PRC/Mainland China 28 November 2007	RMB10,000	–	100	Pharmaceutical research and manufacturing
Shanghai Xinzhuo Pharmaceutical Research and Development Co., Ltd. (note a)	PRC/Mainland China 5 December 2019	RMB10,000	–	100	Pharmaceutical research and development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tianjin Baibosheng Pharmtech Co., Ltd. (note a)	PRC/Mainland China 21 November 2018	RMB5,000	–	100	Pharmaceutical research and development
Tianjin Yinuo Qinkang Medical Technology Co., Ltd. (note a)	PRC/Mainland China 29 July 2020	RMB2,000	–	100	Medical research and development
Asymchem Boston Corporation (note b)	United States 14 December 2020	Not applicable	100	–	Pharmaceutical research and wholesale
Asymchem Life Science (Jiangsu) Co., Ltd. (note a)	PRC/Mainland China 18 March 2021	RMB100,000	100	–	Drug import and export
Shanghai Nuoxin Yingke Information Technology Co., Ltd. (note a)	PRC/Mainland China 15 June 2021	RMB5,000	–	100	Information technology
Tianjin Asymchem Pharmaceutical Technology Co., Ltd. (note a)	PRC/Mainland China 10 December 2021	RMB1,000	100	–	Pharmaceutical and chemical manufacturing
Asymchem Pharmaceutical (Jiangsu) Co., Ltd. (note a)	PRC/Mainland China 7 September 2021	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Tianjin Asymchem Pharmaceutical Technology Development Co., Ltd. (note a)	PRC/Mainland China 9 August 2021	RMB30,000	100	–	Pharmaceutical science and technology
Beijing Improve-Quality Technology Co., Ltd. (note a)	PRC/Mainland China 1 April 2015	RMB1,000	100	–	Technology development
Shanghai Yipu Pharmaceutical Technology Co., Ltd. (note a)	PRC/Mainland China 4 June 2018	RMB1,000	100	–	Pharmaceutical science and technology
Qingdao Alpu Technology Co., Ltd. (note a)	PRC/Mainland China 1 February 2019	RMB1,000	100	–	Medical research and development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Notes:

(a) These entities are registered as limited liability companies under PRC law. The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies do not register any official English names.

(b) The entity is registered as a limited liability company under United States law.

(c) The entity is registered as a limited liability company under United Kingdom law.

(d) The entity was deregistered in 2021.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, had been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2020. They have been prepared under the historical cost convention, except for derivative financial instruments, wealth management products and equity investments which have been measured at fair value. These consolidated financial statements are presented in Chinese Yuan ("Renminbi" or "RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL REPORTING STANDARDS

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] No mandatory effective date yet determined but available for adoption
[4] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL REPORTING STANDARDS (continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset or a deferred tax liability on a net basis for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL REPORTING STANDARDS (continued)

Annual Improvements to IFRS standard 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Buildings	4.85%
Manufacturing and R&D equipment	9.90% to 19.80%
Office equipment	19.80% to 33.00%
Motor vehicles	9.90% to 19.80%
Leasehold improvements	The shorter of the lease terms and their useful lives

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

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

Construction in progress represents building, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

The principal estimated useful lives of other intangible assets as follows:

Category	Estimated useful life	Estimated residual value
Patents and licences	5 years	0%
Software and others	10 years	0%
Customer relationship	10 years	0%

(i) Patents and licences have an amortisation period of five years based on the period covered by their licenses.

(ii) Software and others have an amortisation period of ten years based on the estimated useful lives.

(iii) Customer relationship has an amortisation period of ten years based on estimated beneficial period considering industry experience, the customer retention rate and others.

Leases

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

Group as a lessee

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

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

Buildings	2 to 10 years

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

(b) Lease liabilities

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through profit or loss. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables.

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

The Group's financial liabilities include trade payables, lease liabilities, other payables and accruals, and interest-bearing bank and other borrowings.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group has satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs

(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

(c) The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

If none of the above conditions is met, the Group recognises revenue at the point in time when the customer obtains control of the distinct good or service.

If control of the service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains control of the service.

Contracts with multiple performance obligation (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligation (including allocation of transaction price) (continued)

The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using the cost-to-cost method (input method). The Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates several restricted A share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 16%-20% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the consolidated financial statements.

Foreign currencies

These consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Judgement of significant influence on equity investments

Significant influence is the power to participate in the decision-making of the financial and operating policies of invested companies, but cannot control or jointly control the formulation of these policies with other parties. Whether it has a significant influence on the invested company is a criterion requires judgement. The Group recognise equity investments that has significant influence as investments in associates.

Measurement of progress toward complete satisfaction of construction services

The Group uses the input method to measure the progress toward satisfaction of the performance obligations, and specifically, the proportion of actual construction costs incurred relative to the estimated total costs. Actual construction costs incurred include direct and indirect costs in the process of transferring goods from the Group to customers. The Group believes that contract price is based on construction costs. Therefore, the proportion of actual construction costs incurred relative to the total expected costs can reflect the progress toward satisfaction of construction service. Since the duration of construction is relatively long that it may cover more than one accounting period, the Group will review and revise the budget as the contract carries forward, and adjust revenue accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flows. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the reporting periods. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB146,183,000 (2020: RMB43,186,000). Further details are given in note 15.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 38 to the consolidated financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2021 was RMB103,766,000 (2020: RMB35,000,000). Further details are included in note 22 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 27 to the consolidated financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

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

Operating segment

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

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

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

5. REVENUE, OTHER INCOME AND GAINS

Clinical stage CDMO solutions:

The Group provides process development and optimisation, analytical services and scale-up services for small molecule drug products throughout the pre-clinical and clinical stages. The revenue generated from clinical stage CDMO solutions is derived from the transfer of goods and the provision of services under Full-time-equivalent (or "FTE") and Fee-for-service (or "FFS") arrangements. The Group recognises revenue over time and at a point in time for services under FTE and FFS arrangements, respectively.

Commercial stage CDMO solutions:

The Group provides ton-scale manufacturing services for registered starting materials (RSMs), advanced intermediates, and active pharmaceutical ingredients (APIs) with high quality. All of the revenue generated from commercial stage CDMO solutions is derived from the transfer of goods and services, which is recognised at a point in time.

Emerging services:

The revenue generated form emerging services is mainly derived from the transfer of goods and services, including (i) pre-formulation and formulation development, (ii) Chemical Macromolecule CDMO solutions for polypeptides, oligonucleotides, glycans, toxins-linkers and other macromolecules, (iii) biosynthesis solutions, (iv) biologics CDMO solutions for monoclonal antibodies (mAbs) and antibody-drug conjugates (ADCs), (v) Contract Research Organization (or "CRO") solutions and (vi) messenger RNA (mRNA) solutions. For CRO solutions, the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, and the Group recognises revenue over time. While for other revenue from emerging services, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis if the contracts have multiple deliverable units, except for the allocation of discounts and variable consideration, and the Group recognises revenue at a points in time since it did not meet the conditions of the revenue recognition over time. Therefore, the Group recognises revenue over time and at a point in time for services of CRO solutions and FFS arrangements, respectively.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Others:

Others mainly include the sales of raw materials and sales of scrap materials.

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(a) Disaggregated revenue information

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

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

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

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

* Government grants of RMB99,257,000 and RMB107,233,000 were granted during the years ended 31 December 2020 and 2021, respectively, as incentives to the development and research activities of the Group in the PRC, of which the amounts of government grants related to assets are RMB11,688,000 and RMB12,577,000, respectively, and the other government grants are related to income. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

6. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of sales		**2,582,396**	1,683,500
Depreciation of property, plant and equipment*	13	**196,937**	153,977
Depreciation of right-of-use assets*	14(a)	**15,704**	7,772
Amortisation of other intangible assets*	16	**4,104**	3,585
Research and development costs:			
Current year expenditure		**387,478**	258,934
Lease payments not included in the measurement of lease liabilities	14(c)	**1,345**	1,043
Auditor's remuneration		**3,700**	1,600
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8):			
Wages and salaries		**928,279**	630,065
Share-based payment expense		**45,133**	16,835
Pension scheme contributions		**290,654**	97,414
Foreign exchange differences, net		**5,132**	11,685
Bank interest income		**(12,992)**	(15,111)
Changes in fair value of derivative financial instruments		**–**	(5,311)
Fair value gain financial assets at fair value and other intangible assets		**(18,965)**	–
Loss on disposal of items of property, plant and equipment and other intangible assets		**874**	335
Losses on impairment of financial and contract assets, net		**22,380**	25,751

* Depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets and employee benefit expense for the year are mainly included in "Cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs as follows:

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	The Group	
	2021	2020
	RMB'000	RMB'000
Fees	**288**	288
Other emoluments:		
Salaries, allowances and benefits in kind	**9,786**	5,828
Performance related bonuses	**5,300**	500
Equity-settled share incentive scheme	**438**	1,122
Pension scheme contributions	**684**	526
	16,208	7,976
	16,496	8,264

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021	2020
	RMB'000	RMB'000
Ms. Zhang Kun	**96**	96
Mr. Guangcheng Pan	**40**	96
Mr. Wang Qingsong	**96**	96
Mr. Lee, Kar Chung Felix	**56**	–
	288	288

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

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

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share incentive scheme	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2021						
Executive directors:						
Mr. Hao Hong						
(Chief executive)	–	2,130	–	–	158	2,288
Dr. Ye Song	–	640	–	–	122	762
Ms. Yang Rui	–	2,674	2,000	–	101	4,775
Mr. Hong Liang	–	1,247	700	–	101	2,048
Ms. Zhang Ting	–	725	600	–	101	1,426
Ms. Zhang Da	–	2,370	2,000	438	101	4,909
	–	9,786	5,300	438	684	16,208
2020						
Executive directors:						
Mr. Hao Hong						
(Chief executive)	–	2,094	–	–	162	2,256
Mr. Zhang Da	–	1,245	300	1,122	86	2,753
Ms. Yang Rui	–	1,124	–	–	63	1,187
Dr. Ye Song	–	684	–	–	125	809
Mr. Hong Liang	–	681	200	–	90	971
	–	5,828	500	1,122	526	7,976

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2020: three directors including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	4,313	5,091
Performance related bonuses	10,605	340
Equity-settled share option expense	5,245	–
Pension scheme contributions	471	574
	20,634	6,005

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

	Number of employees	
	2021	2020
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$3,000,000	–	2
HK$3,000,001 to HK$5,000,000	3	–
	3	2

10. INCOME TAX

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

10. INCOME TAX (continued)

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

	2021	2020
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**168,413**	105,054
Deferred (note 27)	**(44,719)**	(13,524)
Total tax charge for the year	**123,694**	91,530

	2021	2020
	RMB'000	RMB'000
Profit before tax	**1,192,950**	811,233
Tax at the statutory tax rate		
– Mainland China	**178,942**	114,481
Tax at the statutory tax rate		
– overseas	**5,411**	7,204
Effect of different tax rates of subsidiaries	**(5,622)**	1,809
Adjustments in respect of current tax of previous periods	**(110)**	(598)
Deductible temporary differences and tax losses not recognised	**2,661**	150
Tax losses utilised from previous periods	**(1,597)**	(1,031)
Effect of research and development expenses that are		
additionally deducted	**(58,491)**	(32,946)
Impact of change in tax rates on deferred tax assets/liabilities	**–**	2,202
Expenses not deductible for tax	**2,500**	259
Tax charge at the Group's effective rate	**123,694**	91,530
Tax charge at the effective rate	**10%**	11%

11. DIVIDENDS

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

11. DIVIDENDS (continued)

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

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 242,597,000 (2020: 232,571,000) in issue during the year, as adjusted to reflect the rights issue during the year.

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

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2021	Buildings RMB'000	Leasehold improvements RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021:							
Cost	938,121	9,958	1,190,468	58,488	20,700	671,101	2,888,836
Accumulated depreciation and impairment	(181,174)	(7,631)	(437,482)	(39,723)	(14,529)	–	(680,539)
Net carrying amount	756,947	2,327	752,986	18,765	6,171	671,101	2,208,297
At 1 January 2021, net of Accumulated depreciation and impairment	756,947	2,327	752,986	18,765	6,171	671,101	2,208,297
Additions	211,565	45,852	666,437	22,739	3,105	1,185,316	2,135,014
Acquisition of a subsidiary (note 32)	–	–	–	513	–	–	513
Disposals	(844)	–	(9)	(19)	(2)	–	(874)
Depreciation provided during the year	(50,004)	(2,418)	(129,730)	(12,661)	(2,124)	–	(196,937)
Transfer	–	–	–	–	–	(809,159)	(809,159)
At 31 December 2021, net of Accumulated depreciation and impairment	917,664	45,761	1,289,684	29,337	7,150	1,047,258	3,336,854
At 31 December 2021:							
Cost	1,148,489	48,179	1,853,675	81,383	23,700	1,047,258	4,202,684
Accumulated depreciation and impairment	(230,825)	(2,418)	(563,991)	(52,046)	(16,550)	–	(865.830)
Net carrying amount	917,664	45,761	1,289,684	29,337	7,150	1,047,258	3,336,854

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2020	Buildings RMB'000	Leasehold improvements RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020:							
Cost	795,356	9,387	940,418	48,554	18,703	360,382	2,172,800
Accumulated depreciation and impairment	(139,298)	(3,254)	(349,523)	(30,520)	(12,253)	–	(534,848)
Net carrying amount	656,058	6,133	590,895	18,034	6,450	360,382	1,637,952
At 1 January 2020, net of Accumulated depreciation and impairment	656,058	6,133	590,895	18,034	6,450	360,382	1,637,952
Additions	–	394	129,871	10,652	1,605	600,895	743,417
Acquisition of a subsidiary	–	177	–	500	577	–	1,254
Disposals	(6,008)	(1,324)	(11,926)	(475)	(5)	(152)	(19,890)
Disposal of a subsidiary							
Depreciation provided during the year	(45,362)	(3,053)	(92,908)	(10,198)	(2,456)	–	(153,977)
Transfers	152,259	–	137,054	252	–	(290,024)	(459)
At 31 December 2020, net of Accumulated depreciation and impairment	756,947	2,327	752,986	18,765	6,171	671,101	2,208,297
At 31 December 2020:							
Cost	938,121	9,958	1,190,468	58,488	20,700	671,101	2,888,836
Accumulated depreciation and impairment	(181,174)	(7,631)	(437,482)	(39,723)	(14,529)	–	(680,539)
Net carrying amount	756,947	2,327	752,986	18,765	6,171	671,101	2,208,297

14. LEASES

The Group has lease contracts for various items of buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) Right-of-use assets

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

	Leasehold land	**Buildings**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2020	102,571	28,729	131,300
Additions	161,366	54	161,420
Depreciation charge	(2,321)	(5,451)	(7,772)
Derecognition	–	(620)	(620)
As at 31 December 2020 and 1 January 2021	**261,616**	**22,712**	**284,328**
Additions	**55,639**	**38,386**	**94,025**
Depreciation charge	**(6,066)**	**(9,638)**	**(15,704)**
As at 31 December 2021	**311,189**	**51,460**	**362,649**

14. LEASES (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**28,807**	31,772
Additions	**38,386**	54
Accretion of interest recognised during the year	**1,696**	1,226
Covid-19-related rent concessions from lessors	**–**	(89)
Payments	**(9,795)**	(3,620)
Terminations	**–**	(536)
Carrying amount at 31 December	**59,094**	28,807
Analysed into:		
Current portion	**13,217**	2,925
Non-current portion	**45,877**	25,882

The maturity analysis of lease liabilities is disclosed in note 39 to the consolidated financial statements.

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**1,696**	1,226
Depreciation charge of right-of-use assets	**15,704**	7,772
Expense relating to short-term leases (included in cost of sales)	**1,345**	1,043
Covid-19-related rent concessions from lessors	**–**	(89)
Loss on the derecognition of right-of-use assets	**–**	84
Total amount recognised in profit or loss	**18,745**	10,036

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options. However, the Group did not expect to exercise such options as at 31 December 2021.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 33(c) and 39, respectively, to the consolidated financial statements.

15. GOODWILL

	RMB'000
At 1 January 2020:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2020, net of accumulated impairment	
Acquisition of a subsidiary	43,186
Impairment during the year	–
At 31 December 2020	43,186
At 31 December 2020:	
Cost	43,186
Accumulated impairment	–
Net carrying amount	43,186
Cost at 1 January 2021, net of accumulated impairment	**43,186**
Acquisition of a subsidiary (note 32)	**102,997**
Cost and net carrying amount at 31 December 2021	**146,183**
At 31 December 2021:	
Cost	**146,183**
Accumulated impairment	**–**
Net carrying amount	**146,183**

As described in note 32, in 2021, for the purpose of expanding the clinical trial services business, the Group acquired a 100% interest in Beijing Improve-Quality Technology Co., Ltd and its subsidiaries (or the "Acquired Companies") for a consideration of RMB136,300,000. The acquisition has been accounted for using the acquisition method. After the acquisition, goodwill of RMB102,997,000 was recognised. The Acquired Companies are limited liability companies under the laws of the PRC, primarily engaged in the provision of clinical trial services.

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit ("CGU")for impairment testing:

Clinical trial services CGU

The recoverable amount of the clinical trial service CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 15.25%(2020: 15.09%). The compound growth rate used to extrapolate the cash flows of the clinical trial services CGU from 2021 to 2026 is 6.00%(2020: 8.00%), which is also an estimate of the long-term rate of inflation with adjustment.

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Clinical data services CGU

The recoverable amount of the clinical data service CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 18.15% for the year ended 31 December 2021. The compound growth rate used to extrapolate the cash flows of the clinical trial services CGU from 2021 to 2026 is 9.00%, which is also an estimate of the long-term rate of inflation with adjustment.

Key assumptions used in the calculation are as follows:

	2021
Clinical trial services CGU	
Revenue (% compound growth rate)	**10%**
Gross margin (% of revenue)	**43%**
Terminal growth rate	**N/A**
Pre-tax discount rate	**15.25%**
Clinical data services CGU	
Revenue (% compound growth rate)	**18%**
Gross margin (% of revenue)	**85%**
Terminal growth rate	**N/A**
Pre-tax discount rate	**18.15%**

Revenue – the budgeted revenue is determined based on the historical data and management's expectation of the future market. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes the number of contracts signed and the progress of business under negotiation.

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year for each product, increased for expected efficiency improvements, and expected market development.

Terminal growth rate – The terminal growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate – The pre-tax discount rate used is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies in the technology industry.

16. OTHER INTANGIBLE ASSETS

	Customer Relationship RMB'000	Patents and licences RMB'000	Software and others RMB'000	Total RMB'000
31 December 2021				
Cost at 1 January 2021, net of				
Accumulated amortisation	**–**	**399**	**23,650**	**24,049**
Additions	**–**	**–**	**5,517**	**5,517**
Transfers	**–**	**84**	**1,547**	**1,631**
Disposals	**–**	**(260)**	**–**	**(260)**
Amortisation provided during the year	**–**	**(223)**	**(3,881)**	**(4,104)**
Acquisition of a subsidiary (note 32)	**35,900**	**–**	**227**	**36,127**
At 31 December 2021	**35,900**	**–**	**27,060**	**62,960**
At 31 December 2021:				
Cost	**35,900**	**1,238**	**39,467**	**76,605**
Accumulated amortisation	**–**	**(1,238)**	**(12,407)**	**(13,645)**
Net carrying amount	**35,900**	**–**	**27,060**	**62,960**
31 December 2020				
At 1 January 2020:				
Cost	–	1,009	24,243	25,252
Accumulated amortisation	–	(395)	(5,625)	(6,020)
Net carrying amount	–	614	18,618	19,232
Cost at 1 January 2020, net of accumulated				
Amortisation	–	614	18,618	19,232
Additions	–	–	7,985	7,985
Transfers	–	459	–	459
Disposals	–	–	(42)	(42)
Amortisation provided during the year	–	(674)	(2,911)	(3,585)
At 31 December 2020	–	399	23,650	24,049
At 31 December 2020 and at 1 January 2021:				
Cost	–	1,468	32,176	33,644
Accumulated amortisation	–	(1,069)	(8,526)	(9,595)
Net carrying amount	–	399	23,650	24,049

17. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets		
–Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Haihe Asymchem")	**202,631**	203,443
–Snapdragon Chemistry Inc. ("Snapdragon")	**48,608**	47,851
–Tianjin Yugen Medtech Co., Ltd. ("Yugen Medtech")	**40,609**	18,395
	291,848	269,689

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Haihe Asymchem	Ordinary shares	the PRC	26.40	Corporate investment
Snapdragon	Preferred shares	USA	18.18	Medical research and development
Yugen Medtech	Ordinary shares	the PRC	29.08	Medical research and development

The following table illustrates the summarised financial information in respect of Haihe Asymchem adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Haihe Asymchem

	2021 RMB'000	2020 RMB'000
Current assets	**430,897**	713,410
Non-current assets	**336,732**	57,251
Total assets	**767,629**	770,661
Current liabilities	**86**	44
Non-current liabilities	**–**	–
Total liabilities	**86**	44
Net assets	**767,543**	770,617
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**26.4%**	26.4%
Carrying amount of the investment	**202,631**	203,443
Net profit	**(3,074)**	7,476

17. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 **RMB'000**	2020 RMB'000
Share of the associates' profit for the year	**(3,029)**	110
Aggregate carrying amount of the Group's investments in the associates	**89,217**	66,246

18. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Raw materials	**412,315**	203,729
Work in progress	**983,800**	522,655
	1,396,115	726,384

19. TRADE RECEIVABLES

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

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

Details of the concentration of credit risk arising from the customers are set out in note 39 to the consolidated financial statements.

19. TRADE RECEIVABLES (continued)

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

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

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

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

An impairment analysis is performed at each reporting date 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 (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 31 December 2021

		Past due			
	Current	Within 1 year	Over 1 year but within 2 years	Over 2 years	Total
Expected credit loss rate	3.71 %	17.45%	50.00%	100.00%	4.31%
Gross carrying amount (RMB'000)	1,846,107	41,951	7,827	2,120	1,898,005
Expected credit losses (RMB'000)	68,450	7,320	3,914	2,120	81,804

19. TRADE RECEIVABLES (continued)

As at 31 December 2020

		Past due			
	Current	Within 1 year	Over 1 year but within 2 years	Over 2 years	Total
Expected credit loss rate	5.04%	20.00%	50.00%	100.00%	5.47%
Gross carrying amount (RMB'000)	1,008,944	23,701	2,120	1	1,034,766
Expected credit losses (RMB'000)	50,816	4,740	1,060	1	56,617

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Prepayments	**576,659**	219,631
Other tax recoverable	**212,448**	100,832
Deposits	**23,661**	37,744
Other receivables	**5,805**	8,172
	818,573	366,379
Impairment allowance	**(6,350)**	(7,234)
	812,223	359,145
Current portion	**457,514**	189,598
Non-current portion	**354,709**	169,547

Other receivables of nil and RMB1,900,000 as at 31 December 2021 and 2020, respectively, were due from related parties. Details of the amounts due from related parties are disclosed in note 36 to the consolidated financial statements.

An ageing analysis of the current portion of prepayments, deposits and other receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2021	2020
	RMB'000	RMB'000
Within 1 year	**450,884**	182,601
1 to 2 years	**3,760**	3,985
2 to 3 years	**2,637**	2,977
Over 3 years	**233**	35
	457,514	189,598

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	7,234	3,279
Impairment losses recognised	(884)	3,687
Acquisition of subsidiaries	–	268
At end of year	6,350	7,234

The Group has applied the general approach to providing impairment for ECLs prescribed by IFRS 9, which permits either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

An impairment analysis is performed at the end of the reporting period 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 reporting date about past events, current conditions and forecasts of future economic conditions.

21. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Contract assets arising from:		
Sale of industrial products	742	10,969
Impairment	–	1,923
	742	9,046

The movements in the loss allowance for impairment of contract assets are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	1,923	1,052
Impairment losses recognised	(1,923)	871
At end of year	–	1,923

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets

	2021 RMB'000	2020 RMB'000
Wealth management products	**401,198**	–
Other unlisted investments, at fair value	**103,766**	35,000
Current portion	**401,198**	–
Non-current portion	**103,766**	35,000

The above financial assets were wealth management products and an unlisted investment in an investment fund in Mainland China. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**6,234,457**	2,124,615
Less:		
Pledged for letters of credit and others	**(2,424)**	(3,056)
Cash and cash equivalents	**6,232,033**	2,121,559

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks and time deposits earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default and no expected credit loss was expected to incur.

The carrying amounts of cash and cash equivalents approximate to their fair values.

	2021 RMB'000	2020 RMB'000
Denominated in RMB	**174,414**	1,842,695
Denominated in USD	**417,570**	275,456
Denominated in GBP	**3,036**	353
Denominated in EUR	**–**	3,055
Denominated in HK$	**5,637,013**	–
Cash and cash equivalents	**6,232,033**	2,121,559

24. TRADE PAYABLES

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

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

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

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

25. OTHER PAYABLES AND ACCRUALS

	Notes	**2021**	2020
		RMB'000	RMB'000
Current portion			
Payroll and welfare payable		**188,003**	102,743
Other tax payables		**25,487**	10,608
Contract liabilities	(a)	**131,046**	91,552
Repurchase obligation of restricted shares	(c)	**483,674**	143,058
Other payables	(b)	**372,930**	170,128
		1,201,140	518,089
Non-current portion			
Deferred income		**179,049**	151,445

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Advances received from customers		
Transfer of goods and services	**131,046**	91,552

(b) Other payables are non-interest-bearing and have an average term of three months.

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

(c) The payable represents the repurchase obligations associated with the restricted shares issued to employees. Pursuant to the shareholders resolutions on 8 January 2021 and 23 September 2021 for incentive schemes, the Group shall repurchase the restricted A shares at an agreed price if the profitability of the Group or performance of granted eligible employees is not fulfilled, or if the eligible employees leave the Group. Given the vesting of the tranche relating to profitability of the Group and that the performance of eligible employees had not occurred at the end of the reporting period, the consideration received for the restricted share repurchase is then accounted for as a deposit received. Details are disclosed in note 31 to the consolidated financial statements.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate	**Maturity**	**RMB'000**	Effective interest rate	Maturity	RMB'000
Bank loans – unsecured	**LPR-0.15%**	**2022**	**375,392**	LPR-0.15%	2021	10,034

	2021	2020
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**375,392**	10,034

Notes:

(a) A at 31 December 2021, the Group's interest-bearing bank borrowings of RMB375,392,000 (2020: RMB10,034,000) bore interest at a floating interest rate of LPR minus 15 basis points and were unsecured.

(b) Mortgages over the Group's buildings in order to obtain bank line, which had a net carrying value at the end of the reporting period of approximately RMB35,239, 000 (2020:Nil).

(c) The carrying amounts of the interest-bearing bank borrowings of the Group approximate to their fair values.

(d) The Group's bank borrowings are all denominated in RMB.

27. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Fair value gains on investment properties	Acquisitions of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	61,205	–	–	61,205
Deferred tax charged to the statement of profit or loss during the year (note 10)	28,762	–	(5)	28,757
Acquisition of a subsidiary	–	–	40	40
Disposal of a subsidiary	(3,012)	–	–	(3,012)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	**86,955**	**–**	**35**	**86,990**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**21,525**	**2,665**	**–**	**24,190**
Acquisition of a subsidiary	**–**	**–**	**5,374**	**5,374**
Gross deferred tax liabilities at 31 December 2021	**108,480**	**2,665**	**5,409**	**116,554**

Deferred tax assets

	Provision for impairment of assets	Elimination of unrealised profits	Losses available for offsetting against future taxable profits	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 31 December 2019 and 1 January 2020	7,361	1,706	59,456	12,573	4,250	85,346
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	3,391	1,641	35,649	1,470	130	42,281
Acquisition of a subsidiary	1,384	–	3,429	–	–	4,813
Disposal of a subsidiary	(4)	–	(13,875)	(419)	(136)	(14,434)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	**12,132**	**3,347**	**84,659**	**13,624**	**4,244**	**118,006**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**2,678**	**403**	**57,421**	**4,057**	**4.365**	**68,924**
Gross deferred tax assets at 31 December 2021	**14,810**	**3,750**	**142,080**	**1,7681**	**8,609**	**186,930**

27. DEFERRED TAX (continued)

Deferred tax assets (continued)

Deferred tax assets have not been recognised in respect of the following items:

	2021 **RMB'000**	2020 RMB'000
Tax losses	**12,189**	609
Deductible temporary differences	**–**	1
	12,189	610

28. SHARE CAPITAL

Shares

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

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

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

Notes:

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

(b) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 31 to the consolidated financial statements for more details.

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

29. RESTRICTED SHARES UNDER SHARE-BASED PAYMENT

	RMB'000
At 31 December 2020 and 1 January 2021	137,358
Issue of restricted A shares under A Share Incentive Scheme 2021	406,361
Vesting of restricted A shares	(58,182)
Cancellation of restricted A shares	(3,717)
At 31 December 2021	481,820

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 103 to 104 of the financial statements.

Capital reserve

The capital reserve represents the aggregate amount of share-based payment and share issue expense. Details of the movements are set out in the consolidated statement of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China, the subsidiaries in the PRC are required to allocate 10% of the statutory after tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Exchange fluctuation reserve

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

31. SHARE-BASED PAYMENTS

Restricted A share incentive schemes

The Group adopted share incentive schemes (the "Restricted A Share Incentive Schemes") for the purpose of further refining the corporate governance structure of the Group, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Group, as well as balancing the interests of the shareholders, the Group and management for the long-term development of the Group.

31. SHARE-BASED PAYMENTS (continued)

Restricted A share incentive schemes (continued)

The Restricted A Share Incentive Scheme 2020 was approved by the shareholders of the Company. On 12 August 2020, the relevant resolutions were considered and passed at the Company's 41st meeting of the 3rd session of the board of directors and the 35th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2020 of the Company was set on 9 July 2020. On 12 August 2020(the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme 2020, 1,018,000 A shares of the Company were granted to 215 eligible participants of the Restricted A Share Incentive Scheme 2020 the "Share Incentive Participants" at a grant price of RMB116.57 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A Share Incentive Scheme 2021 was approved by the shareholders of the Company. On 8 January 2021, relevant resolutions were considered and passed at the Company's 52nd meeting of the 3rd session of the board of directors and the 42nd meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2021 of the Company was set on 8 January 2021. On 8 January 2021(the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme 2021, 176,000 A shares of the Company were granted to 35 eligible participants of the Restricted A Share Incentive Scheme 2021 (the "Share Incentive Participants") at a grant price of RMB149.88 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

The restricted A shares shall be locked up immediately upon grant. All of the restricted A shares granted to the A shares Incentive Participants shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the Date of Grant. the restricted A shares held by the A shares Incentive Participants shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of the restricted A shares granted upon the expiry of each lock-up period. Should the market conditions not be met, the additional lock-up period shall be prolonged by 3 to 9 months accordingly. Where the performance target at company level has been achieved, Share Incentive Participants are only entitled to unlock the restricted A shares upon achieving the benchmarks of "Pass'' or above in their performance target for the preceding year according to the Company's administrative measures in respect of the remuneration and performance appraisal.

On 23 September 2021, the Company granted 2,048,820 restricted A shares of the Company to 263 eligible participants at a grant price of RMB185.52 per share (the closing price of the share on the grant date was RMB340.85 per share). According to the incentive plan formulated by the Company, the restricted A shares granted to senior management shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the Date of Grant, and the restricted A shares granted to the core technical personnel will be unlocked in three phases.

31. SHARE-BASED PAYMENTS (continued)

Restricted A share incentive schemes (continued)

Based on the performance indicators of the Group, the restricted A shares held by the senior management shall be unlocked in four tranches in the proportion of 30%, 20%,20% and 30% of the total number of the restricted A shares granted upon the expiry of each lock-up period. Also, the restricted A shares held by the core technical personnel shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of the restricted A shares granted upon the expiry of each lock-up period. The banned conditions after unlocking are mainly related to the Company's market value. In addition, if all or part of the shares are not to be unlocked, the Company will repurchase and cancel them. The repurchase price is the same as the grant price, unless the repurchase price needs to be adjusted.

Details of the corresponding unlock rate for different performance levels are summarised as follows:

Performance	Outstanding	Good	Pass
Unlocking coefficient	1.0	0.8	0.6

	Number of RSU	Weighted average grant date fair value per RSU RMB
Outstanding as of 1 January 2020	2,291,676	10.49
Granted during the year	1,018,000	45.50
Vested during the year	(1,731,581)	8.88
Cancelled during the year	(65,800)	33.54
Outstanding as of 31 December 2020	1,512,295	34.89
Granted during the year	**2,224,200**	**46.53**
Vested during the year	**(692,020)**	**42.79**
Cancelled during the year	**(46,775)**	**18.44**
Outstanding as of 31 December 2021	**2,997,700**	**42.06**

The fair value of each RSU on the grant date is determined by reference to the fair value of the underlying ordinary shares on the date of grant. The effect of a lock-up discount for selling restriction over a period after all vesting conditions are fulfilled was reflected in the fair value on the grant date.

During the years ended 31 December 2021 and 2020, the Group has recognised amounts of RMB51,057,000 and RMB17,957,000 as expenses, respectively.

32. BUSINESS COMBINATION

On 17 December 2021, the Group acquired a 100% equity interest in Beijing Improve-Quality Technology Co., Ltd. ("Improve-Quality Technology") from an independent third party for a cash consideration of RMB136 million. The acquisition was made as part of the Group's strategy to expand the clinical trial services. Improve-Quality Technology can separately generate cash flows and are independent from other subsidiaries of the Group, and considered as a single cash-generating unit (note 15).

The fair values of the identifiable assets and liabilities of Improve-Quality Technology as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	13	513
Software	16	227
Customer relationship	16	35,900
Cash and bank balances		3,770
Trade receivables		6,659
Prepayments, deposit and other receivables		956
Trade payables		1,334
Deferred tax liabilities		5,409
Accruals and other payables		7,979
Total identifiable net assets at fair value		33,303
Goodwill on acquisition	15	102,997
Satisfied by cash		136,300

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB6,659,000 and RMB247,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB6,659,000 and RMB247,000, respectively.

The Group incurred minimal transaction costs for this acquisition.

Included in the goodwill of RMB102,997,000 recognised above is a business synergistic effect, which allows the Group to expand its industry coverage and client serving ability, and is not recognised separately. It is not separable and therefore it does not meet the criteria for recognition as an intangible asset under IAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, Improve-Quality Technology contributed to the Group's revenue and to the consolidated profit for the year ended 31 December 2021 is not material.

32. BUSINESS COMBINATION (continued)

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB4,660,891,000 and RMB1,067,030,000, respectively.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(106,300)
Cash and bank balances acquired	3,770
Net outflow of cash and cash equivalents included in cash flows from investing activities	(102,530)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB nil (2020: RMB54,000), in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2021

	Interest-bearing bank borrowings RMB'000	**Lease liabilities RMB'000**
At 1 January 2021	**10,034**	**28,807**
Changes from financing cash flows	**358,030**	**(9,795)**
New leases	**–**	**38,386**
Interest expense	**7,328**	**1,696**
At 31 December 2021	**375,392**	**59,094**

2020

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2020	–	31,772
Changes from financing cash flows	8,808	(3,620)
New leases	–	54
Interest expense	1,226	1,226
Covid-19-related rent concessions from lessors	–	(89)
Derecognition	–	(536)
At 31 December 2020	10,034	28,807

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	1,345	1,043
Within financing activities	9,795	3,620
	11,140	4,663

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans in notes 23 and 26 to the consolidated financial statements.

35. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Buildings	290,625	63,990
Plant and machinery	560,862	271,890
Capital contributions payable to joint ventures	40,000	–
	891,487	335,880

36. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties:

Name	Relationship
上海凱萊英檢測技術有限公司 Shanghai Asymchem Laboratories Testing Technology Co., Ltd ("Shanghai Asymchem Technology")	Subsidiary of an associate of the Group
天津力生制藥股份有限公司 Tianjin Lisheng Pharmaceutical Co.,Ltd. (i)	Former independent non-executive directors Mr. Guangcheng Pan is also an independent non-executive director of the company
天津天浩管理諮詢合伙企業(有限合夥) Tianjin Tianhao Management Consulting Partnership (Limited Partnership)	Enterprise controlled by the controlling shareholder of the Company

(i) Mr. Guangcheng Pan resigned as an independent director of the Company in June 2021.

36. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

As disclosed in note 20 to the consolidated financial statements, the Group had outstanding balances due from related parties at 31 December 2020 and 2021.

(i) Due from related parties included in other receivables

	2021	2020
	RMB'000	RMB'000
Shanghai Asymchem Technology	**–**	1,900

(ii) Due from related parties included in trade receivables

	2021	2020
	RMB'000	RMB'000
Trade receivables	**2,170,950**	2,170,950
Impairment	**(1,930,950)**	(1,885,950)
	240,000	285,000

(c) Transactions with related parties:

(i) Purchases from related parties

	2021	2020
	RMB'000	RMB'000
Yugen Medtech	**402**	–

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

	2021	2020
	RMB'000	RMB'000
Short term employee benefits	**32,550**	16,151
Pension scheme contributions	**1,923**	1,366
Equity-settled share incentive scheme	**5,486**	5,146
Total compensation paid to key management personnel	**39,959**	22,663

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade payables	–	–	1,816,201	1,816,201
Financial assets included in prepayments, other receivables and other assets	–	–	23,116	23,116
Financial assets at fair value through profit or loss	–	504,964	–	504,964
Cash and cash equivalents	–	–	6,234,457	6,234,457
	–	504,964	8,073,774	8,578,738

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	–	551,866	551,866
Financial liabilities included in other payables and accruals	–	–	851,204	851,204
Lease liabilities	–	–	59,094	59,094
Interest-bearing bank and other borrowings	–	–	375,392	375,392
	–	–	1,837,556	1,837,556

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade payables	–	–	1,034,766	1,034,766
Financial assets included in prepayments, other receivables and other assets	–	–	53,150	53,150
Financial assets at fair value through profit or loss	–	35,000	–	35,000
Cash and cash equivalents	–	–	2,124,615	2,124,615
	–	35,000	3,212,531	3,247,531

Financial liabilities

	Financial liabilities at fair value through profit or loss			
`	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	–	378,616	378,616
Financial liabilities included in other payables and accruals	–	–	170,208	170,208
Interest-bearing bank and other borrowings	–	–	10,034	10,034
	–	–	558,858	558,858

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**401,198**	–	**401,198**	–
– An unlisted investment fund	**103,766**	35,000	**103,766**	35,000
	504,964	35,000	**504,964**	35,000
Financial liabilities				
Interest-bearing bank borrowings	**375,392**	10,034	**375,392**	10,034
	375,392	10,034	**375,392**	10,034

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted non-principal-protected wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

For the unlisted investment fund measured at fair value through profit or loss, management assessed the fair value based on the net asset value of the investment fund. Since the underlying unlisted equity portfolio was diversified and each underlying equity investment was immaterial to the Group, no fair value disclosure has been made for the underlying equity investments in the investment fund. Management has estimated the potential effect of using reasonably possible alternatives to be immaterial.

The carrying amounts of all the Group's financial instruments are equal to or reasonably approximate to fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	401,198	–	401,198
– An unlisted investment fund	–	–	103,766	103,766
	–	401,198	103,766	504,964

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– An unlisted investment fund	–	–	35,000	35,000
	–	–	35,000	35,000

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 **RMB'000**	2020 RMB'000
Equity investments at fair value through profit or loss		
At 1 January	**35,000**	20,000
Changes in fair value	**17,766**	–
Purchases	**51,000**	15,000
Disposals	**–**	–
	103,766	35,000

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, financial assets at fair value through profit or loss, lease liabilities, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, prepayments, deposits and other receivables, trade payables, and other payables and accruals which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the consolidated financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. Some of these interest-bearing bank borrowings were obtained at floating interest rates, which have exposed the Group to interest rate risk. The interest rates and terms of repayment of borrowings are disclosed in note 26 above, and the possible reasonable changes in interest rates do not have a significant impact to the Group's profit or loss and equity.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the major foreign currency exchange rate, with all other variables held constant, of the Group's profit for the year due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit for the year RMB'000	Increase/ (decrease) in equity RMB'000
2021			
If USD weakens against RMB	**10%**	**29,042**	**29,042**
If USD strengthens against RMB	**(10%)**	**(29,042)**	**(29,042)**
If HK$ weakens against RMB	**10%**	**586,040**	**586,040**
If HK$ strengthens against RMB	**(10%)**	**(586,040)**	**(586,040)**
2020			
If USD weakens against RMB	10%	15,242	15,242
If USD strengthens against RMB	(10%)	(15,242)	(15,242)

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 54.63% (2020: 11.72%) and 71.35% (2020: 46.59%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the consolidated financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds, lease liabilities and other interest-bearing loans. All of the Group's debts would mature in less than one year as at 31 December 2021 (2020: 100%) based on the carrying value of borrowings reflected in the consolidated financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2021

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	2,788	11,088	41,377	12,226	67,479
Restricted share repurchase	483,674	–	–	–	–	483,674
Financial liabilities included in other payables and accruals	367,050	–	–	–	–	367,050
Interest-bearing bank and other borrowings	–	–	375,392	–	–	375,392
Trade payables	551,866	–	–	–	–	551,866
	1,402,590	2,788	386,480	41,377	12,226	1,845,461

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2020

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	927	2,780	13,695	18,114	35,516
Restricted share repurchase	143,058	–	–	–	–	143,058
Financial liabilities included in other payables and accruals	170,208	–	–	–	–	170,208
Interest-bearing bank and other borrowings	–	–	10,034	–	–	10,034
Trade payables	378,616	–	–	–	–	378,616
	691,882	927	12,814	13,695	18,114	737,432

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals, lease liabilities and less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2021 RMB'000	2020 RMB'000
Interest-bearing bank and other borrowings (note 26)	375,392	10,034
Trade payables (note 24)	551,866	378,616
Other payables and accruals (note 25)	1,380,189	669,534
Lease liabilities	59,094	28,807
Less: Cash and cash equivalents (note 23)	6,234,457	2,124,615
Net debt	N/A	N/A
Total equity	12,610,012	5,989,750
Total equity and net debt	N/A	N/A
Net gearing ratio	N/A	N/A

40. EVENTS AFTER THE REPORTING PERIOD

Equity acquisition

As of 11 February 2022, the proposal to acquire the equity of Snapdragon was approved on the 21st Meeting of the Fourth Board of directors of the Company. Snapdragon is a leader in continuous reaction technology, which is cutting-edge technology and has great potential for drug synthesis and production. The Company plans to acquire the remaining equity held by 49 shareholders of Snapdragon with its own working capital of about USD57.94 million. After the acquisition, the Company will wholly-own Snapdragon.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**156,713**	131,329
Right-of-use assets	**62,670**	11,130
Other intangible assets	**18,984**	16,593
Investments in subsidiaries	**1,919,259**	1,431,741
Investments in associates	**291,848**	269,678
Deferred tax assets	**7,474**	7,433
Prepayments, deposits and other receivables	**77,957**	5,561
Financial assets at fair value through profit or loss	**103,766**	35,000
Total non-current assets	**2,638,671**	1,908,465
CURRENT ASSETS		
Inventories	**35,733**	18,447
Trade receivables	**294,886**	200,688
Prepayments, deposits and other receivables	**1,865,824**	475,547
Cash and cash equivalents	**5,759,347**	1,786,528
Total current assets	**7,955,790**	2,481,210
CURRENT LIABILITIES		
Trade payables	**667**	39,352
Other payables and accruals	**627,059**	454,109
Interest-bearing bank and other borrowings	**155,060**	10,034
Lease liabilities	**5,903**	2,278
Total current liabilities	**788,689**	505,773
NET CURRENT ASSETS	**7,167,101**	1,975,437
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,805,772**	3,883,902
NON-CURRENT LIABILITIES		
Other payables and accruals	**24,299**	17,282
Lease liabilities	**11,212**	2,209
Deferred tax liabilities	**11,094**	8,204
Total non-current liabilities	**46,605**	27,695
Net assets	**9,759,167**	3,856,207
EQUITY		
Share capital	**263,044**	242,451
Restricted shares under share-based payment	**(481,820)**	(137,358)
Other reserves	**9,977,943**	3,751,114
Total equity	**9,759,167**	3,856,207

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Attributable to owners of the parent								
	Share capital RMB'000	Restricted shares under share-based payment RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	231,320	(87,828)	1,107,108	50,687	–	149,368	1,450,655	–	1,450,655
Total comprehensive income for the year	–	–	–	–	–	174,374	174,374	–	174,374
Disposal of a subsidiary	–	–	(1,936)	–	–	(7,505)	(9,441)	–	(9,441)
Final 2019 dividend declared and paid	–	–	–	–	–	(115,637)	(115,637)	–	(115,637)
Issue of shares	10,179	–	2,264,782	–	–	–	2,274,961	–	2,274,961
Issue of restricted shares	1,018	(118,668)	117,650	–	–	–	–	–	–
Cancellation of restricted shares	(66)	6,271	(5,734)	–	–	–	471	–	471
Vesting of restricted shares	–	62,867	–	–	–	–	62,867	–	62,867
Equity-settled share option arrangements	–	–	17,957	–	–	–	17,957	–	17,957
Transfer to statutory surplus reserve	–	–	–	17,464	–	(17,464)	–	–	–
At 31 December 2020	242,451	(137,358)	3,499,827	68,151	–	183,136	3,856,207	–	3,856,207
At 1 January 2021	**242,451**	**(137,358)**	**3,499,827**	**68,151**	**–**	**183,136**	**3,856,207**	**–**	**3,856,207**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**346,879**	**346,879**	**–**	**346,879**
Final 2020 dividend declared and paid	**–**	**–**	**–**	**–**	**–**	**(145,560)**	**(145,560)**	**–**	**(145,560)**
Issue of shares	**18,416**	**–**	**5,572,948**	**–**	**–**	**–**	**5,591,364**	**–**	**5,591,364**
Issue of restricted shares	**2,224**	**(406,361)**	**404,137**	**–**	**–**	**–**	**–**	**–**	**–**
Cancellation of restricted shares	**(47)**	**3,717**	**(2,632)**	**–**	**–**	**–**	**1,038**	**–**	**1,038**
Vesting of restricted shares	**–**	**58,182**	**–**	**–**	**–**	**–**	**58,182**	**–**	**58,182**
Equity-settled share option arrangements	**–**	**–**	**51,057**	**–**	**–**	**–**	**51,057**	**–**	**51,057**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**35,200**	**–**	**(35,200)**	**–**	**–**	**–**
At 31 December 2021	**263,044**	**(481,820)**	**9,525,337**	**103,351**	**–**	**349,255**	**9,759,167**	**–**	**9,759,167**

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.