Pharmaron Beijing Co., Ltd.*

康龍化成（北京）新藥技術股份有限公司

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

(Stock Code: 3759)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

FINANCIAL SUMMARY AND HIGHLIGHTS

	Six months ended June 30,		
	2022	2021	Change
	RMB'000	*RMB'000*	*%*
Revenue	**4,634,585**	3,285,511	41.1
Gross profit	**1,613,111**	1,189,711	35.6
Profit attributable to owners of the parent	**585,432**	564,837	3.6
Non-IFRSs adjusted net profit attributable to owners of the parent	**812,106**	651,392	24.7
Net cash flows generated from operating activities	**858,787**	845,064	1.6

- During the Reporting Period, the Group recorded aggregate revenue of approximately RMB4,634.6 million, representing an increase of approximately RMB1,349.1 million, or 41.1%, as compared to the six months ended June 30, 2021.

- During the Reporting Period, the profit attributable to owners of the parent was approximately RMB585.4 million, representing an increase of approximately 3.6% as compared to the six months ended June 30, 2021.

- During the Reporting Period, the net cash flows generated from operating activities was approximately RMB858.8 million, representing an increase of approximately 1.6% as compared to the six months ended June 30, 2021.

- The Board resolved not to declare any interim dividend for the six months ended June 30, 2022.

The board of directors of Pharmaron Beijing Co., Ltd. is pleased to announce the unaudited interim results of the Group for the six months ended June 30, 2022 with the comparative figures in the corresponding period in 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Notes	Six months ended June 30, 2022 **RMB'000** **(unaudited)**	2021 RMB'000 (unaudited)
REVENUE	*4*	**4,634,585**	3,285,511
Cost of sales		**(3,021,474)**	(2,095,800)
Gross profit		**1,613,111**	1,189,711
Other income and gains	*5*	**220,661**	119,881
Other expenses	*5*	**(146,209)**	(109,595)
Selling and distribution expenses		**(108,110)**	(63,733)
Administrative expenses		**(661,073)**	(383,583)
Research and development costs		**(83,669)**	(64,464)
Impairment (losses)/reversal on financial and contract assets		**(6,339)**	472
Finance costs		**(81,235)**	(15,786)
Share of losses of associates		**(4,439)**	(6,993)
Profit before tax	*6*	**742,698**	665,910
Income tax expense	*7*	**(177,398)**	(118,610)
Profit for the period		**565,300**	547,300
Attributable to:			
Owners of the parent		**585,432**	564,837
Non-controlling interests		**(20,132)**	(17,537)
		565,300	547,300
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For profit for the period	*9*	**0.4941**	0.4751
Diluted			
For profit for the period	*9*	**0.4939**	0.4747

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**565,300**	547,300
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(27,846)**	(28,626)
Fair value (losses)/gains on:		
– hedging instruments designated in cash flow hedges	**(10,307)**	10,947
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(38,153)**	(17,679)
Other comprehensive loss for the period, net of tax	**(38,153)**	(17,679)
Total comprehensive income for the period	**527,147**	529,621
Attributable to:		
Owners of the parent	**548,419**	547,136
Non-controlling interests	**(21,272)**	(17,515)
	527,147	529,621

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	Notes	**June 30, 2022** ***RMB'000*** **(unaudited)**	December 31, 2021 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**6,516,770**	5,577,904
Right-of-use assets		**1,177,845**	726,800
Goodwill		**2,535,957**	2,096,265
Other intangible assets		**229,329**	227,163
Investments in associates		**597,363**	452,606
Equity investments at fair value through profit or loss		**248,311**	310,063
Biological assets		**193,584**	143,233
Deferred tax assets		**34,418**	15,595
Other non-current assets		**431,624**	195,993
Total non-current assets		**11,965,201**	9,745,622
CURRENT ASSETS			
Inventories		**285,032**	181,700
Contract costs		**197,271**	165,625
Trade receivables	*10*	**1,616,062**	1,228,849
Contract assets		**276,401**	194,981
Biological assets		**441,403**	332,715
Prepayments, other receivables and other assets		**739,186**	1,441,191
Financial assets at fair value through profit or loss		**587,004**	1,537,947
Derivative financial instruments		**10,631**	16,674
Pledged deposits		**111,940**	17,243
Cash and cash equivalents		**2,736,741**	3,526,577
Total current assets		**7,001,671**	8,643,502
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**489,669**	482,302
Trade payables	*11*	**466,382**	315,534
Other payables and accruals		**1,352,082**	1,327,910
Derivative financial instruments		**9,449**	–
Contract liabilities		**836,714**	679,621
Lease liabilities		**134,552**	95,292
Tax payable		**106,483**	81,337
Total current liabilities		**3,395,331**	2,981,996
NET CURRENT ASSETS		**3,606,340**	5,661,506
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,571,541**	15,407,128

	Notes	**June 30, 2022** ***RMB'000*** **(unaudited)**	December 31, 2021 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**583,955**	956,095
Deferred tax liabilities		**205,245**	173,300
Financial liabilities at fair value through profit or loss		**92,614**	81,559
Deferred income		**158,507**	149,439
Convertible bonds-debt component		**3,614,049**	3,467,090
Lease liabilities		**628,051**	284,338
Total non-current liabilities		**5,282,421**	5,111,821
NET ASSETS		**10,289,120**	10,295,307
EQUITY			
Share capital	*12*	**1,191,068**	794,177
Treasury shares		**(484,161)**	(301,825)
Equity component of convertible bonds		**198,554**	198,554
Reserves		**9,250,119**	9,438,335
Equity attributable to owners of the parent		**10,155,580**	10,129,241
Non-controlling interests		**133,540**	166,066
Total equity		**10,289,120**	10,295,307

1. GENERAL INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2022 has been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2021 which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of the following revised IFRSs and newly adoption of certain IFRSs for the first time for the current period's financial information.

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The Group had no material rent concessions granted by the lessors and this amendment to IFRS 16 and IFRS 9 has had no material impact on the disclosures set out in these condensed consolidated financial statements.

3. BUSINESS SEGMENT INFORMATION

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

- The laboratory services segment includes laboratory chemistry (including medicinal chemistry, synthetic chemistry, analytical and purification chemistry, and computer-aided drug design (CADD)) and bioscience services (including in vitro and in vivo DMPK/ADME, in vitro biology and in vivo pharmacology, safety assessment and U.S. laboratory services)
- The CMC (small molecule CDMO) services segment includes process development and manufacturing, materials science/pre-formulation, formulation development and manufacturing, and analytical development services
- The clinical development services segment includes overseas clinical development services (including radiolabelled science services and early stage clinical trial services) and domestic clinical development services (including clinical research services and site management services)
- The Biologics and CGT services segment includes biologics discovery, development and manufacturing services (CDMO), CGT lab and Gene therapy CDMO services
- The "Others" segment

Segment revenue and results

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

Six months ended June 30, 2022 (unaudited)	**Laboratory services** *RMB'000*	**CMC (small molecule CDMO) services** *RMB'000*	**Clinical development services** *RMB'000*	**Biologics and CGT services** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue	**2,860,148**	**1,084,625**	**584,537**	**95,470**	**9,805**	**4,634,585**
Segment results	**1,242,702**	**356,932**	**29,883**	**(18,938)**	**2,532**	**1,613,111**
Unallocated amount:						
Other income and gains						**220,661**
Other expenses						**(146,209)**
Selling and distribution expenses						**(108,110)**
Administrative expenses						**(661,073)**
Research and development costs						**(83,669)**
Impairment losses on financial and contract assets						**(6,339)**
Finance costs						**(81,235)**
Share of losses of associates						**(4,439)**
Group's profit before tax						**742,698**

Six months ended June 30, 2021 (unaudited)	Laboratory services *RMB'000*	CMC (small molecule CDMO) services *RMB'000*	Clinical development services *RMB'000*	Biologics and CGT services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	2,027,048	762,243	422,691	71,661	1,868	3,285,511
Segment results	848,521	278,517	59,614	2,159	900	1,189,711
Unallocated amount:						
Other income and gains						119,881
Other expenses						(109,595)
Selling and distribution expenses						(63,733)
Administrative expenses						(383,583)
Research and development costs						(64,464)
Impairment reversal on financial and contract assets						472
Finance costs						(15,786)
Share of losses of associates						(6,993)
Group's profit before tax						665,910

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

Geographical information

(a) Revenue from external customers

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
North America	**3,042,305**	2,136,045
Europe	**629,646**	564,435
Asia (except Mainland China)	**112,287**	77,995
Mainland China	**819,977**	492,991
Others	**30,370**	14,045
	4,634,585	3,285,511

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

(b) Non-current assets

	June 30, 2022 ***RMB'000*** **(unaudited)**	December 31, 2021 *RMB'000* (audited)
Mainland China	**8,353,308**	6,680,284
North America	**1,408,274**	1,318,092
Europe	**1,892,290**	1,386,584
Asia (except Mainland China)	**28,600**	35,004
	11,682,472	9,419,964

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

4. REVENUE

An analysis of revenue is as follows:

	Six months ended June 30,	
	2022 ***RMB'000*** **(unaudited)**	2021 *RMB'000* (unaudited)
Revenue from contracts with customers	**4,634,585**	3,283,643
Revenue from other sources		
Revenue from investment property operating lease:	**–**	1,868
	4,634,585	3,285,511

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	**Six months ended June 30,**	
	2022 ***RMB'000*** **(unaudited)**	2021 *RMB'000* (unaudited)
Type of services		
Laboratory services	**2,860,148**	2,027,048
CMC (small molecule CDMO) services	**1,084,625**	762,243
Clinical development services	**584,537**	422,691
Biologics and CGT services	**95,470**	71,661
Others	**9,805**	–
Total revenue from contracts with customers	**4,634,585**	3,283,643
Timing of revenue recognition		
Services transferred at a point of time	**2,454,749**	1,776,503
Services transferred over time	**2,179,836**	1,507,140
Total revenue from contracts with customers	**4,634,585**	3,283,643

(b) Performance obligations

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

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

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

5. OTHER INCOME AND GAINS AND OTHER EXPENSES

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income		
Interest income	**23,302**	19,884
Government grants and subsidies related to		
– Assets	**5,932**	5,930
– Income	**9,627**	17,584
	38,861	43,398
Other gains		
Gains on fair value change of equity investment at fair value through profit or loss	**–**	17,057
Gains on fair value change of biological assets	**180,190**	–
Gains on financial assets at fair value through profit or loss	**–**	27,705
Gains on derivative financial instruments	**–**	5,918
Gains resulting from transfer of an investment in associates to equity investments at fair value through profit or loss	**–**	25,452
Gains on financial assets at amortised cost	**492**	–
Others	**1,118**	351
	181,800	76,483
	220,661	119,881
Other expenses		
Foreign exchange losses, net	**(36,844)**	(2,961)
Losses on disposal of property, plant and equipment	**(167)**	(872)
Losses on financial assets at fair value through profit or loss	**(8,179)**	–
Losses on derivative financial instruments	**(1,446)**	–
Losses on fair value change of equity investments at fair value through profit or loss	**(80,728)**	–
Losses on fair value change of financial liabilities at fair value through profit or loss	**(11,055)**	(100,395)
Others	**(7,790)**	(5,367)
	(146,209)	(109,595)

6. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**265,257**	207,380
Depreciation of right-of-use assets	**60,085**	49,459
Depreciation of investment properties	**–**	344
Amortization of other intangible assets	**15,081**	12,108
Staff cost* (including directors' and chief executive's remuneration):		
Salaries and other benefits	**1,667,264**	1,106,238
Pension scheme contribution, social welfare and other welfare**	**442,111**	310,516
Share-based compensation expenses	**52,062**	25,720
Gains resulting from transfer of an investment in associates to financial assets at fair value through profit or loss	**–**	(25,452)
Gains on fair value change of biological assets	**(180,190)**	–
Gains on financial assets at amortised cost	**(492)**	–
Losses/(Gains) on financial assets at fair value through profit or loss	**8,179**	(27,705)
Losses/(Gains) on fair value change of equity investment at fair value through profit or loss	**80,728**	(17,057)
Impairment losses on inventories, net of reversal	**2,543**	1,252
Impairment losses/(reversal) on financial and contract assets	**6,339**	(472)
Losses/(Gains) or losses of derivative financial instruments	**1,446**	(5,918)
Losses on fair value change of financial liabilities at fair value through profit or loss	**11,055**	100,395
Auditor's remuneration	**2,380**	2,150

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

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

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax	**164,173**	119,638
Deferred tax	**13,225**	(1,028)
	177,398	118,610

8. DIVIDENDS

On May 31, 2022, the Company's shareholders approved the 2021 Profit Distribution Plan at annual general meeting, pursuant to which a final dividend of RMB0.45 (inclusive of tax) per share in respect of the year ended December 31, 2021 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB357,320,000 (inclusive of tax). As at June 30, 2022, RMB301,118,000 has been paid.

The directors of the Company have determined that no dividend will be proposed or declared in respect of the current interim period (Six months ended June 30, 2021: Nil).

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

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	**585,432**	564,837
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(501)**	(694)
Earnings for the purpose of calculating basic earnings per share	**584,931**	564,143
Effect of diluted potential ordinary shares:		
Add: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**501**	347
Earnings for the purpose of calculating diluted earnings per share	**585,432**	564,490

	Six months ended June 30,	
	2022	2021
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**1,183,746,632**	1,187,504,118
Effect of diluted potential ordinary shares:		
Effective of restricted shares units and share awards issued by the Company	**1,601,168**	1,558,409
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	**1,185,347,800**	1,189,062,527

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

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

10. TRADE RECEIVABLES

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:

	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 year	**1,603,490**	1,209,375
1 year to 2 years	**12,572**	19,474
	1,616,062	1,228,849

Included in trade receivables are amounts due from a related party of RMB8,494,000 (December 31, 2021: RMB 7,366,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

11. TRADE PAYABLES

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

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

Analysed into:	**June 30, 2022** ***RMB'000*** **(unaudited)**	December 31, 2021 *RMB'000* (audited)
Within 1 year	**459,574**	309,449
Over 1 year	**6,808**	6,085
	466,382	315,534

There are no amounts included in the trade payables due to a related party as at 30 June, 2022 (December 31, 2021: RMB 4,000) which are repayable within 30 days, which represents credit terms similar to those offered by the related party to their major customers.

12. SHARE CAPITAL

	June 30, 2022 ***RMB'000*** **(unaudited)**	December 31, 2021 *RMB'000* (audited)
Issued and fully paid:	**1,191,068**	794,177

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

	Number of shares in issue	Share capital *RMB'000*
At December 31, 2021 and 1 January 2022	794,177,098	794,177
Repurchase of Restricted A Shares	(132,012)	(132)
Transfer from Share premium	397,022,543	397,023
At June 30, 2022	1,191,067,629	1,191,068

MANAGEMENT DISCUSSION AND ANALYSIS

A. Business Review

1. Principal Business

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

B. Financial Review

1. Overall Operation Results

In the first half of 2022, despite the COVID-related restrictions in multiple cities in China, the Company minimized the negative impact with our geographic diversities of the operation sites in China and the collaborations among different operating entities. In addition, the Company adhered to its strategy to establish new services platform and geographic footprint through overseas expansion. In the first half of 2022, with the inflation pressure in Europe and U.S., the operating costs of our overseas operations increased which slow down the overall margin growth of the Group. During the Reporting Period, the Company recorded revenue of RMB4,634.6 million, representing an increase of 41.1% over the same period of last year. With the benefits of economies of scale, the Company achieved gross profit of RMB1,613.1 million and gross margin of 34.8%, with a slight decrease over the same period of last year; profit attributable to owners of the parent of RMB585.4 million, representing an increase of 3.6% over the same period of last year, and the Non-IFRSs adjusted net profit attributable to owners of the parent of RMB812.1 million, representing an increase of 24.7% over the same period of last year. During the Reporting Period, the Company recorded income tax expenses of RMB177.4 million, with an increase of 49.6% over the same period of last year. With the growth in business demand, the Company is continuously expanding its talent pool. As of June 30, 2022, the total number of employees reached 17,650, including 15,820 R&D, production technology and clinical services staff, accounting for 89.6% of the total number of employees in the Company, and the number of R&D, production technology and clinical services staff increased by 2,365 compared with that of December 31, 2021.

During the Reporting Period, the Company continued to adhere to the "Customer Centric" corporate philosophy, with over 90% of the revenue generated from a large, diverse, loyal and repeated customer base that includes the global top 20 pharmaceutical companies, among which, the revenue of such customers from global top 20 pharmaceutical companies accounted for 14.4% of the revenue of the Company. In addition, the Company actively expanded its customer base, by introducing more than 400 new customers in the first half of 2022. During the Reporting Period, the revenue from customers in North America accounted for 65.6%, revenue from customers in EU (including U.K.) accounted for 13.6%, revenue from customers in China accounted for 17.7%, and revenue from customers in other regions accounted for 3.1%.

With the strategy of building a fully-integrated service platform, the Company expanded its service capabilities to meet its business needs and further improved its international services platform and new services expansion through both internal construction and external expansion, providing new impetus for the mid-and long-term growth of the Company. During the Reporting Period, the Company's capital expenditure for internal construction was RMB1,314.2 million, representing an increase of 27.0% over the same period of last year. The external merger & acquisition mainly includes improving the laboratory animal supply system and expanding the multi-geographic layout of CMC (small molecule CDMO) production capacity, and the capital expenditure for the relevant M&A projects and other equity investments was RMB853.6 million. With the expansion of global footprint, the Company owns 11 operating facilities and has more than 1,300 employees in U.K. and U.S.. In the first half of 2022, the revenue of the overseas subsidiaries accounted for 12.1% of the revenue of the Company.

In response to the China's Carbon pledge, the Company developed a 5-year sustainability target which was approved by the Board last year. Additionally, the Company launched the Science Based Targets initiative (SBTi) in the first half of this year to promote the decarbonization transformation of its supply chain and scientifically achieve the emission reduction and sustainability targets. Meanwhile, to demonstrate our commitment on social responsibilities and the climate change, on June 22, 2022, the Company formally committed to SBTi through the commitment letter to curb global temperature rise in conjunction with the Paris Agreement. Furthermore, the Company not only focuses on its own greenhouse gas emission management, but also encourages the sustainability evolution of its supply chain. In the future, the Company will develop and implement global decarbonization and sustainability strategies and associated measures in accordance with SBTi requirements.

2. Operation results of each business segment

(1) Laboratory services

During the Reporting Period, the laboratory services segment recorded revenue of RMB2,860.1 million, representing an increase of 41.1% over the same period of last year; with a gross margin of 43.4%, which represented an increase of 1.5 percentage points over the same period of last year. The customers in North America, Europe (including U.K.), China and other regions accounted for 73.9%, 11.3%, 11.7%, and 3.1%, respectively, of the laboratory service revenue.

To meet the business needs, the Company continues to expand and improve its R&D team. As of June 30, 2022, the Company employed 8,492 employees in its laboratory services business, with an increase of 1,356 employees compared with that of December 31, 2021. The Company has nearly 5,800 laboratory chemists and technicians in laboratory chemistry which is one of the world leading laboratory chemistry group in terms of size and expertise. During the Reporting Period, the Company further strengthened the global services network of laboratory services, and provided customers with more flexible and comprehensive laboratory services through the collaboration of laboratory service teams in China, U.K. and U.S.. In addition, with the improvement of the technical capabilities and capacities of different biosciences service segment and the seamless integration with laboratory chemistry services, revenue generated from our bioscience services experienced rapid growth with bioscience revenue contribution to the laboratory services increased to 47.5%, representing an increase of 1.8 percentage points as compared to the same period of last year.

With our global R&D team and quality system in place, the Company helps customers rapidly advance their R&D projects from preclinical to clinical in many countries by providing comprehensive drug discovery and development services. During the Reporting Period, the Company participated in 576 drug discovery projects. Also, the Company contributed to the development of global innovative drug R&D by applying our long-accumulated expertise in pharmaceutical R&D and conducted studies for 52 investigational new drugs (IND) or new drug applications (NDA) filing for our Chinese customers, of which, 48 projects applied simultaneously in multiple jurisdictions (including China, U.S. and EU), an integrated service package for IND enabling R&D services gained more and more customer recognition.

The Company continued expanding the laboratory facilities to meet the growing business demand. During the Reporting Period, the Company continued the construction of Phase II of the Campus I in Ningbo, of which the first 120,000 m^2 of laboratory space was gradually in operation starting from the first quarter of 2021. The construction of the main structure of remaining 42,000 m^2 continued internal installation, part of them were gradually in operation. Upon the completion of Phase II project, the number of laboratory service scientists and technicians will increase by nearly 2,000. The Company commenced the construction of over 105,000 m^2 laboratory space in Xi'an, which is expected to be in operation starting from 2024. During the Reporting Period, to further expand the Company's capacities for safety assessment, DMPK and pharmacology, the Company continued the construction of over 140,000 m^2 laboratory space in Phase I of the Campus III in Ningbo, which is expected to be in operation starting from the first half of 2024. In addition, the Company continued to expand the laboratory spaces in Beijing and started the laboratory expansion in Qingdao and Chongqing. In addition, in order to further strengthen our services capabilities in the in vivo bioscience area, the Company acquired 100% equity interests in Beijing Anikeeper Biotech Co., Ltd. during the Reporting Period so as to optimize the quality control and supply chain system of the research animals.

(2) CMC (small molecule CDMO) services

During the Reporting Period, the CMC (small molecule CDMO) services realized revenue of RMB1,084.6 million, representing an increase of 42.3% over the same period of last year; and gross margin of 32.9%, with a decrease of 3.6 percentage points when compared with the same period of last year. The customers in North America, Europe (including U.K.), China and other regions accounted for 64.8%, 20.1%, 13.1%, and 2.0%, respectively, of the CMC (small molecule CDMO) service revenue. To meet the growing demand for CMC (Small molecule CDMO) services, the Company is actively expanding its CMC (Small molecule CDMO) service team. As of June 30, 2022, the Company had 3,601 employees engaged in CMC (Small molecule CDMO) services, representing an increase of 980 employees as compared to December 31, 2021.

With the seamless integration of the Company's fully-integrated R&D service platform and the coordination of different service segment, approximately 76% of CMC (Small molecule CDMO) revenue generated from the existing customers of drug discovery services (laboratory chemistry and biological sciences). In addition, through international operation, we strengthened the capabilities of our fully integrated services platform and provided customized services and solutions with the cutting-edge technology to our customers by utilizing the R&D resources of our global service network. Our process development teams in China and U.K. cooperated closely to provide customized solutions in an innovative hybrid mode, gaining recognition from more and more customers and achieving growing order quantity and quality. The services covered 714 drug molecules or intermediates, including 500 projects in preclinical stage, 182 projects in Phase I-II clinical trials, 22 projects in Phase III clinical trial, and 10 projects in process validation and commercialization stage.

With our strategy to expand our CMC (small molecule CDMO) service downstream to late-stage clinical and commercial manufacturing services, we accelerated the construction of Shaoxing Phase I facility with an area of 81,000 m^2 and reactor volume of 600 m^3 in 2021, of which, 200 m^3 has commenced operation in early 2022 and the remaining 400 m^3 will be gradually in operation from second half of 2022. In addition, the Company acquired Aesica Pharmaceuticals Limited (now "Pharmaron Manufacturing Services (UK) Ltd") in Cramlington, UK and API manufacturing facility in Coventry, Rhode Island, U.S. in January and July of 2022 respectively. These two facilities can provide cGMP API manufacturing services from pilot to commercial scale and have been inspected and approved by a number of regulatory agencies including the FDA. Together with the recently launched commercial stage API manufacturing capacity in Shaoxing, the manufacturing facilities in Cramlington and Coventry will provide us with unique opportunities to rapidly expand our chemistry and manufacturing service capabilities in China, U.S. and UK. This will further strengthen Pharmaron's global end-to-end chemistry and manufacturing service offerings and enrich our global service networks. With the advancement of related projects and the improvement of the Company's CMC (small molecule CDMO) production capacity at the later stage, the revenue from Phase III clinical trial to commercialization stages is expected to gradually increase as a percentage of CMC (small molecule CDMO) service revenue.

(3) Clinical development services

During the Reporting Period, the clinical development services enjoyed rapid growth and recorded revenue of RMB584.5 million, representing an increase of 38.3% over the same period of last year; and a gross margin of 5.1%, representing a decrease of 9.0% over the same period of last year. The customers in North America, Europe (including U.K.), China and other regions accounted for 24.8%, 12.6%, 57.2% and 5.4%, respectively, of the clinical development service revenue. The Company further increased the talent pool in clinical development service to support its growth strategies. As of June 30, 2022, the Company had 3,329 employees in clinical development services. The low gross margin of clinical development services was mainly due to the rapid expansion of the team to support the growth strategy of clinical development services.

The Company further reorganized and strengthened the clinical development capabilities of its subsidiaries and departments into Pharmaron Clinical so as to optimize the organizational structure of the teams, in order to provide customers with higher quality, more comprehensive and more efficient integrated clinical development services.

Domestic clinical development services include clinical research services and site management services, covering different service needs of clinical research. Among which, clinical research services mainly include: regulatory affairs and product registration, medical affairs, medical monitoring, clinical operations, data management and biostatistics, bioanalysis, pharmacovigilance, quantitative pharmacology, etc.; site management services include CRC services, hospital research and selection, SSU (Study Start Up) rapid start-up, healthy and patient volunteer recruitment and management, quality assurance and its training, post-marketing studies, etc. During the Reporting Period, synergy and brand effect of the domestic business segments after integration gradually emerged. In the second quarter, when the operation was greatly affected by the domestic epidemic situation, the revenue growth rate of domestic clinical in the first half of 2022 reached 68.4%. As of June 30, 2022, Pharmaron Clinical had 970 clinical trial service employees, with more than 800 ongoing projects. In addition, Pharmaron Clinical had 1,997 clinical research site management service employees, and worked with more than 600 hospitals and clinical trial centers across 140 cities in China, with approximately 1,100 ongoing projects.

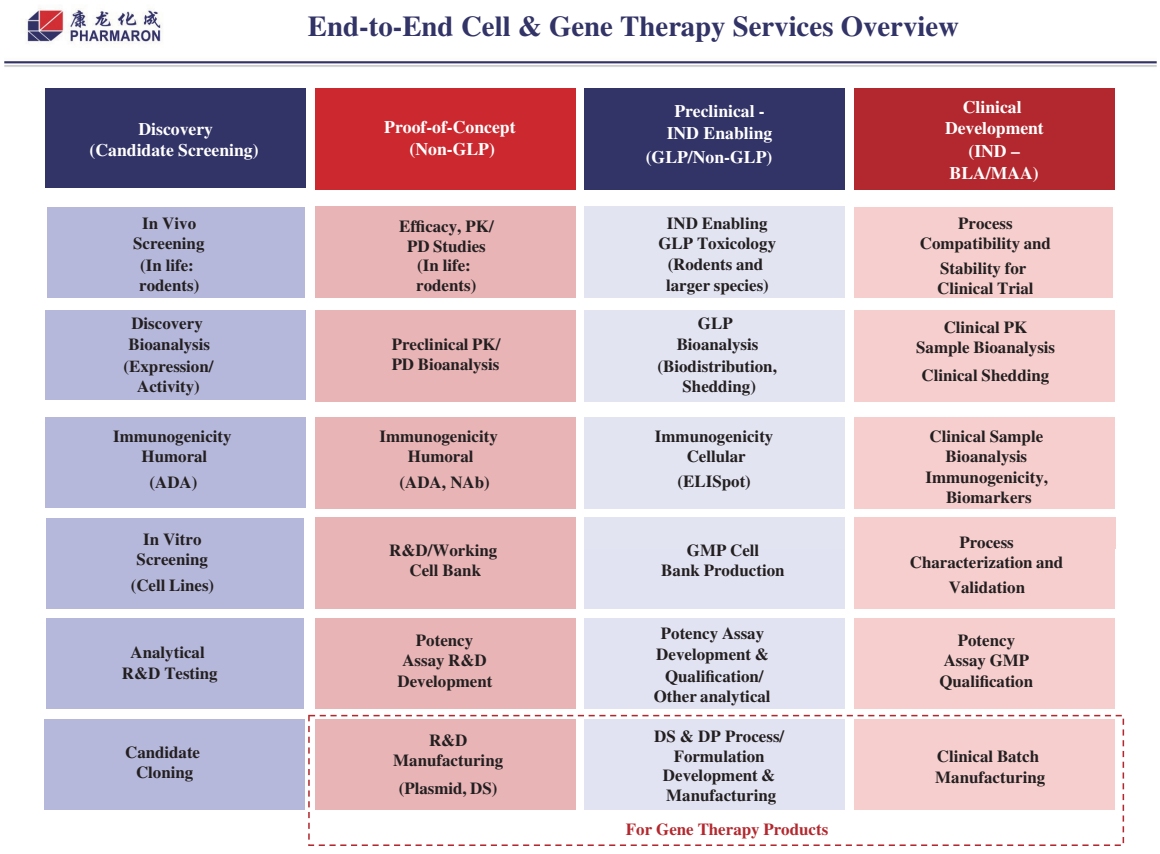
(4) Biologics and CGT services

During the Reporting Period, the Biologics and CGT services segment recorded revenue of RMB95.5 million, representing an increase of 33.2% over the same period of last year; and a gross margin of -19.8%. The customers in North America, Europe (including U.K.) and China accounted for 84.2%, 14.5% and 1.3% of the Biologics and CGT service revenue, respectively. The losses of Biologics and CGT services segment was mainly because the biologics and gene therapy CDMO services were still in the investment stage and high operating costs of overseas operators due to the impact of inflation in EU and U.S. in 2022.

As of June 30, 2022, the Company had 398 employees engaged in Biologics and CGT services, representing an increase of 57 employees as compared to December 31, 2021.

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

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



Since 2020, the Company's CGT testing services achieved a CAGR of over 95% and are gaining customer recognition with rapid increase in market share. Being the potency release testing service provider for the first approved gene therapy product on the U.S. market, the Company has built a team that has had extensive experience in developing and validating assays to support CGT preclinical discovery work, preclinical in vitro and in vivo proof-of-concept studies (GLP and non-GLP), GLP toxicology studies and GMP CGT product lot release testing for clinical and commercial purposes. The Company has developed and validated various assays encompassing non-viral and viral vectors, including all AAV serotypes. Currently, the Company has more than 50 programs at various stages for analytical release testing, including 19 potency assays for clinical studies and two potency assays for commercial manufacture. In addition, our CGT testing services further expand to the *in vitro* and *in vivo* pharmacology and safety assessment for CGT products, including highly specialized ophthalmologic models for CGT products. For the safety assessment services, over 40 non-GLP and GLP toxicology studies for CGT products either have been completed or are in progress at the Company.

Since the acquisition of Pharmaron Biologics UK in 2021, the Company has continuously strengthened its gene therapy CDMO services capabilities and currently established an integrated gene therapy CDMO services platform, including plasmid development and manufacturing, development and manufacturing of viral vector with extensive purification toolbox and the completed analytical testing capabilities for QC/QA of gene therapy products. For the plasmid development and manufacturing, the Company has proprietary cell line and plasmid technology and optimized production processes for GMP plasmid manufacturing up to 500L scale. For the development and manufacturing of viral vector, the Company has suspension based upstream production platform with SUBs ranging from 50L to 500L and the downstream extensive purification toolbox which includes chromatography-based and ultracentrifugation-based purification technologies for maximum flexibility and ensures product quality. This scalable and approvable multiple AAV production platform had delivered over 100 runs including manufacturing of full scale GMP products. For the analytical and QC/QA capabilities, the Company's analytical and QC/QA platform, which is equipped with high throughput analytical technologies, covers all relevant critical quality attributes (CQA) of viral vector, which includes identity/purity, empty/full ratio, titre, structure and potency, and has extensive experience in communicating with FDA, EMA, MHRA and other regulatory agencies. The Company's gene therapy CDMO service began to take third-party customer orders by the end of 2021 and currently has around 20 gene therapy CDMO projects across different services offerings and R&D stages.

3. Profit in the Reporting Period

The profit attributable to owners of the parent in the Reporting Period was approximately RMB585.4 million, increased by 3.6% as compared to approximately RMB564.8 million for the six months ended June 30, 2021.

4. Basic and Diluted Earnings Per Share

The basic earnings per share was approximately RMB0.4941, increased by 4.0% as compared to approximately RMB0.4751 for the six months ended June 30, 2021. The diluted earnings per share was approximately RMB0.4939, increased by 4.0% as compared to approximately RMB0.4747 for the six months ended June 30, 2021.

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

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

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

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

	Six months ended June 30, 2022 ***RMB'000*** **(unaudited)**	Six months ended June 30, 2021 *RMB'000* (unaudited)
Profit attributable to owners of the parent	**585,432**	564,837
Add:		
Share-based compensation expenses	**42,609**	21,932
Convertible Bonds related losses	**65,555**	106,804
Foreign exchange related losses/(gains)	**32,356**	(9,937)
Non-IFRS net profit attributable to owners of the parent	**725,952**	683,636
Add:		
Realized and unrealized losses/(gains) from equity investments	**86,154**	(32,244)
Non-IFRS adjusted net profit attributable to owners of the parent	**812,106**	651,392

6. Cash Flows

During the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB858.8 million, representing an increase of approximately RMB13.7 million or 1.6% as compared to the six months ended June 30, 2021.

During the Reporting Period, net cash flows used in investing activities of the Group amounted to approximately RMB57.0 million, representing a decrease of approximately RMB2,167.9 million or 97.4% as compared to the six months ended June 30, 2021. The decrease was mainly due to the disposal of time deposits over three months and some medium-risk and low-risk wealth management products from a number of reputable international banks.

During the Reporting Period, net cash flows generated from financing activities of the Group amounted to RMB-1,067.3 million, representing a decrease of RMB5,005.3 million or 127.1% as compared to the six months ended June 30, 2021. The decrease was primarily due to the proceeds of Convertible Bonds in the same period of last year which did not occur during the Reporting Period.

7. Liquidity and Financial Resources

The Group has maintained a sound financial position during the Reporting Period. As at June 30, 2022, the Group's cash and cash equivalents amounted to approximately RMB2,736.7 million. For the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB858.8 million.

The Group recorded total current assets of approximately RMB7,001.7 million as at June 30, 2022 (December 31, 2021: approximately RMB8,643.5 million) and total current liabilities of approximately RMB3,395.3 million as at June 30, 2022 (December 31, 2021: approximately RMB2,982.0 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 2.1 as at June 30, 2022 (December 31, 2021: approximately 2.9).

8. Borrowings and Gearing Ratio

As at June 30, 2022, the Group aggregated interest-bearing bank borrowings of RMB1,073.6 million. Among the total borrowings, RMB489.6 million will be due within one year and RMB584.0 million will be due after one year.

As at June 30, 2022, the gearing ratio, calculated as total liabilities over total assets, was 45.8%, as compared with 44.0% as at December 31, 2021.

9. Pledge of Assets

As at June 30, 2022, the Group mortgaged property, plant and equipment with a net carrying amount of approximately RMB412.6 million (December 31, 2021: approximately RMB422.5 million); and the mortgaged right-of-use assets had a net carrying amount of approximately RMB120.3 million (December 31, 2021: approximately RMB135.3 million).

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

Besides, as at June 30, 2022, the Group pledged deposits of approximately RMB111.9 million (December 31, 2021: approximately RMB17.2 million) to issue letters of credit and for environmental protection.

10. Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended June 30, 2022.

11. Contingent Liabilities

As at June 30, 2022, the Group did not have any material contingent liabilities.

12. Miscellaneous

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

In December 2021, Pharmaron UK Limited signed the relevant acquisition agreement to acquire 100% of equity interests in Aesica Pharmaceuticals Limited (now "Pharmaron Manufacturing Services (UK) Ltd") in Cramlington, U.K., for approximately GBP55,000,000 (approximately RMB473,352,000) and completed the acquisition in January 2022. The facility has a reactor volume of over 100 m^3 and can provide cGMP API manufacturing services from pilot to commercial scale. The facility has been inspected and approved by a number of regulatory bodies including the FDA and MHRA. This acquisition will further enhance the overall capacity of the small molecule CDMO service platform of the Company.

(2) Shaoxing plant officially put into operation

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

(3) Restructuring of Pharmaron Clinical

On May 27, 2021, the Company established Pharmaron Clinical, and began to integrate the clinical development capabilities of its subsidiaries and departments through Pharmaron Clinical to optimize the organizational structure of the experts and management teams. We have integrated clinical R&D services including clinical operations, clinical field management, data management and statistics, regulatory registration, medical affairs, quantitative pharmacology, subject recruitment, biological sample analysis, pharmacovigilance, and medical device services, and have built a fully-integrated clinical development service platform, so as to provide customers with higher quality, more comprehensive and more efficient integrated clinical development services. During the Reporting Period, Pharmaron Clinical completed the restructuring of Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. and strengthened the capabilities of Pharmaron Clinical in quantitative pharmacology, registration affairs, medical affairs, clinical operations, etc.

(4) Acquisition of 100% Equity Interest in Anikeeper

On March 28, 2022, the Company entered into an agreement with Ms. Chen Jing (陳靜), Mr. Chen Xuejun (陳學軍) and Anikeeper, in relation to the sale and purchase of 100% equity interest in Anikeeper. The acquisition of Anikeeper was completed in April 2022 at the consideration of RMB85,242,000. Upon completion of the Acquisition, Anikeeper has become a wholly-owned subsidiary of the Company and the financial results of Anikeeper will be consolidated into the Company's financial results. Please refer to the relevant announcements dated March 27, 2022, April 19, 2022 and May 6, 2022 for further details.

(5) 2021 Profit Distribution Plan

On May 31, 2022, the 2021 Profit Distribution Plan of the Company was approved at the annual general meeting of the Company. Pursuant to the 2021 Profit Distribution Plan, the Company would (i) pay a cash dividend of RMB0.45 (inclusive of tax) for per Share; and (ii) issue five (5) Capitalization Shares for every ten (10) existing Shares out of reserve to the Shareholders whose names appear on the register of members of the Company on June 13, 2022 (the "Record Date"), which represented a total increase of 397,022,543 Shares comprising 330,014,293 New A Shares and 67,008,250 New H Shares, based on the Company's total share capital of 794,045,086 Shares comprising 660,028,586 A Shares and 134,016,500 H Shares as at the Record Date. Please refer to the circular of the Company dated May 6, 2022 and the relevant announcement of the Company dated May 31, 2022 for further details.

(6) Adjustment to the conversion price of Series 1 Bonds and Series 2 Bonds

Pursuant to the terms and conditions of the Bonds, the price at which H Shares will be issued upon conversion is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. As a result of the approval of the payment of the 2021 Profit Distribution and the Capitalization of Reserve by the Shareholders at the annual general meeting of the Company on May 31, 2022, the conversion price of the Series 1 Bonds and Series 2 Bonds has been adjusted from HKD $250.75 per H Share to HK$166.42 per H Share, and from HK$229.50 per H Share to HK$152.32 per H Share, respectively, with effect from June 14, 2022, being the day immediately after the Record Date for determining H Shareholders' entitlement to the Capitalization of Reserve and 2021 Profit Distribution. Save as disclosed above, all other terms of the Series 1 Bonds and Series 2 Bonds remain unchanged. Please refer to the relevant announcement of the Company dated June 13, 2022 for further details.

(7) 2019 A Share Incentive Scheme

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

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

(8) 2022 A Share Incentive Scheme

On May 31, 2022, the Shareholders have resolved to adopt the 2022 A Share Incentive Scheme, the assessment management measures for the implementation of the 2022 A Share Incentive Scheme and the authorization to the board to handle matters pertaining to the 2022 A Share Incentive Scheme during the annual general meeting of the Company. Pursuant to the 2022 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company is 1,548,800 A Shares, representing approximately 0.20% of the Company's total number of issued Shares at the time of the adoption of the scheme. The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain performance conditions. For details of the terms of the 2022 A Share Incentive Scheme, please refer to the circular of the Company dated May 6, 2022.

(9) First H Share Award and Trust Scheme

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

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

C. Core Competitiveness Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Fully-integrated clinical development services in China

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's management team is led by Dr. LOU Boliang, our chairman and chief executive officer. With over 30 years of experience in the pharmaceutical industry, he is highly respected in the industry for his excellent leadership that contributes to the Company's rapid development. The Company's senior management team has been with us for more than 10 years. The Company has nearly 100 senior scientific and technical leaders, 2 of whom were named as National Talents and 15 named as Beijing Talents. Members of our highly skilled, experienced and international management team possess diverse expertise and extensive knowledge, and have significantly contributed to the growth of the Company's institutional knowledge base. The Company focuses on its home-grown scientific team consisting of selected, young and promising scientists, which enables us to form a cohesive and vibrant mid-level management team composed of over 2,800 technical managers and high-caliber scientific research talents across all scientific disciplines of the Company. In addition, the Company's visionary management team has established a highly experienced and skilled talent pool with strong execution efficiency. As of June 30, 2022, the Company had over 15,820 R&D, production technology and clinical services staff in China, U.K. and U.S.. The highly professional technical team ensures the Company's continuous provision of high-quality R&D services for customers. The open platform for talent development ensures that the Company will continuously attract talents from around the globe.

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

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

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

The Company has a large, diverse and loyal customer base including the global top 20 pharmaceutical companies and numerous reputable biotech companies. In the first half of 2022, the Company introduced over 400 new customers, with over 90% of revenue contributed by the Company's large, diverse and loyal repeat customers. The Company's fully-integrated solution and deep understanding of customers' needs allow it to provide customized pharmaceutical R&D services for customers according to their needs. With further progress made in the existing customers' projects, the loyal and growing customer base will enable us to develop new services in drug development and at the early clinical stage.

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

OUTLOOK FOR THE SECOND HALF OF 2022

A. Discussion and Analysis of Future Development

1. Industry competition and development

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

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

With the accelerated growth of aging population globally, the expansion of the chronic disease patients population and the increase in the total investment in medical and healthcare industry in various countries, the global and Chinese pharmaceutical markets continue to develop, which in turn drives the continuous increase of the pharmaceutical R&D and manufacturing spending. In the future, the spending on research, development and manufacturing are expected to maintain solid growth both globally and in China. According to Frost & Sullivan's forecast, the size of the global pharmaceutical R&D and manufacturing spending was approximately US$566.1 billion in 2021, and it is estimated that the global pharmaceutical R&D and manufacturing spending will increase to US$777.1 billion by 2026, representing an expected CAGR of 6.5% from 2021 to 2026; of which, the pharmaceutical R&D and manufacturing spending in China was approximately RMB562.0 billion in 2021, and it is estimated that pharmaceutical R&D and manufacturing spending in China will increase to RMB956.6 billion, representing an expected CAGR of 11.2% from 2021 to 2026.

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

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

a. Trend on the drug discovery R&D services

Drug discovery is a multidisciplinary and systematic work and process. According to Frost & Sullivan's forecast, the size of global drug discovery CRO service market was estimated to be US$15.9 billion in 2021, representing a outsourcing penetration rate of 46.0% (market size of drug discovery CRO service over the addressable market of drug discovery spending). It is estimated that the size of global drug discovery service market will increase to US$32.0 billion by 2026, representing an expected CAGR of 15.0% from 2021 to 2026, and the penetration rate of global drug discovery R&D service market will reach 64.2%; meanwhile, the size of China's drug discovery R&D CRO service market was estimated to be RMB16.8 billion in 2021, accounting for approximately 16.3% of the total global size. It is estimated that the size of China's drug discovery R&D service market will increase to RMB51.2 billion by 2026 with the market share increase to 24.6% of the total global market.

b. Trend on the pharmaceutical development and manufacturing services

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

c. Trend on the clinical development services

Clinical development services cover Phase I to Phase III clinical trials and post-market studies of pharmaceutical products. According to Frost & Sullivan's forecast, the size of global drug clinical development services market reached US$50.0 billion in 2021, with outsourcing penetration rate of 42.9% (market size of clinical development CRO service over the addressable market of clinical development spending). The size of global market is expected to reach US$79.7 billion by 2026, representing an expected CAGR of 9.8% from 2021 to 2026, and the outsourcing penetration rate will rise to 47.8%; meanwhile, the market for China's drug clinical development outsourcing services was estimated to be RMB31.6 billion in 2021, accounting for 9.8% of the global clinical development services market. With the growth of the Chinese pharmaceutical industry, it is expected that the size of China's clinical development services will reach RMB100.3 billion by 2026 with the market share increase to 19.4% of the total global market.

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

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

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

3. Main operational plan of the Company for the second half of 2022

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

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

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

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

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

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

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

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

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

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

(5) Further enhance management capabilities

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

(6) Continue to expand domestic and overseas market shares

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

(7) Develop infrastructure and expand capacity

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

4. Potential risks

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

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

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

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

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

(3) Risks regarding intellectual property protection

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

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

(4) Risks regarding policies and regulation

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

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

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

(5) Risk of international policy changes

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

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

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

(7) Risks regarding exchange rates

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

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

(8) Risks regarding market competition

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

(9) Risks regarding technological innovation

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

(10) Risks regarding service quality

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

OTHER INFORMATION

A. Use of Proceeds from the Global Offering

Upon completion of the global offering of its H Shares (the "Global Offering"), the Company raised net proceeds of approximately RMB4,522.7 million. As at June 30, 2022, the balance of unutilized net proceeds amounted to approximately RMB213.7 million. The net proceeds from the Global Offering have been and will be utilized in accordance with the purposes set out in the prospectus of the Company dated November 14, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022.

Use of proceeds		**Allocation of net proceeds** *(RMB million)*	**Utilized amount as at June 30, 2022**	**Unutilized net proceeds as at June 30, 2022**	**Expected timeline for utilizing the net proceeds from the Global Offering[1]**
Expand capacities and capabilities in laboratory and manufacturing facilities in the PRC	30.0%	1,356.8	1,356.8	–	Had been fully utilized by June 30, 2022
• upgrading and expanding our Ningbo facility	19.5%	881.9	881.9	–	Had been fully utilized by June 30, 2022
• upgrading and expanding our Tianjin facility	4.5%	203.5	203.5	–	Had been fully utilized by June 30, 2022
• upgrading and expanding other manufacturing facilities	6.0%	271.4	271.4	–	Had been fully utilized by June 30, 2022
Fund further expansion of businesses in the U.S. and U.K.	10.0%	452.3	452.3	–	Had been fully utilized by June 30, 2022

Use of proceeds		Allocation of net proceeds *(RMB million)*	Utilized amount as at June 30, 2022	Unutilized net proceeds as at June 30, 2022	Expected timeline for utilizing the net proceeds from the Global Offering[1]
Establish pharmaceutical R&D services platform for discovery and development of biologics	20.0%	904.5	904.5	–	Had been fully utilized by June 30, 2022
Expand clinical development services	15.0%	678.4	464.7	213.7	Expected to be fully utilized by December 31, 2022
Expand our capacity and capabilities through potential acquisitions of CRO and CMO companies and businesses	15.0%	678.4	678.4	–	Had been fully utilized by June 30, 2022
General corporate and working capital	10.0%	452.3	452.3	–	Had been fully utilized by June 30, 2022
	100%	**4,522.7**	**4,309.0**	**213.7**	

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

B. Use of Proceeds from the Convertible Bonds

On June 18, 2021, the Company issued the Series 1 Bonds and Series 2 Bonds in an aggregate principal amount of US$300 million and RMB1,916 million, respectively. For details of the Convertible Bonds, please refer to the announcements of the Company dated June 8, 2021, June 9, 2021, June 11, 2021, June 18, 2021 and June 21, 2021. The net proceeds, after deduction of fees, commissions and expenses payable, was approximately RMB3,776.0 million. As at June 30, 2022, the balance of unutilized net proceeds amounted to approximately RMB1,829.2 million. The net proceeds from the Convertible Bonds have been and will be utilized in accordance with the purposes set out in the announcement of the Company dated June 21, 2021. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022.

Use of proceeds		Allocation of net proceeds *(RMB million)*	Utilized amount as at June 30, 2022 *(RMB million)*	Unutilized net proceeds as at June 30, 2022 *(RMB million)*	Expected timeline for utilizing the net proceeds
Expanding capacities and capabilities of the Group's pharmaceutical process development and manufacturing facilities (i.e. CMC services) for small molecule drugs	33.3%	1,258.7	628.7	630.0	Expected to be fully utilized by December 31, 2024
Expanding the Group's R&D and manufacturing service platform for biologics	33.3%	1,258.7	400.1	858.6	Expected to be fully utilized by December 31, 2024
Expanding capabilities of the Group's laboratory services in drug safety assessment	13.3%	503.4	242.2	261.2	Expected to be fully utilized by December 31, 2024
Expanding capacities and capabilities of the Group's laboratory and manufacturing facilities in the United Kingdom	10.0%	377.6	298.2	79.4	Expected to be fully utilized by December 31, 2023
Replenishing working capital and other general corporate purposes	10.0%	377.6	377.6	–	Had been fully utilized by June 30, 2022
Total	**100%**	**3,776.0**	**1,946.8**	**1,829.2**	

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

C. Employee Remuneration and Relations

As at June 30, 2022, the Group had a total of 17,650 employees, as compared to 14,923 employees as at December 31, 2021. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides employees with opportunities to work on cutting-edge drug development projects with world-class scientists, as well as offer opportunities to continue academic learning in the Group's Pharmaron College.

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

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

E. Material Events after the Reporting Period

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

During the Reporting Period, Pharmaron Manufacturing Services (US) LLC signed the relevant acquisition agreement to acquire Coventry API manufacturing facility located in Rhode Island, the United States, for approximately USD31.5 million (approximately RMB210.6 million), with the acquisition completed on July 1, 2022. The manufacturing facility is equipped with advanced manufacturing facilities and can provide cGMP API manufacturing services from pilot to commercial scale. The facility has been inspected by a number of regulatory agencies including the FDA and EMA and has rich industry experience. Our API commercial manufacturing facility in Shaoxing plant together with the manufacturing facilities in Cramlington and Coventry provides favorable conditions for the Company to improve its chemical and production capacity in China, U.S. and U.K., and enriches its global service network.

Vesting of restricted A Shares under the 2021 A Share Incentive Scheme

On July 28, 2022, the Board has resolved to (i) adjust the subscription price of restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB70.17 to RMB46.48, and the number of restricted of A Shares to be granted under the 2021 A Share Incentive Scheme from 774,200 Shares to 1,161,300 Shares; and (ii) vest a total of 257,925 restricted A shares of the Company to 185 eligible employees under the 2021 A Share Incentive Scheme. Further, 129,600 restricted A Shares initially granted to 19 eligible employees have been cancelled due to the forfeiture by the relevant eligible employees as a result of resignations or other personal reasons.

Grant of restricted A shares under the 2022 A Share Incentive Scheme

On July 28, 2022, the Company has granted a total of 2,203,200 restricted A shares of the Company to 379 eligible employees for them to subscribe at the price of RMB38.62 per A share under the 2022 A Share Incentive Scheme. The granted restricted A shares under the 2022 A Share Incentive Scheme shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain sales performance conditions.

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

F. Compliance with the Model Code for Securities Transactions by Directors

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

G. Compliance with the Corporate Governance Code

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

H. Audit Committee

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

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

I. Publication of the Interim Results Announcement and Interim Report

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

APPRECIATION

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

DEFINITIONS

"2019 A Share Incentive Scheme"	the 2019 Restricted A Share Incentive Scheme of the Company
"2021 A Share Incentive Scheme"	the 2021 Restricted A Share Incentive Scheme of the Company
"2021 Profit Distribution"	the proposed distribution of Dividends
"2021 Profit Distribution Plan"	the 2021 Profit Distribution and Capitalization of Reserve of the Company for the year ended December 31, 2021
"2022 A Share Incentive Scheme"	the 2022 Restricted A Share Incentive Scheme of the Company
"AMS"	accelerator mass spectrometry
"API"	Active Pharmaceutical Ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shenzhen Stock Exchange and traded in RMB
"Anikeeper"	Beijing Anikeepter Biotech Co., Ltd.* (北京安凯毅博生物技術有限公司), a limited company established under the laws of the PRC
"Audit Committee"	the audit committee of the Board
"Award"	award granted by the Management Committee to a Selected Participant, pursuant to the First H Share Award and Trust Scheme

"Board"	the board of Directors of the Company
"Bonds"	Series 1 Bonds and Series 2 Bonds
"Capitalization of Reserve"	the proposed issue of 5 Capitalization Shares for every 10 Shares by way of capitalization of reserve
"Capitalization Shares"	New A Shares and New H Shares
"CMC"	chemistry, manufacturing and controls
"CMO"	Contract Manufacturing Organization
"Company" or "Pharmaron"	Pharmaron Beijing Co., Ltd. (康龍化成(北京)新藥技術股份有限公司), a joint stock limited company incorporated under the laws of the PRC on July 1, 2004, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 300759) and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3759)
"Convertible Bonds"	the (i) US$300.0 million zero coupon convertible bonds due 2026 (debt stock code: 40725) and the (ii) RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 (debt stock code: 40733) issued by the Company on June 18, 2021
"CRO"	Contract Research Organization
"Delegatee"	the Management Committee, person(s) or board committee(s) to which the Board has delegated its authority
"Directors"	directors of the Company
"Dividends"	proposed distribution of 2021 final dividends to the Shareholders whose names appear on the register of members for the A Shareholders and the H Shareholders at the close of business on June 13, 2022, being the record date for ascertaining the entitlement to dividend on Shares, based on a rule of receiving RMB0.45 per Share held by the Shareholders payable in RMB to the A Shareholders and in HK$ to the H Shareholders
"DMPK/ADME"	drug metabolism and pharmacokinetics/Absorption, Distribution, Metabolism and Excretion

"Eligible Employee(s)"	includes Plan A Eligible Employee for the purpose of the Employee Share Award Plan, and Plan B Eligible Employee for the purpose of the Share Bonus Plan; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the First H Share Award and Trust Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the Delegatee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the First H Share Award and Trust Scheme and such individual shall therefore be excluded from the term "Eligible Employee"
"Employee Share Award Plan"	one of the two plans which collectively make up the First H Share Award and Trust Scheme
"Enyuan Pharmaceutical"	Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. (恩遠醫藥科技(北京)有限公司), a company incorporated in PRC on September 21, 2015, which is indirectly held as to 55.89% by our Company
"FDA"	the Food and Drug Administration of the U.S.
"FIH"	first-in-human
"First H Share Award and Trust Scheme"	The First H Share Award and Trust Scheme of the Company
"Frost & Sullivan"	Founded in 1961, it is a world-leading growth consultancy that owns 31 branches and more than 1,700 industry consultants, market analysts, technical analysts and economists in 21 countries across six continents
"GLP"	Good Laboratory Practice
"GMP"	Good Manufacturing Practice
"Group", "we", "our" or "us"	the Company and its subsidiaries
"H Share(s)"	overseas-listed foreign shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Hong Kong Stock Exchange and traded in HK dollars
"H Shareholder(s)"	holder(s) of H Share(s)
"IND applications"	Investigational new drug applications

"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Management Committee"	the management committee of the First H Share Award and Trust Scheme to which the Board has delegated its authority to administer the First H Share Award and Trust Scheme
"Model Code"	the Model Code for Securities Transactions by Directors of the Listing Issuers
"New A Shares"	the new A Shares to be allotted and issued under the Capitalization of Reserve
"New H Shares"	the new H Shares to be allotted and issued under the Capitalization of Reserve
"NMPA"	National Medical Product Administration (國家藥品監督管理局) (formerly known as China Food and Drug Administration), the authority responsible for approving drug and biologic products in China
"OECD"	the Organization for Economic Cooperation and Development
"Pharmaron Biologics UK"	Pharmaron Biologics (UK), Ltd., formerly known as Allergan Biologics Limited, a private company limited by shares incorporated under the laws of England and Wales
"Pharmaron Clinical"	Pharmaron (Chengdu) Clinical Services Co., Ltd. (康龍化成(成都)臨床研究服務有限公司), a company incorporated in PRC on May 27, 2021, which is held as to 55.89% by our Company

"PRC"	the People's Republic of China
"R&D"	research and development
"Reporting Period"	the six months ended June 30, 2022
"Restricted A Shares"	the restricted A Shares granted by our Company under the respective 2019 A Share Incentive Scheme, 2021 A Share Incentive Scheme and 2022 A Share Incentive Scheme
"RMB"	Renminbi, the lawful currency of the PRC
"Selected Participants"	any Eligible Employee who, in accordance with the First H Share Award and Trust Scheme, is approved for participation in the Employee Share Award Plan or the Share Bonus Plan, and has been granted any Award under the respective plans
"Series 1 Bonds"	the US$300.0 million zero coupon convertible bonds due 2026 (debt stock code: 40725) issued by the Company on June 18, 2021
"Series 2 Bonds"	the RMB1,916.0 million zero coupon US$-settled convertible bonds due 2026 (debt stock code: 40733) issued by the Company on June 18, 2021
"Share(s)"	A Share(s) and H Share(s)
"Share Bonus Plan"	one of the two plans which collectively make up the First H Share Award and Trust Scheme
"Shareholder(s)"	the holder(s) of the Share(s)
"SSU"	Study Start up, the startup specialist of a clinical project

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.K."	the United Kingdom
"U.S."	the United States
"%"	per cent.

By order of the Board
Pharmaron Beijing Co., Ltd.
Dr. LOU Boliang
Chairman

Beijing, the PRC
August 29, 2022

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

* *For identification purposes only*