康龙化成
PHARMARON

Pharmaron Beijing Co., Ltd.*

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

Stock Code: 3759

2023 INTERIM REPORT

* For identification purposes only

PREMIER R&D SERVICE PROVIDER FOR THE LIFE SCIENCES INDUSTRY

About Pharmaron

Pharmaron (Stock Code: 300759.SZ/3759.HK) is a premier R&D service provider for the life sciences industry. Founded in 2004, Pharmaron has invested in its people and facilities and established a broad spectrum of research, development and manufacturing service capabilities throughout the entire drug discovery, preclinical and clinical development process across multiple therapeutic modalities, including small molecules, biologics and CGT products. With around 20,000 employees, and operations in China, U.S., and U.K., Pharmaron has an excellent track record in the delivery of R&D solutions to its partners in North America, Europe, Japan and China.

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Corporate Information

EXECUTIVE DIRECTORS

Dr. LOU Boliang (樓柏良) *(Chairman)*
Mr. LOU Xiaoqiang (樓小強)
Ms. ZHENG Bei (鄭北)

NON-EXECUTIVE DIRECTORS

Mr. CHEN Pingjin (陳平進) *(ceased on Jun 21, 2023)*
Mr. HU Baifeng (胡柏風)
Mr. LI Jiaqing (李家慶)
Mr. ZHOU Hongbin (周宏斌) *(ceased on Jun 21, 2023)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSANG Kwan Hung Benson (曾坤鴻)
Mr. YU Jian (余堅)
Ms. LI Lihua (李麗華)
Mr. ZHOU Qilin (周其林)

SUPERVISORS

Dr. YANG Kexin (楊珂新) *(Chairperson)*
Ms. FENG Shu (馮書)
Ms. ZHANG Lan (張嵐)

AUDIT COMMITTEE

Mr. YU Jian (余堅) *(Chairperson)*
Mr. TSANG Kwan Hung Benson (曾坤鴻)
Ms. LI Lihua (李麗華)

REMUNERATION AND APPRAISAL COMMITTEE

Ms. LI Lihua (李麗華) *(Chairperson)*
Dr. LOU Boliang (樓柏良)
Mr. LOU Xiaoqiang (樓小強)
Mr. TSANG Kwan Hung Benson (曾坤鴻)
Mr. YU Jian (余堅)

NOMINATION COMMITTEE

Ms. LI Lihua (李麗華) *(Chairperson)*
Dr. LOU Boliang (樓柏良)
Ms. ZHENG Bei (鄭北)
Mr. TSANG Kwan Hung Benson (曾坤鴻)
Mr. YU Jian (余堅)

STRATEGY COMMITTEE

Dr. LOU Boliang (樓柏良) *(Chairperson)*
Mr. LOU Xiaoqiang (樓小強)
Mr. CHEN Pingjin (陳平進) *(ceased on Jul 7, 2023)*
Mr. LI Jiaqing (李家慶)
Mr. ZHOU Qilin (周其林)
Mr. HU Baifeng (胡柏風) *(appointed Jul 7, 2023)*

COMPANY SECRETARY

Ms. MAK Po Man Cherie (麥寶文)

AUTHORIZED REPRESENTATIVES

Mr. LOU Xiaoqiang (樓小強)
Ms. MAK Po Man Cherie (麥寶文)

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STOCK CODE

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COMPANY WEBSITE

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Financial Highlights

	Six months ended June 30,		
	2023	2022	Change
	RMB'000	RMB'000	%
Revenue	**5,640,118**	4,634,585	21.7
Gross profit	**2,037,441**	1,613,111	26.3
Profit attributable to owners of the parent	**786,093**	585,432	34.3
Non-IFRSs adjusted net profit attributable to owners of the parent	**931,852**	812,106	14.7
Net cash flows generated from operating activities	**1,280,205**	858,787	49.1

- During the Reporting Period, the Group recorded aggregate revenue of approximately RMB5,640.1 million, representing an increase of approximately RMB1,005.5 million, or 21.7%, as compared to the six months ended June 30, 2022.

- During the Reporting Period, the profit attributable to owners of the parent was approximately RMB786.1 million, representing an increase of approximately 34.3% as compared to the six months ended June 30, 2022.

- During the Reporting Period, the net cash flows generated from operating activities was approximately RMB1,280.2 million, representing an increase of approximately 49.1% as compared to the six months ended June 30, 2022.

- The Board resolved not to declare any interim dividend for the six months ended June 30, 2023.

Management Discussion and Analysis

A. BUSINESS REVIEW

1. Principal Business

Pharmaron is a leading fully-integrated pharmaceutical R&D and manufacturing services platform and has 21 R&D centers and production based in China, the U.K. and the U.S.. The Company provides fully-integrated drug research, development and manufacturing services throughout the research and development cycle to improve R&D efficiency and costs of customers. The Company 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 further enhanced the capabilities and integration of its emerging service platforms and had made significant progress. During the Reporting Period, Pharmaron Clinical achieved strong revenue growth and improved its operational efficiency. The Company continued to strengthen its Biologics and CGT service capabilities, and stayed committed to building Pharmaron into a global leader in end-to-end pharmaceutical R&D and manufacturing services across multiple therapeutic modalities.

B. FINANCIAL REVIEW

1. Overall Operation Results

During the Reporting Period, the Company recorded revenue of RMB5,640.1 million, representing an increase of 21.7% over the same period of last year; the Company achieved gross profit of RMB2,037.4 million and gross margin of 36.1%, representing an increase of 1.3 percentage points over the same period of last year; profit attributable to owners of the parent of RMB786.1 million, with an increase of

34.3% over the same period of last year; Non-IFRSs adjusted net profit attributable to owners of the parent of RMB931.9 million, representing an increase of 14.7% over the same period of last year. In first half of 2022, the gains from the fair value change of biological assets were much higher than that of the first half 2023. Excluding this impact, the Company's non-IFRS adjusted net profit attributable to owners of the Company increased by 28.7% over the same period of last year.

The Company continued to adhere to the "Customer Centric" corporate philosophy, leveraging its end-to-end and fully-integrated services platform and state-of-the-art R&D and production technologies to effectively meet the customers' needs across different R&D stages. During the Reporting Period, the Company served more than 2,140 global customers, among which those who used the services of multiple business segments of the Company contributed RMB3,902.0 million in revenue, accounting for 69.2% of its total revenue. During the Reporting Period, the Company introduced over 400 customers, contributing approximately RMB222.9 million in revenue. The original customer contributed approximately RMB5,417.2 million in revenue, with a year-on-year increase of 22.9%. By customer types, during the Reporting Period, the Company's revenue from the global top 20 pharmaceutical companies was approximately RMB850.3 million, with an increase of 27.7% compare to same period of last year, accounting for 15.1% of its total revenue; its revenue from other customers was approximately RMB4,789.9 million, with an increase of 20.7% compare to same period of last year, accounting for 84.9% of its total revenue.

By regions of which the customers are located, during the Reporting Period, the revenue from customers in North America was approximately RMB3,675.5 million, with an increase of 20.8% compare to same period of last year, accounting for 65.2% of its total revenue; the revenue from customers in EU (including the U.K.) was approximately RMB859.8 million, with an increase of 36.5% compare to same period of last year, accounting for 15.2% of its total revenue; the revenue from customers in China was approximately RMB971.0 million, with an increase of 18.4% compare to same period of last year, accounting for 17.2% of its total revenue; and the revenue from customers in other regions was approximately RMB133.9 million, accounting for 2.4% of revenue of its total revenue.

Despite the impact of global biotech funding environment and the temporary slowdown of the growth of customer demands, the Company's backlog sustained its strong growth momentum through continuous improvement of its service technologies, efficiencies and quality, and enhance its core competitiveness for a better market share. As of June 30, 2023, the Company's total backlog increased over 15% compared to that of December 31, 2022.

The Company continued to bring in high-level domestic and overseas talents and improvement in global production capacity, in order to fulfill the company's demand for its growing business and medium to long-term development. As of June 30, 2023, the total number of employees in the Company increased by 252 to 19,733 compared to December 31, 2022, including more than 1,600 oversea employees in the 11 operating facilities in the U.K. and the U.S.. Among that, there were 17,689 R&D, production technology and clinical service staff, accounting for 89.6% of total employees in the Company. During the Reporting Period, the Company's revenue outpaced the number of employees, and the revenue per capita further increased.

Building on the work accomplished in 2022, the Company places great importance on meeting the expectations of customers and investors regarding its sustainable development. The Company continuously enhances its sustainable competitiveness by following industry best practices and incorporating the recommendations from capital market index such as CDP Climate Questionnaire and MSCI ESG rating. In the latest Sustainalytics assessment, the Company was rated as "low-risk" in ESG issues. Additionally, to reaffirm ESG information management capability and disclosure standards, the Company's ESG information disclosure has been verified by SGS-CSTC Standards Technical Services Co., Ltd., an independent third party. Meanwhile, the company actively explores carbon reduction pathways in conjunction with the sustainability targets approved by the Board of Directors as well as the Science-Based Targets initiative (SBTi) with the support from energy experts. Furthermore, the Company constantly develops the environmental management system (EMS) according to ISO14001 and ISO45001 across its R&D centers and production sites. The Company was honored with "Excellence in Social Sustainability Award" at the 2023 Environmental, Social and Corporate Governance Awards hosted by Hong Kong Ming Pao Newspapers Limited, reflecting broad recognition for its accomplishments in ESG aspects.

2. Operation results of each business segment

(1) Laboratory services

During the Reporting Period, the laboratory services segment realized revenue of RMB3,380.4 million, with a growth of 21.7% compared to same period of last period; and a gross margin of 44.8%, with an increase of 1.2 percentage points over last year. The Company's revenue from laboratory chemistry services still maintained a solid growth of around 10% despite the impact of global biotech funding environment and the temporary slowdown of the growth of customer demands. The Company's bioscience business recorded a robust growth of more than 35% during the Reporting Period, as a result of enhanced technical capabilities of the bioscience service segments, the synergies between bioscience and laboratory chemistry, and transfer of external orders. In the first half of 2023, the proportion of bioscience services in the Company's laboratory services revenue exceeded 51%, steadily driving up the gross margin of the laboratory services segment.

As of June 30, 2023, the Company had 9,329 employees engaged in its laboratory services, up by 107 as compared with December 31, 2022. The Company has nearly 6,200 laboratory chemists and technicians in laboratory chemistry, being one of the world's leading laboratory chemistry groups in terms of size and expertise. The Company provided customers with more flexible and comprehensive laboratory services through seamless collaborations among laboratory service teams in China, the U.K. and the U.S., fulfilling the diverse needs in different R&D stages from customers, and helping customers rapidly advance R&D projects from preclinical R&D to clinical stage globally. During the Reporting Period, the Company continued to contribute to the global innovative drug R&D and participated in 650 drug discovery projects, increased by approximately 13% compared to the same period of last year, and gained greater 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 over 140,000m^2 of laboratory spaces and animal testing facilities at the Campus III in Ningbo, which is expected to be operational gradually in the second half of 2023 in order to further expand the Company's capacities for safety assessment, DMPK and pharmacology. In addition, construction proceeded on the over 105,000m^2 laboratory at the Xi'an Campus, which is expected to be commissioned in 2024, catering for the medium and long-term development of the laboratory services.

(2) CMC (small molecule CDMO) services

During the Reporting Period, the CMC (small molecule CDMO) services realized revenue of RMB1,251.3 million, with a growth of 15.4% over the same period of last year; and a gross margin of 32.2%, with a slight decrease of 0.7 percentage points as compared with the same period of last year. The Company's CMC (Small molecule CDMO) services continued to see a solid growth and its product pipeline continued to advance to the later stage despite the combined impact of global biotech funding environment and some canceled late-stage clinical supply orders from multinational customers as a result of deprioritized pipeline. The Company's facilities in Shaoxing, China, Coventry, the U.S., and Cramlington, the U.K., are currently in a ramp-up period of capacity utilization, and the gross profit margin is still gradually increasing. Shaoxing facility has commenced operation gradually in 2022, which were headwinds for the gross profit margin during the Reporting Period.

As of June 30, 2023, the Company had 3,957 employees engaged in CMC (small molecule CDMO) services, down by 21 as compared with December 31, 2022. With the seamless integration of the Company's fully-integrated R&D service platform and the synergies among different service segments, approximately 75% of CMC (small molecule CDMO) revenue came from the existing customers of drug discovery services (laboratory chemistry and biological sciences) during the Reporting Period. Furthermore, the Company's integrated and coordinated service platforms in China, the U.K. and the U.S. have gained greater customer recognition. In terms of process development, more than 1,100 process development chemists of the Company in China and more than 180 process development chemists of the Company in the U.K. worked closely together to provide customized services for global customers with state-of-the-art technology. In terms of manufacturing, the Company's production facilities in China, the U.K. and the U.S. provided customers with flexible and efficient integrated solutions from pilot to commercial production, covering intermediates, APIs and formulations. During the Reporting Period, the Company's CMC (small molecule CDMO) services covered 620 drug molecules or intermediates, including 29 projects in process validation and commercialization stage, 24 projects in Phase III clinical trials, 136 projects in Phase I-II clinical trials, and 431 projects in preclinical stage.

In May 2023, the Company's drug product manufacturing facility of the Campus I in Ningbo passed China NMPA new drug pre-approval inspections (PAI) and GMP compliance pre-market inspection, and the verification results showed that the Company had no material defects or no major defects. This is the first regulatory inspection for the Company's drug product commercial manufacturing facility and the PAI success marked a milestone for the Company. The inspected product is expected to be launched in early 2024. It fully verified the Company's CMC (small molecule CDMO) service quality control system and cGMP commercial production capacity.

(3) *Clinical development services*

During the Reporting Period, the clinical development services segment realized revenue of RMB805.2 million, representing an increase of 37.7% over the same period of last year; with a gross margin of 17.0%, which represented a significant increase of 11.9 percentage points over the same period of last year. As of June 30, 2023, the Company had 3,729 employees engaged in clinical development services, up by 127 as compared with December 31, 2022. Pharmaron Clinical's consolidation of the integrated clinical service platform has seen remarkable results. The integration of China, the U.K. and the U.S. clinical services capabilities has been recognized by customers and gained market share, driving the rapid revenue growth and the improvement of gross profit margin.

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

During the Reporting Period, the Company's clinical CRO team provided services to 912 ongoing projects, including 74 projects in Phase III clinical trials, 400 projects in Phase I/II clinical trials, and 438 other clinical trials (including Phase IV clinical trials, investigator initiated trials and real-world evidence trials). The Company's clinical research site management services team provided services to over 1,400 ongoing projects. Its CRC team covered approximately 600 hospitals and clinical trial centers in approximately 120 cities in China for clinical research site management services.

(4) *Biologics and CGT services*

During the Reporting Period, the Biologics and CGT services segment realized revenue of RMB200.2 million, representing an increase of 12.8% over the same period of last year; and a gross margin of -8.3%, mainly because the Biologics and gene therapy CDMO business was in the investment stage. During the Reporting Period, Pharmaron Ningbo Biologics, the biologics and CGT services platform of the Company, entered into a capital increase agreement for equity financing with a financing amount of approximately RMB950 million, with a post-investment valuation of approximately RMB8.55 billion.

As of June 30, 2023, the Company had 674 employees engaged in Biologics and CGT services, up by 70 as compared with December 31, 2022. The Company's well-established Biologics and CGT laboratory services located in the U.S. and integrated gene therapy CDMO services located in the U.K. are recognized by a growing number of global customers. During the Reporting Period, the Company provided analytical release testing services to 26 CGT projects at various stages, including 2 potency assays for commercial manufacture. For the safety assessment services, over 21 GLP and non-GLP toxicology studies for CGT products either had been completed or are in progress at the Company. In terms of gene therapy CDMO services, the Company's laboratory and facilities in the U.K. offered customers a scalable and approvable multiple AAV production platform. During the Reporting Period, the Company's gene therapy CDMO services had 11 gene therapy CDMO projects across different services offerings and R&D stages, including 2 Phase III projects, 7 Phase I/II projects, and 2 pre-clinical projects.

During the Reporting Period, the Company continued to build the Biologics CDMO platform. The approximately 70,000m^2 laboratories and manufacturing facilities in Ningbo is expected to begin operation in the second half of 2023. The Company is currently providing process development services to a global customer's innovative bispecific antibody in IND enabling stage, and plans to start to provide GMP manufacturing services in the fourth quarter of 2023.

3. Profit in the Reporting Period

The profit attributable to owners of the parent in the Reporting Period was approximately RMB786.1 million, increased by 34.3% as compared to approximately RMB585.4 million for the six months ended June 30, 2022.

4. Basic and Diluted Earnings Per Share

The basic earnings per share was RMB0.4442, increased by 34.9% as compared to RMB0.3294 for the six months ended June 30, 2022. The diluted earnings per share was RMB0.4436, increased by 34.7% as compared to RMB0.3293 for the six months ended June 30, 2022.

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

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

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

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

	Six months ended June 30, 2023 RMB'000 (unaudited)	Six months ended June 30, 2022 RMB'000 (unaudited)
Profit attributable to owners of the parent	**786,093**	585,432
Add:		
Share-based compensation expenses	**109,931**	42,609
Convertible Bonds related losses	**56,873**	65,555
Foreign exchange related (gains)/losses	**(4,039)**	32,356
Realized and unrealized (gains)/losses from equity investments	**(17,006)**	86,154
Non-IFRS adjusted net profit attributable to owners of the parent	**931,852**	812,106

6. Cash Flows

During the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB1,280.2 million, representing an increase of approximately RMB421.4 million or 49.1% as compared to the six months ended June 30, 2022. The increase was mainly due to the significantly increased revenue during the Reporting Period compared to the six months ended June 30, 2022.

During the Reporting Period, net cash flows used in investing activities of the Group amounted to approximately RMB817.9 million, representing an increase of approximately RMB761.0 million or 1,335.8% as compared to the six months ended June 30, 2022. The increase was mainly due to the decreased redemption from wealth management products and time deposits over three months from a number of reputable international banks during the Reporting Period compared to the same period last year.

During the Reporting Period, net cash flows generated from financing activities of the Group amounted to RMB641.5 million, representing an increase of RMB1,708.7 million or 160.1% as compared to the six months ended June 30, 2022. The increase was mainly due to the capital injection from minority Shareholders increased during the Reporting Period, in addition, dividends were paid 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, 2023, the Group's cash and cash equivalents amounted to approximately RMB2,475.9 million. During the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB1,280.2 million.

The Group recorded total current assets of approximately RMB7,431.0 million as at June 30, 2023 (December 31, 2022: approximately RMB6,536.0 million) and total current liabilities of approximately RMB4,042.7 million as at June 30, 2023 (December 31, 2022: approximately RMB3,912.4 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 1.8 as at June 30, 2023 (December 31, 2022: approximately 1.7).

8. Borrowings and Gearing Ratio

As at June 30, 2023, the Group aggregated interest-bearing bank borrowings of RMB1,366.7 million. Among the total borrowings, RMB534.6 million will be due within one year and RMB832.2 million will be due after one year.

As at June 30, 2023, the gearing ratio, calculated as total liabilities over total assets, was 45.0%, as compared with 47.1% as at December 31, 2022.

9. Pledge of Assets

As at June 30, 2023, the Group mortgaged property, plant and equipment with a net carrying amount of approximately RMB402.3 million (December 31, 2022: approximately RMB408.1 million); and the mortgaged right-of-use assets had a net carrying amount of approximately RMB126.5 million (December 31, 2022: approximately RMB118.9 million).

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

Besides, as at June 30, 2023, the Group pledged deposits of approximately RMB36.9 million (December 31, 2022: approximately RMB49.3 million) to issue letters of credit and for environmental protection.

10. Contingent Liabilities

As at June 30, 2023, the Group did not have any material contingent liabilities.

11. Miscellaneous

(1) 2022 Profit Distribution Plan

On June 21, 2023, the 2022 Profit Distribution Plan of the Company was approved at the annual general meeting of the Company. Pursuant to the 2022 Profit Distribution Plan, the Company would (i) pay a cash dividend of RMB0.30 (inclusive of tax) per Share; and (ii) issue five (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 July 26, 2023 (the "Record Date"), which represented a total increase of 595,577,402 Shares comprising 495,065,027 New A Shares and 100,512,375 New H Shares, based on the Company's total share capital of 1,191,154,804 Shares comprising 990,130,054 A Shares and 201,024,750 H Shares as at the Record Date. For details, please refer to the circular of the Company dated May 25, 2023.

(2) Further adjustment to the conversion price of Series 1 Bonds and Series 2 Bonds

Pursuant to the terms and conditions of the Convertible Bonds, the conversion price of the Series 1 Bonds and Series 2 Bonds 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 2022 Profit Distribution and the 2022 Capitalization of Reserve by the Shareholders at the annual general meeting of the Company on June 21, 2023, the conversion price of the Series 1 Bonds and Series 2 Bonds has been further adjusted from HK$166.42 per H Share to HKD $110.32 per H Share, and from HK$152.32 per H Share to HK$100.97 per H Share, respectively, with effect from July 27, 2023, being the day immediately after the Record Date for determining H Shareholders' entitlement to the 2022 Capitalization of Reserve and the 2022 Profit Distribution. Save as disclosed above, all other terms of the Series 1 Bonds and Series 2 Bonds remain unchanged. For details, please refer to the relevant announcement of the Company dated July 26, 2023.

(3) Capital Increase in Pharmaron Ningbo Biologics

On March 30, 2023, the Company entered into a capital increase agreement with Kangjun Zhongyuan, Kangjun Investment, Hongfeng Venture, the Non-Connected Investors and Pharmaron Ningbo Biologics in relation to the capital increase in Pharmaron Ningbo Biologics, pursuant to which the registered capital of Pharmaron Ningbo Biologics increased from RMB3,100.00 million to approximately RMB3,487.4052 million as a result of subscriptions for approximately 11.1087% in the registered capital of Pharmaron Ningbo Biologics. Each of Kangjun Zhongyuan, Kangjun Investment, Hongfeng Venture and the Non-Connected Investors has conditionally agreed to subscribe for the increased registered capital of approximately RMB76.6842 million, RMB4.8947 million, RMB8.1579 million and RMB297.6684 million in Pharmaron Ningbo Biologics, which represents 2.1989%, 0.1404%, 0.2339% and 8.5355% of the equity interests in Pharmaron Ningbo Biologics, at the consideration of RMB188.0 million, RMB12.0 million, RMB20.0 million and RMB729.7676 million, respectively. For details, please refer to the announcements of the Company dated March 30, 2023 and April 10, 2023.

(4) Appointment of Directors of the Third Session of the Board and appointment of Supervisors of the Third Session of the Supervisory Committee

On June 21, 2023, the Shareholders resolved to approve (i) the respective appointments of Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei as executive Directors of the third session of the Board, (ii) the respective appointments of Mr. HU Baifeng and Mr. LI Jiaqing as non-executive Directors of the third session of the Board, (iii) the respective appointments of Mr. ZHOU Qilin, Ms. LI Lihua, Mr. TSANG Kwan Hung Benson and Mr. YU Jian as independent non-executive Directors of the third session of the Board, and (iv) the appointment of Dr. YANG Kexin and Ms. FENG Shu as the shareholder representative Supervisors of the third session of the Supervisory Committee. Dr. YANG Kexin, Ms. FENG Shu and Ms. ZHANG Lan (elected as employee representative Supervisor on May 10, 2023) as members of the third session of the Supervisory Committee. The term of office of each of the Directors of the third session of the Board and each of the Supervisors of the third session of the Supervisory Committee will be three years commencing from the conclusion of the annual general meeting of the Company held on June 21, 2023. For details, please refer to the announcements of the Company dated April 27, 2023 and May 10, 2023, and the circular of the Company dated May 25, 2023.

(5) Amendments to the Articles of Association

On June 21, 2023, the Shareholders resolved to approve the amendments to the Articles of Association by virtue of (i) the changes of the registered capital of the Company and (ii) the change in board composition, and in order to incorporate certain housekeeping amendments. For details, please refer to the announcements of the Company dated March 30, 2023 and April 27, 2023, and the circular of the Company dated May 25, 2023.

(6) Investment in Decheng Phase II Fund

During the Reporting Period, the Company, as the sole investor under the fourth round of fundraising of Hangzhou Dejia Chengyu Phase II Equity Investment Partnership (Limited partnership) (杭州德佳誠譽二期股權投資合夥企業(有限合夥)) (the "Decheng Phase II Fund"), entered into a limited partnership agreement with respect of Decheng Phase II Fund. The Company, as a limited partner, agreed to invest RMB50 million of its own capital to participate in the investment of Dechang Phase II Fund, which involves investment in equity, quasi equity and debt convertible instruments of enterprises within the medical and health industries through Decheng Phase II Fund, so as to achieve capital appreciation. On the premise of ensuring a stable development of the Company's principal business, by participating in investment funds and leveraging on the ability and experience of the professional investment institutions of other partners of Decheng Phase II Fund, it allows the Company to fully utilize the expertise of and professional analysis provided by other various parties within the industry, strengthens the Company's investment capability, reduces the risks of mergers and acquisitions in the industry, actively seizes opportunities in industrial development, accelerates the achievement of the Company's strategic goals, and improves the company's profitability in the long run, which further promotes the coordinated development of the healthcare industry. For details, please refer to the overseas regulatory announcement of the Company dated June 19, 2023.

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 has initially completed the construction and integration of our Biologics and CGT service platform. In addition, the Company is in a leading position in drug discovery, pre-clinical and early clinical-stage research, and has expanded its capabilities downstream to late clinical-stage development and commercial manufacturing. In the process of expanding its R&D services, the Company has successfully evolved from a pure laboratory chemistry service provider to an end-to-end pharmaceutical R&D services platform with operations in China, U.S. and U.K..

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

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

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

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

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

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

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

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

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

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

(4) Fully-integrated clinical development services in China

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

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

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

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

In recent years, with the rapid advancement of gene and cell therapy technologies and their application for rare and incurable diseases as well as vaccines that have had significant impact on public health systems, the R&D of cell and gene therapies and disease prevention methods are flourishing. These gene and cell products play an irreplaceable role in the global medical and public health systems. Through acquisition and integration of related resources and platforms, the Company has completed the establishment of an integrated services platform of "laboratory testing – IND enabling – process development and manufacturing" for gene therapy products. With the acquisition in 2020, the Company established a complete and industry leading analytics platform for biologics and CGT products that are in compliance with ICH guidelines of biologics and CGT products of GLP/GCP/GMP in U.S.. 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 21 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.

In 2022, while the chemical reactors with a total volume of 600m^3 in the Shaoxing plant have been put into operation, the facility in Cramlington, U.K. and the API facility in Coventry, Rhode Island, U.S., which were acquired by the Company have also been integrated and put into operation, realizing the international capacity service of our CMC (small molecule CDMO) platform from early clinical stage to late commercialization of the whole portfolio of solutions. By combining the process chemistry team in Hoddesdon, U.K., we are able to provide end-to-end API production services to our customers in China, U.S. and U.K. in a more flexible, larger scale and greener manner at the same time, bringing our international API production service capabilities to the next level and further enriching our global service network.

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

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

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

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

The Company's management team is led by Dr. LOU Boliang, our chairman and chief executive officer. With over 30 years of experience in the pharmaceutical industry, he is highly respected in the industry for his excellent leadership that contributes to the Company's rapid development. The Company's senior management team has been with us for more than 10 years. The Company has nearly 100 senior scientific and technical leaders, 2 of whom were named as National Talents and 15 named as Beijing Talents. Members of our highly skilled, experienced and international management team possess diverse expertise and extensive knowledge, and have significantly contributed to the growth of the Company's institutional knowledge base. The Company focuses on its home-grown scientific team consisting of selected, young and promising scientists, which enables us to form a cohesive and vibrant mid-level management team composed of over 3,300 technical managers and high-caliber scientific research talents across all scientific disciplines of the Company. In addition, the Company's visionary management team has established a highly experienced and skilled talent pool with strong execution efficiency. As of June 30, 2023, the Company had over 17,689 R&D, production technology and clinical services staff in China, U.K. and U.S.. The highly professional technical team ensures the Company's continuous provision of high-quality R&D services for customers. The open platform for talent development ensures that the Company will continuously attract talents from around the globe.

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

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

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

The Company has a large, diverse and loyal customer base including the global top 20 pharmaceutical companies and numerous reputable biotech companies. In the first half of 2023, 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.

D. OUTLOOK FOR THE SECOND HALF OF 2023

1. Industry competition and development

The Company is engaged in pharmaceutical research, development and manufacturing services which provides fully integrated services to support our global customers' R&D for innovative pharmaceutical products, covering small molecule chemical drugs, biologics and cell and gene therapy products. Its business is closely related to the development of the pharmaceutical industry and pharmaceutical R&D outsourcing market.

Global and China pharmaceutical R&D and manufacturing investments are expected to maintain a good growth momentum. The pursuit of health and longevity is eternal. With the accelerated growth of the aging population globally, the expansion of the chronic disease patients population and the increase in the total investment in the medical and healthcare industry in various countries, the global and China pharmaceutical markets continue to develop, which in turn drives the continuous increase of the pharmaceutical R&D and manufacturing spending. The spending on pharmaceutical research, development and manufacturing is expected to maintain solid growth both globally and in China.

The pharmaceutical R&D and manufacturing outsourcing services market is expected to maintain a rapid growth, and the market share of the fully-integrated R&D service platform that serve global customers is expected to continue to increase. The innovative drug R&D industry features large investments, high risks and long cycles. First of all, as a result of increasing R&D costs and patent cliffs, as well as the internal R&D talent and capacity limitations, large 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. It is expected that the large pharmaceutical companies will continue to increase the proportion of R&D outsourcing in the overall R&D investment. Secondly, small and midsized biotech companies have become an important driver of pharmaceutical innovation. These biotech companies generally have yet to establish comprehensive R&D and manufacturing capabilities and rely more on outsourcing services to advance their R&D projects. Thirdly, the fully-integrated R&D platform serving global customers is well positioned to meet the various needs of different customers, especially small and medsized biotech customers, across the entire pharmaceutical R&D process. Through seamless collaborations among each business segment, the fully-integrated service platform can help customers to further improve efficiencies and reduce costs, and is expected to continuously increase its market share.

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

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

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

3. Main operational plan of the Company for the second half of 2023

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

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

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

(2) *Continue improving biologics and CGT service platform*

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

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

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

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

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

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

(5) Further enhance management capabilities

In the second half of 2023, the Company will continue to take production safety and information security as the top priority in our daily operation so as to protect the health of employees and safeguard information and intellectual property of our customers. We will continue to provide high quality services and products to our customers by adhering to the highest international quality standards. With the expansion of services offering and geographic footprint of our fully integrated services platform, and in order to provide customers with interdisciplinary and global service solutions, a professional, systematic and scientific project management system is essential to support the business growth. In the second half of 2023, we will strategically emphasize the importance of project management, adhere to "transparent, timely, professional and efficient" project management goals, and build an efficient project management system to create value for our customers by effectively utilizing and linking the integrated service platform for new drug development.

(6) Continue to expand domestic and overseas market shares

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

4. Potential risks

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

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

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

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

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

(3) Risks regarding intellectual property protection

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

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

(4) Risks regarding policies and regulation

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

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

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

(5) Risk of international policy changes

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

We have been expanding our service capabilities in overseas markets from 2015 with an aim to mitigate any potential impact such policy changes may have on our business.

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

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

(7) Risks regarding exchange rates

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

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

(8) Risks regarding market competition

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

(9) Risks regarding technological innovation

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

(10) Risks regarding service quality

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

Supplementary Information

INTERIM DIVIDEND

The Company did not declare any interim dividend for the six months ended June 30, 2023.

SUPPLEMENTAL DISCLOSURE REGARDING DEFINED CONTRIBUTION SCHEMES

As disclosed in the annual report of the Company issued on April 28, 2023, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. Employee benefits to all eligible employees of the overseas subsidiaries are made in accordance with the rules set forth in the collective labor agreement, and recorded as an expense in the period they are due as a charge to profit or loss.

Pursuant to the relevant laws and regulations, the Company is not in a position to forfeit contributions to the central pension scheme and thus there is no forfeited contributions.

CORPORATE GOVERNANCE PRACTICES

The Board strives to maintain a high standard of corporate governance and believes that effective and reasonable corporate governance practices are essential to the development of the Group and at the same time protect and enhance shareholders' rights.

The Company's corporate governance practices are based on the principles and code provisions set out in the Appendix 14 Corporate Governance Code (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Stock Exchange") (the "Listing Rules").

Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code during the Reporting Period.

Pursuant to Code Provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer shall be separate and performed by different individuals. Up to the date of this interim report, there is no distinction between the positions of chairman and chief executive officer of the Company, and Dr. LOU Boliang ("Dr. LOU") currently holds both positions. Dr. LOU is responsible for the overall management, strategic planning and corporate development of the Group.

In view of Dr. LOU's experience, personal profile and his roles in our Company as mentioned above 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 upon Listing, Dr. LOU acts as the chairman of the Board and continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision C.2.1 of Part 2 of the Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Dr. LOU and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

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 and Supervisors, all of the Directors and Supervisors each confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

Pursuant to Code B.13 of the Model Code, directors have also requested that any employee of the Company or director or employee of a subsidiary of the Company who may obtain inside information about the securities of the Company as a result of serving or being employed by the Company or a subsidiary shall not trade in securities of the Company as prohibited by the Model Code (just as a director).

EMPLOYEE REMUNERATION AND RELATIONS

As at June 30, 2023, the Group had a total of 19,733 employees, as compared to 19,481 employees as at December 31, 2022. The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provides employees with opportunities to work on cutting-edge drug development projects with world-class scientists, as well as offer opportunities to continue academic learning in the Group's Pharmaron College.

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

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

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group has no significant investment, or plan authorized by the Board for other material investments or additions of capital assets during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has no material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CHANGES IN INFORMATION OF THE DIRECTORS, AND SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY

Reference is made to the announcements of the Company dated April 27, 2023, May 10, 2023, June 21, 2023 and July 7, 2023 and the circular of the Company dated May 25, 2023 in relation to the change of board composition, appointment of Directors of the third session of the Board, appointment of Supervisors of the third session of the supervisory committee and the appointment of employee representative supervisor.

In particular, in accordance with the relevant requirements of the Articles of Association (with proposed amendments approved by the Shareholders at the 2022 AGM), the Company Law of the PRC and the Listing Rules, the third session of the Board shall consist of nine Directors, which include three executive Directors, two non-executive Directors and four independent non-executive Directors.

At the 2022 AGM, the Shareholders resolved to approve the respective appointments of Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei as executive Directors of the third session of the Board, the respective appointments of Mr. HU Baifeng and Mr. LI Jiaqing as non-executive Directors of the third session of the Board, and the respective appointments of Mr. ZHOU Qilin, Ms. LI Lihua, Mr. TSANG Kwan Hung Benson and Mr. YU Jian as independent non-executive Directors of the third session of the Board.

At the 2022 AGM, the Shareholders also resolved to approve the appointments of Dr. YANG Kexin and Ms. FENG Shu as the shareholder representative Supervisors of the third session of the Supervisory Committee. Dr. YANG Kexin, Ms. FENG Shu and Ms. ZHANG Lan (elected as employee representative Supervisor on May 10, 2023) are therefore members of the third session of the Supervisory Committee.

Save as disclosed in the aforesaid announcements and circular, there was no change of the information of Directors, Supervisors and chief executives of the Company during the Reporting Period which is required to be disclosed pursuant to Rules 13.51B(1) and 13.51B(2) of the Listing Rules.

REVIEW OF INTERIM FINANCIAL INFORMATION

Audit Committee

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

The Audit Committee has reviewed the Company's interim 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.

This interim financial information has not been audited or reviewed by the independent auditors of the Company.

INTERESTS AND SHORT POSITION OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at June 30, 2023, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Position in Shares

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage of its class of Shares	Percentage in total number of Shares
Dr. LOU Boliang	A Shares	Interests held jointly with another person; interests of controlled corporation	239,436,400	24.18%	20.10%
Mr. LOU Xiaoqiang	A Shares	Beneficial owner; interests held jointly with another person; interests of controlled corporation; interests of spouse	239,436,400	24.18%	20.10%
Ms. ZHENG Bei	A Shares	Beneficial owner; Interests held jointly with another person; interests of controlled corporation; interests of spouse	239,436,400	24.18%	20.10%
Ms. LI Lihua	A Shares	Beneficial owner	50,000	0.0050%	0.0042%

Note:

1. As of June 30, 2023, Pharmaron Holdings Limited directly held 120,331,000 A Shares, and is held as to 76.87% by Dr. LOU Boliang.

   As of June 30, 2023, Mr. LOU Xiaoqiang directly held 44,350,000 A Shares and Ningbo Longtaikang Investment Management Co., Ltd. directly held 29,750,017 A Shares. Ningbo Longtaikang Investment Management Co., Ltd.is wholly-owned by Mr. LOU Xiaoqiang.

   As of June 30, 2023, Ms. Zheng Bei directly held 10,500,000 A Shares and Beihai Duotai Venture Capital Co., Ltd., and is wholly owned by Ms. ZHENG Bei, directly held 17,584,657 A Shares.

   As of June 30, 2023, Xiamen Longtai Huixin enterprise Management Partnership (Limited Partnership), Xiamen Longtai Dingsheng Enterprise Management Partnership (Limited Partnership), Xiamen Longtai Huisheng Enterprise Management Partnership (Limited Partnership), Xiamen Longtai Zhongsheng Enterprise Management Partnership (Limited Partnership) and Xiamen Longtai Zhongxin Enterprise Management Partnership (Limited Partnership) directly held 3,507,858 A Shares, 3,507,819 A Shares, 3,507,905 A Shares, 3,507,819 A Shares,and 2,889,325 A Shares, respectively. The general partner of each of these five limited partnership is Ms. ZHENG.

   Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei have entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement), pursuant to which they have agreed to reach consensus on any proposal presented to the Board and the general meeting of the shareholders of the Company for voting (the "Voting Agreement"). Pursuant to the Voting Agreement, Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei are concert parties and they are deemed to be interested in each other's interests in our Company under the SFO. For the avoidance of doubt, the number of Shares, approximate percentage of its class of Shares and the percentage in total number of Shares stated above did not take into account the implementation of the 2022 Capitalization of Reserve (under which 5 Capitalization Shares were issued for every existing 10 Shares) which occured after the Reporting Period.

2. Mr. LOU Xiaoqiang and Ms. ZHENG Bei are spouses.

Save as disclosed above, as of June 30, 2023, to the knowledge of the Board, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of June 30, 2023, according to the register kept by the Company pursuant to Section 336 of the SFO and so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Interests in the Shares of the Company

Name	Class of Shares	Nature of Interest	Number of Shares[1]	Approximate percentage in the respective class of share capital	Percentage in total number of Shares
Pharmaron Holdings Limited [2]	A Shares	Beneficial owner	120,331,000(L)	12.15%	10.10%
CITIC Securities Co. Ltd. [3]	A Shares	Interest of controlled corporation	208,294,876(L)	21.04%	17.49%
BlackRock, Inc. [4]	H Shares	Interest of controlled corporation	15,669,201(L)	7.79%	1.32%
			73,950(S)	0.04%	0.01%
The Bank of New York Mellon Corporation [5]	H Shares	Interest of controlled corporation	13,773,513(L)	6.85%	1.16%
			13,196,163(P)	6.56%	1.11%
GIC Private Limited [6]	H Shares	Interest of controlled corporation	13,363,237(L)	6.65%	1.12%
JPMorgan Chase & Co [7]	H Shares	Interest of controlled corporation, investment manager, person having a security interest in shares, approved lending agent	11,965,609(L)	5.95%	1.00%
			3,049,911(S)	1.52%	0.26%
			2,450,718(P)	1.22%	0.21%
Morgan Stanley [8]	H Shares	Interest of controlled corporation	10,539,797(L)	5.24%	0.88%
			3,880,902(S)	1.93%	0.33%
Kastle Limited [9]	H Shares	Interest of controlled corporation	10,301,387(L)	5.12%	0.86%

Notes:

1. The letter "L", "S" and "P" stand for long position, short position and lending pool, respectively. The number of Shares, approximate percentage of its class of Shares and the percentage in total number of Shares stated above did not take into account the implementation of the 2022 Capitalization of Reserve (under which 5 Capitalization Shares were issued for every existing 10 Shares) which occured after the Reporting Period.

2. Pharmaron Holdings Limited is held as to 76.87% by Dr. LOU Boliang.

3. Shenzhen Xinzhong Kangcheng Investment Partnership (Limited Liability Partnership) (深圳市信中康成投資合夥企業(有限合夥)) ("Shenzhen Xinzhong Kangcheng") and Shenzhen Xinzhong Longcheng Investment Partnership (Limited Liability Partnership) (深圳市信中龍成投資合夥企業(有限合夥)) ("Shenzhen Xinzhong Longcheng") directly held 177,335,472 and 30,959,404 A Shares, respectively. To the best knowledge of our Company, the general partner of Shenzhen Xinzhong Kangcheng is CITIC Buyout Fund Management Company Limited (中信併購基金管理有限公司) ("CITIC Fund"). Shenzhen Xinzhong Kangcheng is held as to 50.16% by CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership) (中信併購投資基金(深圳)合夥企業(有限合夥)) ("CITIC Fund Shenzhen") as a limited partner, the general partner of which is CITIC Fund. Shenzhen Xinzhong Longcheng is held as to 72.74% by Anhui Industrial Buyout Fund Partnership (Limited Partnership) (安徽產業併購基金合夥企業(有限合夥)) as a limited partner, the general partner of which is Anhui Xinan Investment Partnership Enterprise (Limited Partnership) (安徽信安投資合夥企業(有限合夥)) ("Anhui Xinan Investment PE"). The general partner of Anhui Xinan Investment PE is Anhui Xinan Merger and Acquisition Private Equity Fund Management Co., Ltd (安徽信安併購私募基金管理有限公司)("Anhui Xinan Management"). CITIC Fund is wholly-owned, and Anhui Xinan Management is held as to 80%, by Gold Stone Investment Co., Ltd (金石投資有限公司), which is in turn wholly-owned by CITIC Securities Co. Ltd. ("CITIC Securities"), a company listed on the Hong Kong Stock Exchange (stock code: 6030). In addition, CITIC Securities is also considered as having control over CITIC Fund Shenzhen according to the investment contract.

4. BlackRock Inc. has a total interest of 15,669,201 (long position) and 73,950 (short position) H Shares in our Company by virtue of its relationship with a number of corporations. According to the disclosure of interest notice filed by BlackRock Inc. with a relevant event date of June 28, 2023, the following interest in H Shares were held by BlackRock Inc.:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of H Shares
Trident Merger, LLC	BlackRock, Inc.	100.00	N	417,400(L)
BlackRock Investment Management, LLC	Trident Merger, LLC	100.00	Y	417,400(L)
BlackRock Holdco 2, Inc.	BlackRock, Inc.	100.00	N	15,251,801(L) 73,950(S)
BlackRock Financial Management, Inc.	BlackRock Holdco 2, Inc.	100.00	N	13,546,051(L) 43,200(S)
BlackRock Financial Management, Inc.	BlackRock Holdco 2, Inc.	100.00	Y	1,705,750(L) 30,750(S)
BlackRock Holdco 4, LLC	BlackRock Financial Management, Inc.	100.00	N	7,975,000(L) 43,200(S)
BlackRock Holdco 6, LLC	BlackRock Holdco 4, LLC	90.00	N	7,975,000(L) 43,200(S)
BlackRock Delaware Holdings Inc.	BlackRock Holdco 6, LLC	100.00	N	7,975,000(L) 43,200(S)
BlackRock Institutional Trust Company, National Association	BlackRock Delaware Holdings Inc.	100.00	Y	4,137,400(L) 43,200(S)
BlackRock Fund Advisors	BlackRock Delaware Holdings Inc.	100.00	Y	3,837,600(L)
BlackRock Capital Holdings, Inc.	BlackRock Financial Management, Inc.	100.00	N	175,500(L)

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of H Shares
BlackRock Advisors, LLC	BlackRock Capital Holdings, Inc.	100.00	Y	175,500(L)
BlackRock International Holdings, Inc.	BlackRock Financial Management, Inc.	100.00	N	5,395,551(L)
BR Jersey International Holdings L.P.	BlackRock International Holdings, Inc.	86.00	N	5,395,551(L)
BlackRock Lux Finco S.à r.l.	BlackRock HK Holdco Limited	100.00	N	252,750(L)
BlackRock Japan Holdings GK	BlackRock Lux Finco S.à r.l.	100.00	N	252,750(L)
BlackRock Japan Co., Ltd.	BlackRock Japan Holdings GK	100.00	Y	252,750(L)
BlackRock Holdco 3, LLC	BR Jersey International Holdings L.P.	100.00	N	4,825,738(L)
BlackRock Canada Holdings LP	BlackRock Holdco 3, LLC	99.90	N	45,450(L)
BlackRock Canada Holdings ULC	BlackRock Canada Holdings LP	100.00	N	45,450(L)
BlackRock Asset Management Canada Limited	BlackRock Canada Holdings ULC	100.00	Y	45,450(L)
BlackRock Australia Holdco Pty. Ltd.	BR Jersey International Holdings L.P.	100.00	N	123,350(L)
BlackRock Investment Management (Australia) Limited	BlackRock Australia Holdco Pty. Ltd.	100.00	Y	123,350(L)
BlackRock (Singapore) Holdco Pte. Ltd.	BR Jersey International Holdings L.P.	100.00	N	446,463(L)
BlackRock HK Holdco Limited	BlackRock (Singapore) Holdco Pte. Ltd.	100.00	N	423,313(L)
BlackRock Asset Management North Asia Limited	BlackRock HK Holdco Limited	100.00	Y	170,563(L)
BlackRock Cayman 1 LP	BlackRock Holdco 3, LLC	100.00	N	4,780,288(L)
BlackRock Cayman West Bay Finco Limited	BlackRock Cayman 1 LP	100.00	N	4,780,288(L)
BlackRock Cayman West Bay IV Limited	BlackRock Cayman West Bay Finco Limited	100.00	N	4,780,288(L)
BlackRock Group Limited	BlackRock Cayman West Bay IV Limited	90.00	N	4,780,288(L)
BlackRock Finance Europe Limited	BlackRock Group Limited	100.00	N	1,675,202(L)
BlackRock (Netherlands) B.V.	BlackRock Finance Europe Limited	100.00	Y	432,751(L)
BlackRock Advisors (UK) Limited	BlackRock Finance Europe Limited	100.00	Y	12,400(L)
BlackRock Group Limited-Luxembourg Branch	BlackRock Group Limited	100.00	N	3,105,086(L)
BlackRock Luxembourg Holdco S.à r.l.	BlackRock Group Limited-Luxembourg Branch	100.00	N	3,105,086(L)
BlackRock Investment Management Ireland Holdings Limited	BlackRock Luxembourg Holdco S.à r.l.	100.00	N	1,760,200(L)
BlackRock Asset Management Ireland Limited	BlackRock Investment Management Ireland Holdings Limited	100.00	Y	1,760,200(L)
BLACKROCK (Luxembourg) S.A.	BlackRock Luxembourg Holdco S.à r.l.	100.00	Y	1,343,536(L)
BlackRock Investment Management (UK) Limited	BlackRock Finance Europe Limited	100.00	N	234,164(L)
BlackRock Investment Management (UK) Limited	BlackRock Finance Europe Limited	100.00	Y	995,887(L)
BlackRock Fund Managers Limited	BlackRock Investment Management (UK) Limited	100.00	Y	234,164(L)
BlackRock (Singapore) Limited	BlackRock (Singapore) Holdco Pte. Ltd.	100.00	Y	23,150(L)
BlackRock UK Holdco Limited	BlackRock Luxembourg Holdco S.à r.l.	100.00	N	1,350(L)
BlackRock Asset Management Schweiz AG	BlackRock UK Holdco Limited	100.00	Y	1,350(L)

Additionally, 1,137,550 H Shares (long position) and 73,950 H Shares (short position) were held through a cash settled unlisted derivative. 1,237,736 H Shares (long position) were held through listed derivatives which were convertible instruments.

5. According to the disclosure of interest notice filed by The Bank of New York Mellon Corporation with a relevant event date of June 20, 2023, it has a total interest of 13,773,513 H Shares (long position) and 13,196,163H Shares (lending pool) in our Company by virtue of its control over The Bank of New York Mellon. 10,690,538 H Shares (long position) were held through listed derivatives which were convertible instruments.

6. According to the disclosure of interest notice filed by GIC Private Limited with a relevant event date of June 20, 2023, it has a total interest of 13,363,237 H Shares (long position) in our Company. 11,103,088 H Shares (long position) were held through listed derivatives which were convertible instruments.

7. JPMorgan Chase & Co. has a total interest of 11,965,609 (long position), 3,049,911 (short position) and 2,450,718 (lending pool) H Shares in our Company by virtue of its relationship with a number of corporations. According to the disclosure of interest notice filed by JPMorgan Chase & Co. with a relevant event date of June 30, 2023, the following interest in H Shares were held by JPMorgan Chase & Co.:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of H Shares
JPMorgan Asset Management (China) Company Limited	JPMorgan Asset Management Holdings Inc	100.00	Y	268,100(L)
J.P. Morgan SE	J.P. Morgan International Finance Limited	100.00	Y	13,700(L)
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc.	100.00	Y	85,050(L) 85,050(S)
JPMORGAN CHASE BANK, N.A. – LONDON BRANCH	JPMorgan Chase Bank, National Association	100.00	Y	2,450,718(L)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	100.00	Y	1,029,085(L)
J.P. Morgan Investment Management Inc.	JPMorgan Asset Management Holdings Inc.	100.00	Y	1,338,074(L)
J.P. Morgan Prime Inc.	J.P. Morgan Securities LLC	100.00	Y	37,200(L) 37,200(S)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100.00	Y	514,700(L)
J.P. MORGAN SECURITIES PLC	J.P. MORGAN CAPITAL HOLDINGS LIMITED	100.00	Y	6,228,982(L) 2,927,661(S)
JPMorgan Asset Management Holdings Inc.	JPMorgan Chase Holdings LLC	100.00	N	2,635,259(L)
JPMorgan Chase Holdings LLC	JPMorgan Chase & Co.	100.00	N	2,757,509(L) 122,250(S)
J.P. Morgan International Finance Limited	JPMorgan Chase Bank, National Association	100.00	N	6,242,682(L) 2,927,661(S)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100.00	N	8,693,400(L) 2,927,661(S)
J.P. Morgan Broker-Dealer Holdings Inc.	JPMorgan Chase Holdings LLC	100.00	N	122,250(L) 122,250(S)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	JPMorgan Asset Management Holdings Inc.	100.00	N	1,029,085(L)
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc.	100.00	N	37,200(L) 37,200(S)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	J.P. Morgan International Finance Limited	100.00	N	6,228,982(L) 2,927,661(S)

The capacity under which the interests are held are as follow:

Capacity in which interest is held	Number of H Shares
Interest of controlled corporation	4,291,598(L) 3,049,911(S)
Investment manager	3,149,959(L)
Person having a security interest in shares	2,073,334(L)
Approved lending agent	2,450,718(L)

Additionally, 476,451 H Shares (long position) and 2,322,091 H Shares (short position) were held through a cash settled unlisted derivative. 4,500,616 H Shares (long position) were held through listed derivatives which were convertible instruments.

8. Morgan Stanley has a total interest of 10,539,797 (long position) and 3,880,902 (short position) H Shares in our Company by virtue of its relationship with a number of corporations. 791,842 H Shares (long position) were held through listed derivatives which were convertible instruments. 140 H Shares (long position) and 140 H Shares (short position) were held through unlisted derivatives which were physically settled. 248,437 H Shares (long position) and 642,544 (short position) were hold through a cash settled unlisted derivatives. According to the disclosure of interest notice filed by Morgan Stanley with a relevant event date of June 30, 2023, the following interest in H Shares were held by Morgan Stanley:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of H Shares
Morgan Stanley International Holdings Inc.	Morgan Stanley	100.00	N	8,370,504(L) 1,924,861(S)
Morgan Stanley International Limited	Morgan Stanley International Holdings Inc.	100.00	N	7,526,258(L) 1,633,503(S)
Morgan Stanley Investments (UK)	Morgan Stanley International Limited	100.00	N	7,526,252(L) 1,633,497(S)
Morgan Stanley & Co. International plc	Morgan Stanley Investments (UK)	100.00	Y	7,526,252(L) 1,633,497(S)
Morgan Stanley Capital Management, LLC	Morgan Stanley	100.00	N	2,169,293(L) 1,956,041(S)
Morgan Stanley Domestic Holdings, Inc	Morgan Stanley Capital Management, LLC	100.00	N	2,169,293(L) 1,956,041(S)
Morgan Stanley & Co. LLC	Morgan Stanley Domestic Holdings, Inc.	100.00	Y	2,154,258(L) 1,898,600(S)
Morgan Stanley Investment Management (China) Company Limited	Morgan Stanley International Holdings Inc.	49.00	Y	844,200(L)
Eaton Vance Acquisitions LLC	Morgan Stanley Domestic Holdings, Inc.	100.00	N	6,600(L)
Parametric Portfolio Associates LLC	Eaton Vance Acquisitions LLC	100.00	Y	6,600(L)
Eaton Vance Management	Morgan Stanley Domestic Holdings, Inc.	100.00	N	4,700(L)
Calvert Research and Management	Eaton Vance Management	100.00	Y	4,700(L)
Morgan Stanley Capital Services LLC	Morgan Stanley Domestic Holdings, Inc.	100.00	Y	2,706(L) 57,441(S)
Morgan Stanley Investment Management Inc.	Morgan Stanley Domestic Holdings, Inc.	100.00	Y	1,029(L)
Morgan Stanley Jubilee Investments Limited	Morgan Stanley International Holdings Inc.	100.00	N	46(L) 291,358(S)
Archimedes Investments Cooperatieve U.A.	Morgan Stanley International Holdings Inc.	99.90	N	46(L) 291,358(S)
Archimedes Investments Cooperatieve U.A.	Morgan Stanley Jubilee Investments Limited	0.10	N	46(L) 291,358(S)
Morgan Stanley B.V.	Morgan Stanley International Holdings Inc.	0.00	Y	46(L) 291,358(S)
Morgan Stanley B.V.	Morgan Stanley Jubilee Investments Limited	0.00	Y	46(L) 291,358(S)
Morgan Stanley B.V.	Archimedes Investments Cooperatieve U.A	99.90	Y	46(L) 291,358(S)
Morgan Stanley Europe Holding SE	Morgan Stanley International Limited	100.00	N	6(L) 6(S)
Morgan Stanley Europe SE	Morgan Stanley Europe Holding SE	100.00	Y	6(L) 6(S)

9. According to the disclosure of interest notice filed by Kastle Limited, with a relevant event date of September 13, 2022, it has a total interest of 10,301,387 (long position) Shares in our Company as trustee on behalf of employees of the Group who have been or will be granted shares awards pursuant to the First H Share Award and Trust Scheme of the Company.

Substantial shareholders of other members of the Group

Name	Member of the Group	Approximate percentage held by the substantial shareholder
Xiamen Longtaikanglin Enterprise Management Partnership (Limited Partnership) (廈門龍泰康臨企業管理合夥企業(有限合夥))	Pharmaron (Chengdu) Clinical Services Co., Ltd. (康龍化成(成都)臨床研究服務有限公司)	10.11%
Shin Nippon Biomedical Laboratories, Ltd.	Pharmaron CPC, Inc	20%
Shin Nippon Biomedical Laboratories (Asia), Limited	Biomedical Research (GZ), Ltd. (肇慶創藥生物科技有限公司)	49.99%

Save as disclosed above, as of June 30, 2023, to the knowledge of the Directors, no other person had, or were deemed or taken to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the registry kept by the Company pursuant to Section 336 of the SFO.

SHARE INCENTIVE SCHEMES

2019 A Share Incentive Scheme

(i) Purpose of the 2019 A Share Incentive Scheme

In order to establish and improve long-term corporate incentive systems of our Group, attract and retain talent, motivate the employees of our Group, effectively align the interests of our Shareholders, our Group and the employees of our Group and enabling the respective parties to become aware of our Group's long-term development, and to promote the realization of the development strategies of our Group, the 2019 A Share Incentive Scheme was approved by Shareholders' meeting of the Company and became effective on August 15, 2019.

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

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

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

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

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

Pursuant to the 2019 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company is 5,651,359 A Shares, representing approximately 0.32% of the Company's total number of issued Shares at the time of this interim report, amongst which 4,521,087 A Shares would be granted by way of Restricted A Shares and the remaining 1,130,272 A Shares were reserved for share incentive grants.

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

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

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

The grant price of the Restricted A Shares was RMB17.85, and it was not lower than the higher of the following: (i) 50% of the average trading price of the A Shares on the trading day preceding July 29, 2019, the date of announcement of the 2019 A Share Incentive Scheme, and (ii) 50% of the average trading prices of the A Shares for the last 60 trading days preceding the date of announcement of the 2019 A Share Incentive Scheme.

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

As of the date of this interim report, a total of 4,077,387 Restricted A shares, which was all granted prior to the Reporting Period, have been subscribed by eligible employees. These granted Restricted A Shares have a contractual term of no more than four years with 40%, 30% and 30% of the awards unlocking upon meeting certain unlocking conditions.

All awards under the 2019 A Share Incentive Scheme have been granted to the relevant participants prior to the Reporting Period, and the relevant A Shares have been issued. As of the date of this interim report, the conditions for unlocking a total of 4,221,681 Restricted A Shares have been fulfilled (of which 2,622,171 Shares had been listed for trading prior to the Reporting Period and 1,599,510 Shares (as adjusted after the implementation of the 2021 Capitalization of Reserve) have been listed for trading on May 15, 2023). All of such Restricted A Shares under the 2019 A Share Incentive Scheme have therefore been unlocked as of the date of this interim report.

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

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

The 2019 A Share Incentive Scheme shall remain effective from the date of the first grant of the Restricted Shares through the date on which all the Restricted A Shares have been unlocked or cancelled, or all of the share options granted have been exercised or cancelled, but in any event shall not be more than 48 months. As such, as of the date of this interim report, the remaining life of the 2019 A Share Incentive Scheme is 0 month.

(vii) Others

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

As of the date of this interim report, a total of 412,126 Restricted A Shares have been repurchased by the Company and 4,221,681 Restricted A Shares have been unlocked for listing and circulation.

2021 A Share Incentive Scheme

(i) Purpose of the 2021 A Share Incentive Scheme

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

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

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

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

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

None of the grants under the 2021 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants under the 2021 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue. Pursuant to the 2021 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company was 1,161,300 A Shares (as adjusted after the implementation of the 2021 Capitalization of Reserve).

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

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

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

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

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

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

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

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

The granted Restricted A Shares shall be vested in four tranches, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain performance conditions.

Category of grantee	Date of grant	Vesting period	Grant Price [(1)]	Number of unvested awards as at January 1, 2023	Cancelled or lapsed during the Reporting Period	Vested during the Reporting Period [(2)]	Number of unvested awards as at June 30, 2023
Employees	July 27, 2021	*First tranche:* • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date *Second tranche:* • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date *Third tranche:* • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date *Fourth tranche:* • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	RMB46.48	1,031,700	101,000	156,925	773,775

Note:

(1) The grant price was adjusted from RMB70.17 to RMB46.48 as a result of the implementation of the 2021 Profit Distribution and the 2021 Capitalization of Reserve.

(2) The weighted average closing price of the A Shares immediately before the dates on which the awards were vested was RMB74.20.

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

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

The 2021 A Share Incentive Scheme is valid until the date on which all Restricted A Shares available for issue under the 2021 A Share Incentive Scheme have been attributed or forfeited, and such period shall not exceed 60 months from the grant date (i.e. the date on which the Restricted A Shares are granted to a eligible participant as determined by the Board for the purposes of the 2021 A Share Scheme). As such, as of the date of this interim report, the remaining life of the 2021 A Share Incentive Scheme is 34 months.

2022 A Share Incentive Scheme

(i) Purpose of the 2022 A Share Incentive Scheme

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

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

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

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

None of the grants made under the 2022 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants made under the 2022 A Share Incentive Scheme would not result in the awards granted and to be granted to each individual grantee in the 12-month period up to and including the date of such grant in aggregate to exceed 1% of the Shares in issue. Pursuant to the 2022 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company was 1,548,800 A Shares. As a result of (i) resignations or voluntary waive of Restricted A Shares of certain eligible employees, and (ii) the implementation of the 2021 Capitalization of Reserve, the number of Restricted A Shares to be issued by the Company has been adjusted from 1,548,800 A Shares to 2,203,200 A Shares, representing approximately 0.12% of the Company's total number of issued Shares at the time of this interim report, pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme. The total number of Shares to be granted to any participants under all the fully effective share incentive schemes of the Company shall not exceed 1% of the total share capital of the Company.

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

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

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

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

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

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

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

Category of grantee	Date of grant	Vesting period	Grant Price[1]	Number of unvested awards as at January 1, 2023	Cancelled or lapsed during the Reporting Period	Vested during the Reporting Period	Number of unvested awards as at June 30, 2023
Employees	July 28, 2022	*First tranche:* • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date *Second tranche:* • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date *Third tranche:* • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date	RMB38.62	2,203,200	0	0	2,203,200

Category of grantee	Date of grant	Vesting period	Grant Price(1)	Number of unvested awards as at January 1, 2023	Cancelled or lapsed during the Reporting Period	Vested during the Reporting Period	Number of unvested awards as at June 30, 2023
		Fourth tranche: • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date					

Note: As a result of the implementation of the 2021 Capitalization of Reserve, the grant price has been adjusted from RMB58.38 per A Share to RMB38.62 per A Share, pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme. For the avoidance of doubt, the grant price and the particulars of movement of unvested awards mentioned above did not take into account the implementation of the 2022 Capitalization of Reserve (under which 5 Capitalization Shares were issued for every existing 10 Shares) which occurred after the Reporting Period.

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

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

The 2022 A Share Incentive Scheme shall be valid until the date on which all Restricted A Shares have been attributed or forfeited, and such period shall not exceed 60 months. As such, as of the date of this interim report, the remaining life of the 2022 A Share Incentive Scheme is 46 months.

2023 A Share Incentive Scheme

(i) Purpose of the 2023 A Share Incentive Scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(v) Others

No awards were granted under the 2023 Share Incentive Scheme during the Reporting Period.

On July 7, 2023, the Company has granted a total of 1,444,500 Restricted A Shares under the first grant, and 25,800 Restricted A Shares under the reserved grant in accordance with the 2023 A Share Incentive Scheme to 282 and 13 eligible employees, respectively, for them to subscribe at the price of RMB28.58 per A share. Set out below are details of the awards granted under the 2023 A Share Incentive Scheme:

Category of grantee	Date of grant	Vesting period	Number of granted shares (1)	Grant price (1)	Performance targets (1)
Employees	July 7, 2023	*First tranche:* • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date *Second tranche:* • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date *Third tranche:* • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date *Fourth tranche:* • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	1,444,500 (under the First Grant); 25,800 (under the reserved grant)	RMB28.58	Performance assessment requirements at the Company level: *First tranche:* • 20% increase in relation to the Company's revenue for the year ended December 31, 2023 as compared to the year ended December 31, 2022 *Second tranche:* • 40% increase in relation to the Company's revenue for the year ended December 31, 2024 as compared to the year ended December 31, 2022 *Third tranche:* • 60% increase in relation to the Company's revenue for the year ended December 31, 2025 as compared to the year ended December 31, 2022 *Fourth tranche:* • 80% increase in relation to the Company's revenue for the year ended December 31, 2026 as compared to the year ended December 31, 2022

Notes:

(1) The closing price of the A Shares of the Company immediately before the date of grant was RMB38.94. For the avoidance of doubt, the number of granted shares and the grant price mentioned above did not take into account the implementation of the 2022 Capitalization of Reserve (under which 5 Capitalization Shares were issued for every existing 10 Shares).

(2) The vesting of the Restricted Shares is also subject to the following requirements:

(i) *Performance assessment requirements at the Participant's project group level*

The number of Restricted Shares attributed to the Participants corresponds to the satisfaction of the internal performance assessment targets in relation to the particular project group of the Company during the relevant attribution period. Depending on the assessment result achieved by such project group, different attribution percentage shall be applied.

(ii) *Performance assessment requirements at the Participant's individual level*

The individual assessment of Participants is carried out according to the internal performance assessment system of the Company. The results of the individual assessment of Participants are divided into two levels – "pass" and "fail", and the corresponding attribution percentage is as follows:

Assessment Results	Pass	Fail
Attribution Percentage at the Participant's individual level	100%	0%

Subject to the Company achieving the aforementioned performance assessment target in the respective attribution period, the actual number of Restricted Shares to be attributed = the number of Restricted Shares expected to be attributed during the respective attribution period pursuant to the 2023 A Share Incentive Scheme x corresponding attribution percentage at the Participant's individual level x corresponding attribution percentage at the Participant's project group level. If such Participant fails to achieve the assessment result, the corresponding Restricted Shares that have been granted but are yet to be attributed to the Participants in such tranche shall not be attributed and shall be lapsed.

For details, please refer to the announcement of the Company dated July 9, 2023.

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

The 2023 A Share Incentive Scheme will become effective upon the Grant Date of the Restricted Shares under the 2023 A Share Incentive Scheme, and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 72 months. As such, as of the date of this interim report, the remaining life of the 2023 A Share Incentive Scheme is 70 months.

OTHER EMPLOYEE INCENTIVES

First H Share Award and Trust Scheme

The Shareholders have resolved to adopt the First H Share Award and Trust Scheme during the extraordinary general meeting of the Shareholders on December 11, 2020. The source of the award shares under the First H Share Award and Trust Scheme shall be H Shares to be acquired by the trustee through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the relevant scheme rules. The H Share Scheme is comprised of two parts, namely (i) the Employee Share Award Plan and (ii) the Share Bonus Plan.

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

The purposes of the Employee Share Award Plan are:

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

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

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

The purposes of the Share Bonus Plan are:

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

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

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

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

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

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

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

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

Pursuant to the First H Share Award and Trust Scheme, the maximum number of H Shares that can be purchased on the market by the trustee appointed by the Company for the purpose of servicing the First H Share Award and Trust Scheme was 11,910,000 H Shares as at June 30, 2023, representing approximately 1% of the Company's total number of issued H Shares as at June 30, 2023. The maximum number was further adjusted from 11,910,000 H Shares to 17,865,000 H Shares on July 28, 2023 as a result of the implementation of the 2022 Capitalization of Reserve, which represents approximately 1% of the Company's total number of issued H Shares as at the date of this interim report.

As of June 30, 2023, 11,906,000 H Shares had been purchased by the trustee appointed by the Company through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the relevant scheme rules.

The Company shall not make any further grant of award which will result in the aggregate number of H Shares underlying all grants made pursuant to the First H Share Award and Trust Scheme, deducting award shares that have been forfeited in accordance with the First H Share Award and Trust Scheme, to exceed the scheme limit without Shareholders' approval.

(iv) *Particulars of the awards granted*

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

No awards were granted under the First H Share Award and Trust Scheme during the Reporting Period.

(v) *Movement of unvested awards during the Reporting Period*

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

Category of grantee	Date of grant[(1)]	Grant price	Number of unvested awards as at January 1, 2023	Cancelled or lapsed	Vested[(2)]	Number of unvested awards as at June 30, 2023
Employees	May 31, 2022	N/A	7,588,450	140,750	1,859,223	5,588,477
	April 1, 2022	N/A	751,110	40,125	173,521	537,464
	December 14, 2020	N/A	889,537	22,163	258,666	608,708
Total			9,229,097	203,038	2,291,410	6,734,649

Note:

(1) Each of the aforementioned grants is subject to the vesting period as follows: (i) 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date; (ii) 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date; (iii) 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date; and (iv) 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date.

(2) The weighted average closing price of the H Shares immediately before the date on which the awards were vested was HKD30.26.

(3) For the avoidance of doubt, the grant price and the particulars of movement of unvested awards mentioned above did not take into account the implementation of the 2022 Capitalization of Reserve (under which 5 Capitalization Shares were issued for every existing 10 Shares) which occurred after the Reporting Period.

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

The First H Share Award and Trust Scheme shall be valid and effective for a term commencing on the date on which the Shareholders and the Board approved the First H Share Award and Trust Scheme (the "Adoption Date"), and ending on the business day immediately prior to the 10th anniversary of the Adoption Date, and after which no further awards will be granted, and so long as there are any non-vested Award Shares granted hereunder prior to the expiration of this Scheme, this Scheme shall continue to be extended until the vesting of such Award Shares takes effect. As such, as of the date of this interim report, the remaining life of the First H Share Award and Trust Scheme is 86 months.

(vii) *Others*

On July 28, 2023, in accordance with the First H Share Award and Trust Scheme and relevant regulations of the Hong Kong Stock Exchange, the Company adjusted the number of granted but unvested Award Shares to each selected participant awarded under the employee share award plan (unless forfeited on or before July 27,2023) according to the 2022 Profit Distribution Plan, on the basis of 5 Shares for every 10 Shares held.

On July 28, 2023, pursuant to the authorization granted by the Board, the Management Committee approved certain amendments to the First H Share Award and Trust Scheme in order to further implement the First H Share Award and Trust Scheme and fulfil the incentive purposes thereof, without prejudice to the interests of the Company and the Shareholders as a whole. In Particular, the First H Share Award and Trust Scheme Limit and other relevant provisions were amended in order to reflect the increase in the number of issued Shares as a result of the implementation of the 2022 Capitalization of Reserve and certain housekeeping amendments were also incorporated (the "Amendments"). Following the adoption of the Amendments, the First H Share Award and Trust Scheme Limit has been increased from 11,910,000 H Shares to 17,865,000 H Shares, provided that the Board or the Delegatee may further adjust the First H Share Award and Trust Scheme Limit pursuant to the relevant provisions of the First H Share Award and Trust Scheme.

For the six months ended June 30, 2023, the Group had recorded share-based compensation expenses of RMB91,531,000 (the six months ended June 30, 2022: RMB23,755,000) in relation to the First H Share Award and Trust Scheme. The total number of Shares granted to any participants under all the fully effective share incentive schemes of the Company shall be 14,932,124 which represents approximately 0.84% of the total share capital of the Company as of the date of this interim report. The total number of Shares that might be issued in respect of awards granted under all share incentive schemes of the Company during the six months ended June 30, 2023 divided by the weighted average number of Shares for the six months ended June 30, 2023 was 0%.

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

INFORMATION RELATING TO AND USE OF PROCEEDS FROM 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. The Series 1 Bonds and Series 2 Bonds are convertible in the circumstances set out in their respective terms and conditions into H Shares at an initial Series 1 Bonds Conversion Price and the initial Series 2 Bonds Conversion Price of HK$250.75 per H Share and HK$229.50 per H Share (subject to adjustments), respectively. The closing price of the H Shares was HK$177.50 on June 8, 2021, being the date of the initial announcement of the proposed issuance of the Convertible Bonds. Assuming full conversion of the Series 1 Bonds and Series 2 Bonds at such initial conversion price, the Series 1 Bonds and the Series 2 Bonds will be convertible into approximately 9,282,711 H Shares (with an aggregated nominal value or RMB9,282,711) and 10,137,685 H Shares (with an aggregated nominal value or RMB10,137,685), respectively. The Convertible Bonds were offered to no less than six independent placees (who are independent individual, corporate and/or institutional investors). 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.

Pursuant to the terms and conditions of the Convertible Bonds, the Series 1 Bonds Conversion Price and the Series 2 Bonds Conversion Price are subject to adjustment for, among other things, profit distributions and capitalization of reserves made by the Company. The Company had distributed cash dividends for the year ended December 31, 2022 and conducted the 2022 Capitalization of Reserve. As a result of the approval of the payment of the 2022 Profit Distribution and the 2022 Capitalization of Reserve by the Shareholders at the 2022 annual general meeting of the Company, with effect from July 27, 2023, the Series 1 Bonds Conversion Price and Series 2 Bonds Conversion Price were further adjusted from HK$166.42 per H Share to

HK$110.32 and from HK$152.32 per H Share to HK$100.97 per H Share, respectively (the "Further Adjusted Conversion Price") pursuant to the terms and conditions of the Convertible Bonds. Taking into account the implementation of the 2022 Capitalization of Reserve, and assuming full conversion of the Convertible Bonds at the respective Further Adjusted Conversion Price, the H Shares that may be convertible and issuable under the Convertible Bonds will increase from approximately 29,260,954 H Shares (with an aggregated nominal value of RMB29,260,954) to 44,142,528 H Shares (with an aggregated nominal value of RMB44,142,528), representing 14.64% of the total issued H share capital of the Company (i.e. 301,537,125 H Shares) as at the date of this interim report and approximately 12.77% of the enlarged total issued H share capital of the Company (i.e. 345,679,653 H Shares) resulting from the full conversion of the Convertible Bonds. The additional 14,881,574 (with an aggregated nominal value of RMB14,881,574) H Shares issuable in the event of a full conversion of the Convertible Bonds after the adjusted conversion price becoming effective will be allotted and issued by the Company pursuant to the 2022 Convertible Bonds-Related Specific Mandate sought and granted at the 2022 annual general meeting of the Company held on June 21, 2023. Please refer to the announcement of the Company dated July 26, 2023 for further details.

There were no redemption or conversion of the Conversion Bonds during the Reporting Period.

The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at June 30, 2023 and assuming no further issuance of Shares by the Company.

		As at June 30, 2023		As at July 31, 2023		Upon full conversion of the Series 1 Bonds only at the adjusted conversion price of HK$110.32 per H Share		Upon full conversion of the Series 2 Bonds only at the adjusted conversion price of HK$100.97 per H Share		Upon full conversion of the Convertible Bonds at the respective adjusted conversion prices	
Shareholders	Class of Shares	Number of Shares[1]	Approximate % of the total issued share capital	Number of Shares[2]	Approximate % of the total issued share capital	Number of Shares[2]	Approximate % of the total issued share capital	Number of Shares[2]	Approximate % of the total issued share capital	Number of Shares[2]	Approximate % of the total issued share capital
Founders[2]	A Shares	239,436,400	20.10%	359,154,603	20.10%	359,154,603	19.86%	359,154,603	19.85%	359,154,603	19.62%
Other shareholders of A Shares[3]	A Shares	750,763,404	63.02%	1,126,040,478	63.02%	1,126,040,478	62.29%	1,126,040,478	62.22%	1,126,040,478	61.50%
Sub total		990,199,804	83.12%	1,485,195,081	83.12%	1,485,195,081	82.15%	1,485,195,081	82.07%	1,485,195,081	81.12%
Shareholders of H Shares[3]	H Shares	201,024,750	16.88%	301,537,125	16.88%	301,537,125	16.68%	301,537,125	16.66%	301,537,125	16.47%
Holders of Series 1 Bonds	H Shares	–	–	–	–	21,098,984	1.17%	–	–	21,098,984	1.15%
Holders of Series 2 Bonds	H Shares	–	–	–	–	–	–	23,043,544	1.27%	23,043,544	1.26%
Sub total		201,024,750	16.88%	301,537,125	16.88%	322,636,109	17.85%	324,580,669	17.93%	345,679,653	18.88%
Total		**1,191,224,554**	**100.0%**	**1,786,732,206**	**100.0%**	**1,807,831,190**	**100.0%**	**1,809,775,750**	**100.00%**	**1,830,874,734**	**100.00%**

Notes:

(1) For the avoidance of doubt, the number of Shares and the approximate percentage of the total issued share capital as at June 30, 2023 stated above did not take into account the implementation of the 2022 Capitalization of Reserve (under which 5 Capitalization Shares were issued for every existing 10 Shares) which occurred after the Reporting Period.

(2) By virtue of the implementation of the 2022 Capitalization of Reserve (under which 5 Capitalization Shares were issued for every existing 10 Shares) on July 26, 2023 (being the relevant record date) and the completion of the registration procedures of reduction of registered capital as a result of the repurchase and cancellation of 69,750 restricted A Shares granted under the 2019 A Share Incentive Scheme on July 6, 2023, the number of Shares has been increased by 595,507,652 Shares (comprising 494,995,277 New A Shares and 100,512,375 New H Shares), from 1,191,224,554 Shares (comprising 990,199,804 A Shares and 201,024,750 H Shares) to 1,786,732,206 Shares (comprising 1,485,195,081 A Shares and 301,537,125 H Shares). Hence, for illustrative purposes, the number of Shares and the grant price have therefore been adjusted accordingly.

(3) Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei are regarded as our Founders and they have entered into a voting rights agreement on October 19, 2018 (which formalizes their pre-existing voting arrangement), pursuant to which they have agreed to reach consensus on any proposal presented to the Board and the general meeting of the shareholders of the Company for voting (the "Voting Agreement"). Pursuant to the Voting Agreement, Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei are concert parties and they are deemed to be interested in each other's interests in the Company under the SFO. Mr. LOU Xiaoqiang and Ms. ZHENG Bei are also spouses.

(4) For further details in relation to the shareholdings of the respective substantial shareholders of A Shares and H Shares, please refer to the section headed "Interests of Substantial Shareholders in the Shares and Underlying Shares" on page 30 to 35 of this interim report.

(5) The approximate percentages of (i) the A Shares, (ii) the H Shares, and (iii) the total issued share capital are rounded to the nearest two decimal places and may not add up to 100% due to rounding.

The Board considers that the issue of the Convertible Bonds represents an opportunity to obtain a pool of readily available funds that can better support business expansion of the Company in the long run and facilitate the overall development and expansion of the Group.

The net proceeds, after deduction of fees, commissions and expenses payable, was approximately RMB3,776.0 million. As at June 30, 2023, the balance of unutilized net proceeds amounted to approximately RMB235.6 million. The net proceeds from the 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, 2023.

Use of proceeds	Percentage of allocation of net proceeds	Allocation of net proceeds (RMB million)	Utilized amount as at June 30, 2023 (RMB million)	Unutilized net proceeds as at June 30, 2023 (RMB million)	Expected timeline for utilizing the net proceeds
Expanding capacities and capabilities of the Group's pharmaceutical process development and manufacturing facilities (i.e. CMC services) for small molecule drugs	33.3%	1,258.7	1,258.7	–	Had been fully utilized by June 30,2023
Expanding the Group's R&D and manufacturing service platform for biologics	33.3%	1,258.7	1,023.1	235.6	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	503.4	–	Had been fully utilized by June 30,2023
Expanding capacities and capabilities of the Group's laboratory and manufacturing facilities in the U.K.	10.0%	377.6	377.6	–	Had been fully utilized by June 30,2023
Replenishing working capital and other general corporate purposes	10.0%	377.6	377.6	–	Had been fully utilized by June 30,2023
Total	**100%**	**3,776.0**	**3,540.4**	**235.6**	

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Annual Dividends

On June 21, 2023, the Company's shareholders approved the 2022 Profit Distribution Plan at annual general meeting, pursuant to which a final dividend of RMB0.3 (inclusive of tax) per share in respect of the year ended December 31, 2022 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB357,346,000 (inclusive of tax).

Grant of restricted A shares under the 2023 A Share Incentive Scheme

On July 7, 2023, the Company has granted a total of 1,444,500 Restricted A Shares under the first grant, and 25,800 Restricted A Shares under the reserved grant in accordance with the 2023 A Share Incentive Scheme to 282 and 13 eligible employees, respectively, for them to subscribe at the price of RMB28.58 per A share. For details, please refer to the section headed "Share Incentive Schemes – 2023 A Share Incentive Scheme – (v) Others" on page 44 to 45 of this interim report.

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

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2023

	Notes	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
REVENUE	4	**5,640,118**	4,634,585
Cost of sales		**(3,602,677)**	(3,021,474)
Gross profit		**2,037,441**	1,613,111
Other income and gains	5	**131,679**	220,661
Other expenses	5	**(17,438)**	(146,209)
Selling and distribution expenses		**(126,777)**	(108,110)
Administrative expenses		**(845,440)**	(661,073)
Research and development costs		**(182,179)**	(83,669)
Impairment losses on financial and contract assets	6	**(10,713)**	(6,339)
Finance costs		**(89,030)**	(81,235)
Share of profits/(losses) of associates		**10,982**	(4,439)
Profit before tax	6	**908,525**	742,698
Income tax expense	7	**(124,457)**	(177,398)
Profit for the period		**784,068**	565,300
Attributable to:			
Owners of the parent		**786,093**	585,432
Non-controlling interests		**(2,025)**	(20,132)
		784,068	565,300
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For profit for the period	9	**0.4442**	0.3294
Diluted			
For profit for the period	9	**0.4436**	0.3293

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023

	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Profit for the period	**784,068**	565,300
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**183,687**	(27,846)
Fair value losses on:		
– hedging instruments designated in cash flow hedges	**(146,544)**	(10,307)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**37,143**	(38,153)
Other comprehensive income/(loss) for the period, net of tax	**37,143**	(38,153)
Total comprehensive income for the period	**821,211**	527,147
Attributable to:		
Owners of the parent	**824,109**	548,419
Non-controlling interests	**(2,898)**	(21,272)
	821,211	527,147

Interim Condensed Consolidated Statement of Financial Position

June 30, 2023

	Notes	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**9,121,864**	8,021,814
Right-of-use assets		**1,241,214**	1,329,698
Goodwill	11	**2,814,376**	2,687,865
Other intangible assets		**225,354**	233,148
Investments in associates		**650,793**	629,972
Equity investments at fair value through profit or loss		**254,976**	239,048
Biological assets	15	**188,365**	178,016
Deferred tax assets		**138,065**	58,789
Other non-current assets		**324,066**	578,201
Total non-current assets		**14,959,073**	13,956,551
CURRENT ASSETS			
Inventories		**355,650**	361,572
Contract costs		**179,305**	182,610
Trade receivables	12	**2,138,257**	1,881,882
Contract assets	13	**394,299**	332,601
Biological assets	15	**504,394**	497,279
Prepayments, other receivables and other assets	14	**709,175**	1,037,216
Financial assets at fair value through profit or loss		**637,198**	694,472
Derivative financial instruments	16	**–**	50,890
Pledged deposits		**36,852**	49,255
Cash and cash equivalents		**2,475,879**	1,448,229
Total current assets		**7,431,009**	6,536,006
CURRENT LIABILITIES			
Interest-bearing bank borrowings	17	**534,562**	737,712
Trade payables	19	**416,502**	406,348
Other payables and accruals	20	**1,673,990**	1,596,275
Derivative financial instruments	16	**171,548**	30,035
Contract liabilities		**873,662**	832,140
Lease liabilities		**192,219**	164,034
Tax payable		**180,189**	145,889
Total current liabilities		**4,042,672**	3,912,433
NET CURRENT ASSETS		**3,388,337**	2,623,573
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,347,410**	16,580,124

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	Notes	**June 30, 2023 RMB'000 (unaudited)**	December 31, 2022 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	17	**832,160**	713,342
Deferred tax liabilities		**266,326**	261,013
Financial liabilities at fair value through profit or loss		**111,129**	112,093
Deferred income		**286,224**	152,374
Convertible bonds-debt component	18	**3,872,522**	3,740,919
Lease liabilities		**672,146**	760,515
Total non-current liabilities		**6,040,507**	5,740,256
NET ASSETS		**12,306,903**	10,839,868
EQUITY			
Share capital	21	**1,786,732**	1,191,225
Treasury shares		**(463,453)**	(668,037)
Equity component of convertible bonds	18	**198,554**	198,554
Reserves		**10,013,495**	9,826,874
Equity attributable to owners of the parent		**11,535,328**	10,548,616
Non-controlling interests		**771,575**	291,252
Total equity		**12,306,903**	10,839,868

For the six months ended June 30, 2023

	Attributable to owners of the parent												
	Share capital (note 21) RMB'000	Treasury shares RMB'000	Equity component of convertible bonds (note 18) RMB'000	Share premium* RMB'000	Share-based payment reserve* (note 22) RMB'000	Capital reserve * RMB'000	Statutory reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Cash flow hedge reserve* RMB'000	Retained profits * RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2023	1,191,225	(668,037)	198,554	4,949,952	244,808	59,602	421,424	(33,823)	32,530	4,152,381	10,548,616	291,252	10,839,868
Profit for the period (unaudited)	–	–	–	–	–	–	–	–	–	786,093	786,093	(2,025)	784,068
Other comprehensive income/(loss) for the period: (unaudited)	–	–	–	–	–	–	–	–	–	–	–	–	–
Cash flow hedge, net of tax (unaudited)	–	–	–	–	–	–	–	–	(146,544)	–	(146,544)	–	(146,544)
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	–	–	184,560	–	–	184,560	(873)	183,687
Total comprehensive (loss)/income for the period (unaudited)	–	–	–	–	–	–	–	184,560	(146,544)	786,093	824,109	(2,898)	821,211
Repurchase and cancellation of restricted A shares	(70)	830	–	(760)	–	–	–	–	–	–	–	–	–
H RSU granted	–	185,920	–	(85,318)	(100,602)	–	–	–	–	–	–	–	–
Restricted A shares Tranche III vested	–	17,834	–	27,819	(27,819)	–	–	–	–	–	17,834	–	17,834
Transferred from Share premium**	595,577	–	–	(595,577)	–	–	–	–	–	–	–	–	–
Injection from non-controlling interests	–	–	–	380,434	–	–	–	–	–	–	380,434	479,566	860,000
Dividends declared	–	–	–	–	–	–	–	–	–	(357,346)	(357,346)	–	(357,346)
Recognition of share-based payments	–	–	–	–	121,681	–	–	–	–	–	121,681	3,655	125,336
As at June 30, 2023 (unaudited)	1,786,732	(463,453)	198,554	4,676,550	238,068	59,602	421,424	150,737	(114,014)	4,581,128	11,535,328	771,575	12,306,903

* These reserve accounts comprise the consolidated reserves of RMB10,013,495,000 in the interim condensed consolidated statements of financial position as at June 30, 2023.

** Approved by shareholders' meeting held on 21 June 2023, the share premium amounting to RMB595,577,000 was converted into share capital on the basis of 5 shares for every 10 shares transferred to all shareholders as at 30 June 2023 ("2022 Capitalization of Reserve").

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	Attributable to owners of the parent												
	Share capital (note 21) RMB'000	Treasury shares RMB'000	Equity component of convertible bonds (note 18) RMB'000	Share premium* RMB'000	Share-based payment reserve* (note 22) RMB'000	Capital reserve * RMB'000	Statutory reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Cash flow hedge reserve* RMB'000	Retained profits * RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2022	794,177	(301,825)	198,554	5,857,558	91,180	59,602	332,619	(137,228)	12,828	3,221,776	10,129,241	166,066	10,295,307
Profit for the period (unaudited)	–	–	–	–	–	–	–	–	–	585,432	585,432	(20,132)	565,300
Other comprehensive loss for the period: (unaudited)	–	–	–	–	–	–	–	–	–	–	–	–	–
Cash flow hedge, net of tax (unaudited)	–	–	–	–	–	–	–	–	(10,307)	–	(10,307)	–	(10,307)
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	–	–	(26,706)	–	–	(26,706)	(1,140)	(27,846)
Total comprehensive (loss)/ income for the period (unaudited)	–	–	–	–	–	–	–	(26,706)	(10,307)	585,432	548,419	(21,272)	527,147
Repurchase and cancellation of restricted A shares	(132)	2,356	–	(2,224)	–	–	–	–	–	–	–	–	–
Repurchase of H Shares	–	(207,152)	–	–	–	–	–	–	–	–	(207,152)	–	(207,152)
Transaction with non-controlling interests	–	–	–	(1,581)	–	–	–	–	–	–	(1,581)	(14,859)	(16,440)
Transfer from Share premium**	397,023	–	–	(397,023)	–	–	–	–	–	–	–	–	–
H share granted	–	21,959	–	(8,064)	(13,895)	–	–	–	–	–	–	–	–
Restricted A shares vested	–	–	–	(7,111)	–	–	–	–	–	–	(7,111)	–	(7,111)
Recognition of share-based payments	–	–	–	–	48,457	–	–	–	–	–	48,457	3,605	52,062
Dividends declared	–	501	–	–	–	–	–	–	–	(355,194)	(354,693)	–	(354,693)
As at June 30, 2022 (unaudited)	1,191,068	(484,161)	198,554	5,441,555	125,742	59,602	332,619	(163,934)	2,521	3,452,014	10,155,580	133,540	10,289,120

* These reserve accounts comprise the consolidated reserves of RMB9,250,119,000 in the interim condensed consolidated statements of financial position as at June 30, 2022.

** Approved by the board of directors' meeting held on 28 March 2022 and shareholders' meeting 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.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Notes	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Cash flows from operating activities			
Profit before tax		**908,525**	742,698
Adjustments for:			
– Depreciation of property, plant and equipment	6	**366,288**	265,257
– Depreciation of right-of-use assets	6	**98,172**	60,085
– Amortisation of other intangible assets	6	**17,229**	15,081
– Impairment losses on inventories, net of reversal	6	**2,776**	2,543
– Impairment losses on financial and contract assets, net of reversal	6	**10,713**	6,339
– Losses of derivative financial instruments	5	**70**	1,446
– (Gains)/losses on fair value change of financial liabilities at fair value through profit or loss	5	**(964)**	11,055
– Gains on financial assets at amortised cost	5	**(2,069)**	(492)
– Gains on disposal of right-of-use assets	5	**(121)**	–
– (Gains)/losses on financial assets at fair value through profit or loss	5	**(8,005)**	8,179
– Losses on fair value change of equity investments at fair value through profit or loss	5	**9,286**	80,728
– Gains on disposal of equity investment at fair value through profit or loss	5	**(15,477)**	–
– Gains on fair value change of biological assets	5	**(52,739)**	(180,190)
– Losses on disposal of property, plant and equipment	5	**87**	167
– Finance costs		**89,030**	81,235
– Foreign exchange loss		**73,766**	16,306
– Interest income from time deposits with original maturity of more than three months when acquired		**(2,044)**	(14,316)
– Share of (profits)/losses of associates		**(10,982)**	4,439
– Share-based compensation expenses	6	**125,336**	52,062
		1,608,877	1,152,622

	Note	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Decrease/(increase) in inventories		**3,145**	(76,079)
Decrease in biological assets		**48,177**	21,021
Decrease/(increase) in contract costs		**3,305**	(31,646)
Increase in trade receivables		**(208,603)**	(332,405)
Increase in prepayments, other receivables and other assets		**(28,750)**	(30,044)
Increase in contract assets		**(61,145)**	(67,452)
Decrease/(increase) in other non-current assets		**283,425**	(30,235)
Increase in trade payables		**10,154**	139,236
(Decrease)/increase in accruals and other payables		**(331,265)**	103,951
Increase in deferred income		**129,625**	9,068
(Decrease)/increase in contract liabilities		**(11,353)**	131,407
Cash flows generated from operations		**1,445,592**	989,444
Income tax paid		**(165,387)**	(130,657)
Net cash flows generated from operating activities		**1,280,205**	858,787
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,494,764)**	(1,301,524)
Proceeds from disposal of property, plant and equipment		**837**	984
Proceeds from disposal of financial assets at fair value through profit or loss		**1,796,215**	3,118,422
Additions of other intangible assets		**(6,041)**	(12,686)
Purchase of equity investments at fair value through profit or loss		**(33,397)**	(13,265)
Proceeds from disposal of equity investments at fair value through profit or loss		**25,510**	–
Settlement of derivative financial instrument		**192,333**	–
Purchase of financial assets at fair value through profit or loss		**(1,380,676)**	(1,453,902)
Purchase of financial assets at amortised cost		**–**	(134,580)
Purchase of time deposits with original maturity of more than three months when acquired		**–**	(109,000)
Proceeds from disposal of time deposits with original maturity of more than three months when acquired		**82,044**	686,229
Acquisition of subsidiaries		**–**	(568,019)
Payment for acquisitions in prior periods		**–**	(135,498)
Capital injection in associates		**–**	(134,129)
Net cash flows used in investing activities		**(817,939)**	(56,968)

	Note	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Cash flows from financing activities			
Interest on bank loans paid		**(27,025)**	(24,557)
Proceeds from bank loans		**260,147**	117,295
Repayments of bank loans		**(357,225)**	(502,817)
Payments of lease liabilities		**(93,611)**	(132,468)
Transaction with non-controlling shareholders		**–**	(16,440)
Injection from non controlling interests		**860,000**	–
Repurchase of A shares under share option scheme		**(830)**	–
Repurchase of H shares under share option scheme		**–**	(207,152)
Dividends paid to shareholders		**–**	(301,118)
Net cash flows generated/(used in) from financing activities		**641,456**	(1,067,257)
Net increase/(decrease) in cash and cash equivalents		**1,103,722**	(265,438)
Cash and cash equivalents at beginning of period		**1,359,713**	2,769,709
Effect of foreign exchange rate changes, net		**12,144**	38,105
Cash and cash equivalents at end of period		**2,475,579**	2,542,376

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 and manufacturing 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, "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, 2023 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, 2022 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, 2022, except for the adoption of the following new and revised IFRSs and newly adoption of certain IFRSs for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended June 30, 2023 and 2022.

d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

– The "Others" segment

Segment revenue and results

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

Six months ended June 30, 2023 (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	3,380,373	1,251,316	805,193	200,217	3,019	5,640,118
Segment results	1,514,382	403,004	136,733	(16,716)	38	2,037,441
Unallocated amount:						
Other income and gains						131,679
Other expenses						(17,438)
Selling and distribution expenses						(126,777)
Administrative expenses						(845,440)
Research and development costs						(182,179)
Impairment losses on financial and contract assets						(10,713)
Finance costs						(89,030)
Share of profits of associates						10,982
Group's profit before tax						908,525

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

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	2,778,070	1,084,625	584,537	177,548	9,805	4,634,585
Segment results	1,212,436	356,932	29,883	11,328	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

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.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
North America	**3,675,469**	3,042,305
Mainland China	**970,977**	819,977
Europe	**859,776**	629,646
Asia (except Mainland China)	**114,851**	112,287
Others	**19,045**	30,370
	5,640,118	4,634,585

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

(b) Non-current assets

	June 30, 2023	December 31, 2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Mainland China	**10,095,882**	9,528,332
Europe	**2,469,858**	2,150,894
North America	**1,976,234**	1,811,597
Asia (except Mainland China)	**24,058**	28,599
	14,566,032	13,519,422

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, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue from contracts with customers	**5,640,118**	4,634,585
	5,640,118	4,634,585

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Type of services		
Laboratory services	**3,380,373**	2,778,070
CMC (small molecule CDMO) services	**1,251,316**	1,084,625
Clinical development services	**805,193**	584,537
Biologics and CGT services	**200,217**	177,548
Others	**3,019**	9,805
Total revenue from contracts with customers	**5,640,118**	4,634,585
Timing of revenue recognition		
Services transferred at a point of time	**2,958,151**	2,454,407
Services transferred over time	**2,681,967**	2,180,178
Total revenue from contracts with customers	**5,640,118**	4,634,585

(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,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Interest income	**14,238**	23,302
Government grants and subsidies related to		
– Assets (i)	**7,081**	5,932
– Income (ii)	**22,137**	9,627
	43,456	38,861
Other gains		
Foreign exchange gains, net	**8,426**	–
Gains on disposal of equity investment at fair value through profit or loss	**15,477**	–
Gains on fair value change of biological assets	**52,739**	180,190
Gains on financial assets at fair value through profit or loss	**8,005**	–
Gains on financial assets at amortised cost	**2,069**	492
Gains on fair value change of financial liabilities at fair value through profit or loss	**964**	–
Gains on disposal of right-of-use assets	**121**	–
Others	**422**	1,118
	88,223	181,800
	131,679	220,661
Other expenses		
Foreign exchange losses, net	**–**	(36,844)
Losses on disposal of biological assets	**(5,697)**	–
Losses on disposal of property, plant and equipment	**(87)**	(167)
Losses on financial assets at fair value through profit or loss	**–**	(8,179)
Losses on derivative financial instruments	**(70)**	(1,446)
Losses on fair value change of equity investments at fair value through profit or loss	**(9,286)**	(80,728)
Losses on fair value change of financial liabilities at fair value through profit or loss	**–**	(11,055)
Others	**(2,298)**	(7,790)
	(17,438)	(146,209)

5. OTHER INCOME AND GAINS AND OTHER EXPENSES (CONTINUED)

(i) The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognised in profit and loss over the useful lives of relevant assets.

(ii) The government grants and subsidies related to income have been received to compensate for the Group's research and development expenditures. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognised in the statement of profit or loss on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

6. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**366,288**	265,257
Depreciation of right-of-use assets	**98,172**	60,085
Amortization of other intangible assets	**17,229**	15,081
Staff cost (including directors' and chief executive's remuneration):		
Salaries and other benefits	**2,029,553**	1,667,264
Pension scheme contribution, social welfare and other welfare	**581,295**	442,111
Share-based compensation expenses	**125,336**	52,062
Gains on fair value change of biological assets	**(52,739)**	(180,190)
Gains on financial assets at amortised cost	**(2,069)**	(492)
(Gains)/Losses on financial assets at fair value through profit or loss	**(8,005)**	8,179
Gains on disposal of equity investment at fair value through profit or loss	**(15,477)**	–
Losses on fair value change of equity investment at fair value through profit or loss	**9,286**	80,728
Impairment losses on inventories, net of reversal	**2,776**	2,543
Impairment losses on financial and contract assets	**10,713**	6,339
Losses of derivative financial instruments	**70**	1,446
(Gains)/Losses on fair value change of financial liabilities at fair value through profit or loss	**(964)**	11,055
Auditor's remuneration	**2,425**	2,380

* 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, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax	**174,880**	164,173
Deferred tax	**(50,423)**	13,225
	124,457	177,398

8. DIVIDENDS

On June 21, 2023, the Company's shareholders approved the 2022 Profit Distribution Plan at annual general meeting as follows: 1) a final dividend of RMB0.30 (inclusive of tax) per share in respect of the year ended December 31, 2022 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB357,346,000 (inclusive of tax). As at June 30, 2023,no amounts have been paid. 2) 5 new Shares for every 10 existing Shares to be issued out of reserve to all Shareholders.

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, 2022: 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, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	**786,093**	585,432
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**–**	(501)
Earnings for the purpose of calculating basic earnings per share	**786,093**	584,931
Effect of diluted potential ordinary shares:		
Add: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**–**	501
Earnings for the purpose of calculating diluted earnings per share	**786,093**	585,432

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

	Six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
Number of shares: Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**1,769,715,031**	1,775,619,948
Effect of diluted potential ordinary shares: Effective of restricted shares units and share awards issued by the Company	**2,320,281**	2,401,752
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	**1,772,035,312**	1,778,021,700

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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2023, the Group acquired assets with a cost of RMB1,346,494,000 (Six months ended June 30, 2022: RMB1,224,132,000), and disposed of assets with a net carrying amount of RMB3,834,000 (Six months ended June 30, 2022: RMB2,283,000).

11. GOODWILL

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Cost	**2,814,376**	2,687,865
Accumulated impairment	**–**	–
Net carrying amount	**2,814,376**	2,687,865
Opening carrying amount, net of accumulated impairment	**2,687,865**	2,096,265
Acquisition of subsidiaries	**–**	532,251
Exchange realignment	**126,511**	59,349
	2,814,376	2,687,865

12. 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, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Within 1 year	**2,095,579**	1,868,133
1 year to 2 years	**42,678**	13,749
	2,138,257	1,881,882

Included in trade receivables are amounts due from a related party of RMB27,318,000 as at June 30, 2023 (December 31, 2022: RMB7,471,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

13. CONTRACT ASSETS

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Contract assets	**398,465**	336,708
Allowance for impairment	**(4,166)**	(4,107)
	394,299	332,601

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Financial assets at amortised cost	**225,042**	610,591
Prepayments	**28,510**	23,039
Deposits and other receivables	**34,042**	30,717
Prepaid expenses	**112,863**	102,094
Tax recoverable	**308,498**	266,854
Others	**220**	3,921
	709,175	1,037,216

As at each end of the reporting period, other receivables of the Group are considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is immaterial under the 12-month expected loss method.

15. BIOLOGICAL ASSETS

(a) Nature of the Group's agricultural activities

The biological assets of the Group are mainly including cynomolgous and macaque non-human primates for experiment, which are classified as current assets, and cynomolgous and macaque non-human primates for breeding, which are classified as non-current assets of the Group.

The Group is exposed to the following operational risks:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding. The Group has established environmental policies and procedures aiming at complying with local environmental regulations and legislations. The management performs regular reviews to identify environmental risks to ensure that the systems in place are adequate to manage these risks.

(ii) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aiming at monitoring and mitigating those risks, including regular inspections, disease controls, surveys and insurance.

(b) Fair value of biological assets

The values of the Group's biological assets at the year-end were as follows:

	Non-human primates for breeding RMB'000	Non-human primates for experiment RMB'000	Total RMB'000
December 31, 2022	178,016	497,279	675,295
Acquisition of subsidiaries (note 23)	–	–	–
Breeding costs	–	7,961	7,961
Purchases	–	20,251	20,251
Gain arising from changes in fair value less costs to sell of biological assets	(2,552)	55,291	52,739
Transfer among group of primates	15,996	(15,996)	–
Decrease due to disposal	(3,095)	(2,602)	(5,697)
Decrease due to sales	–	(11,786)	(11,786)
Decrease due to experiments	–	(46,954)	(46,954)
Increase due to exchange rate changes	–	950	950
June 30, 2023	188,365	504,394	692,759

At June 30, 2023, no biological assets of the Group were pledged for the entrusted loans of the Group.

15. BIOLOGICAL ASSETS (CONTINUED)

(b) Fair value of biological assets (continued)

Analysed for reporting purposes as:

	June 30, 2023 RMB'000
Current	504,394
Non-current	188,365
Total	692,759

(c) Fair value measurement

The Group's biological assets as at June 30, 2023 were valued by an independent qualified professional valuer unrelated to the Group.

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

Level 3 – based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

	Level 3 RMB'000
As at June 30, 2023	692,759

(d) Description of valuation techniques used and key inputs to valuation on biological assets

The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation.

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Cynomolgous and macaque non-human primates for experiment	Comparable market method	Recent transaction prices and adjustment coefficients based on biological asset characteristics (including age, variety, health status, etc.)	The higher the change in the adjustment coefficient, the higher the fair value.
Cynomolgous and macaque non-human primates for breeding	Comparable market method	Recent transaction prices and adjustment coefficients based on biological asset characteristics (including age, variety, health status, etc.)	The higher the change in the adjustment coefficient, the higher the fair value.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Current assets		
Derivatives under hedge accounting		
Cash flow hedges – Foreign currency forward contracts	**–**	50,890
Other Derivatives (not under hedge accounting)		
Foreign currency forward contracts	**–**	–
	–	50,890
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges – Foreign currency forward contracts	**171,548**	29,438
Other derivatives		
Foreign currency forward contracts	**–**	597
	171,548	30,035

Cash flow hedges – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of foreign exchange rate risk arising from forecast sales in USD. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the foreign exchange forward contracts are identical to the hedged risk components. The cash flow hedges were assessed to be highly effective.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges – Foreign currency risk (continued)

The Group holds the following foreign exchange forward contracts:

	Less than 6 months USD'000	6 to 12 months USD'000	Total USD'000
As at June 30, 2023			
Foreign currency risk			
– Foreign currency forward contracts	480,000	100,000	580,000
Average forward rates (USD/RMB)	6.8886	6.9369	6.8974

The impacts of the hedging instruments on the consolidated statement of financial position are as follows:

	Notional amount USD'000	Assets	Carrying amount RMB'000 Liabilities	Line item in the statement of financial position
As at June 30, 2023				
Foreign currency risk				
– Foreign currency forward contracts	580,000	–	(171,548)	Derivative financial instruments liabilities

The impacts of the hedged items on the consolidated statement of financial position are as follows:

	Cash flow hedge reserve RMB'000
As at June 30, 2023	
Foreign currency risk	
– Foreign currency forward contracts	(145,816)

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges – Foreign currency risk (continued)

The effects of the cash flow hedge on the consolidated statement of profit or loss and the consolidated statement of comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Line item in the statement of profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
As at June 30, 2023				
Foreign currency risk				
– Foreign currency forward contracts	(243,205)	36,481	(206,724)	Revenue
				Other expenses

	Amount reclassified from other comprehensive income to profit or loss			Line item in the statement of profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
As at June 30, 2023				
Foreign currency risk				
– Foreign currency forward contracts	(10,680)	1,602	(9,078)	Revenue
Foreign currency risk				
– Foreign currency forward contracts	(60,119)	9,018	(51,101)	Other expenses

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	June 30, 2023			December 31, 2022		
	Effective interest rate (%)	Maturity	RMB'000 (unaudited)	Effective interest rate (%)	Maturity	RMB'000 (audited)
Current						
Bank loans – secured (a)	3.250-4.410	2024	65,108			
Bank loans – unsecured	2.150-4.275	2024	469,454	1.580-3.250	2023	737,712
			534,562			737,712
Non-current						
Bank loans – secured (a)	3.050-4.410	2025~2030	576,610	4.060~4.650	2027~2032	639,342
Bank loans – unsecured	3.820-4.275	2024~2032	255,550	4.275	2024	74,000
			832,160			713,342
			1,366,722			1,451,054

Analysed into:	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Bank loans repayable:		
Within one year	534,562	737,712
In the second year	164,339	149,348
In the third to fifth years, inclusive	217,226	330,422
Beyond five years	450,595	233,572
	1,366,722	1,451,054

(a) As at June 30, 2023, the bank loans with the amount of RMB827,268,000 (December 31, 2022: RMB639,342,000) are secured by the mortgage of the Group's long-term assets (property, plant and equipment and right-of-use assets) owned by the Group.

As at June 30, 2023, the mortgaged property, plant and equipment have a net carrying amount of approximately RMB402,333,000 (December 31, 2022: RMB408,135,000), and the mortgaged right-of-use assets have a net carrying amount of RMB126,452,000 (December 31, 2022: RMB118,939,000).

18. CONVERTIBLE BONDS

On June 18, 2021 (the "Issue Date"), the Company issued two series of five-year zero coupon convertible bonds due 2026 in an aggregate principal amount of USD300,000,000 (the "Series 1 Bonds") and RMB1,916,000,000 (the "Series 2 Bonds"), respectively (together, the "Convertible Bonds"). The conversion right attaching to any bond may be exercised, at the option of the bondholder, at any time on or after the 41st day after the Issue Date up to the close of business on the date falling 10 working days prior to June 18, 2026 (the "Maturity Date") of each respective series (both days inclusive) into fully paid ordinary H shares with a nominal value of RMB1.00 each at an initial conversion price of HKD250.75 per share for Series 1 Bonds and HKD229.50 per share for Series 2 Bonds, respectively, with a fixed exchange rate of HKD7.7588 to USD1.00 and a fixed exchange rate of HKD1.2143 to RMB1.00, respectively, but could be subject to certain adjustments for, among other things, consolidation, subdivision or re-classification, capitalization of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price and certain other dilutive events, as applicable.

On the Maturity Date, unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Series 1 Bonds at 100% of its principal amount and each Series 2 Bonds at the USD equivalent of 107.76% of its principal amount, respectively.

In accordance with the terms and conditions of the Series 1 Bonds and the Series 2 Bonds, as a result of the approval of the payment of the 2021 Profit Distribution and the 2021 Capitalization of Reserve by the Shareholders at the annual general meeting of the Company on May 6, 2022, the conversion price of the Series 1 Bonds was adjusted from HKD250.75 per H Share to HKD166.42 per H Share, the Series 2 Bonds was adjusted from HKD229.50 per H Share to HKD152.32 per H Share, with effective from June 14, 2022, being the day immediately after the Record Date, i.e. June 13, 2022, for determining H Shareholders' entitlement to the Final Dividends and Capitalization of Reserve. As a result of the approval of the payment of the 2022 Profit Distribution and the 2022 Capitalization of Reserve by the Shareholders at the annual general meeting of the Company on June 21, 2023, the conversion price of the Series 1 Bonds and Series 2 Bonds has been further adjusted from HK$166.42 per H Share to HKD $110.32 per H Share, and from HK$152.32 per H Share to HK$100.97 per H Share to, respectively, with effect from July 27, 2023, being the day immediately after the Record Date for determining H Shareholders' entitlement to the 2022 Capitalization of Reserve and 2022 Profit Distribution.

The Company will, at the option of the holder of any bond, redeem all or some only of that holder's bonds on June 18, 2024 at, in respect of the Series 1 Bonds, 100%, and in respect of the Series 2 Bonds, the USD equivalent of 104.59% of their outstanding principal amount.

On giving not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), the bonds may be redeemed by the Company in whole, but not in part, on the date specified in the optional redemption notice at, in respect of the Series 1 Bonds, the principal amount, and in respect of the Series 2 Bonds, the USD equivalent of the early redemption amount, (i) in respect of the Series 1 Bonds only at any time after June 18, 2024 but prior to the Maturity Date, subject to certain conditions as specified in the terms and conditions, or (ii) in respect of both Series at any time if, the aggregate principal amount of the bonds outstanding is less than 10% of the aggregate principal amount originally issued.

18. CONVERTIBLE BONDS (CONTINUED)

The Series 1 Bonds comprise two components:

(a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially and subsequently measured at fair value.

The Series 2 Bonds comprise two components:

(a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Equity component comprises conversion options. It was initially measured at fair value and subsequently kept unchanged.

The total transaction costs that are related to the issue of the Convertible Bonds were allocated to the debt component, derivative component and equity component in proportion to their respective fair values.

	Debt component RMB'000	Embedded derivative component RMB'000	Equity component RMB'000	Total RMB'000
As at December 31, 2022 (Audited)	3,740,919	112,093	198,554	4,051,566
Exchange adjustments	73,766	–	–	73,766
Interest charge	57,837	–	–	57,837
Loss arising on changes of fair value		(964)		(964)
As at June 30, 2023 (Unaudited)	3,872,522	111,129	198,554	4,182,205

No conversion or redemption of the Convertible Bonds has occurred up to June 30, 2023.

As at June 30, 2023, the derivative component was measured at fair value with reference to valuation report issued by an independent qualified professional valuer unrelated to the Group. And the changes in fair value are recognised in profit or loss during the interim period.

19. 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, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Within 1 year	**410,886**	398,448
Over 1 year	**5,616**	7,900
	416,502	406,348

20. OTHER PAYABLES AND ACCRUALS

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Staff payroll and welfare payables	**606,543**	648,791
Other tax payable	**36,685**	42,399
Payables for acquisition of plant and equipment	**510,675**	674,245
Accrued expenses	**92,040**	136,781
Restricted stock repurchase obligation	**–**	18,562
Dividend payable	**359,033**	1,862
Payable for acquisition of equity interests in subsidiaries	**14,758**	14,758
Others	**54,256**	58,877
	1,673,990	1,596,275

21. SHARE CAPITAL

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Issued and fully paid:	1,786,732	1,191,225

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, 2022 and 1 January 2023	1,191,224,554	1,191,225
Repurchase of Restricted A Shares	(69,750)	(70)
Transfer from Share premium	595,577,402	595,577
At June 30, 2023	1,786,732,206	1,786,732

22. SHARE OPTION SCHEME

2019 A Share Incentive Scheme

On August 15, 2019, the shareholders' meeting of the Company passed a resolution to issue up to 5,651,359 A Shares of the Company under the 2019 A Share Incentive Scheme consisting of Restricted A shares and share options. On October 24, 2019, 4,077,387 restricted A shares of the Company were approved for eligible employees to subscribe at the price of RMB17.85 per A Share and the grant date was October 30, 2019. As of November 5, 2019, 4,077,387 A Shares were subscribed by eligible employees and a consideration of RMB72,781,000 was received by the Company. These granted restricted A Shares have a contractual term of no more than four years and will be unlocked in three batches upon the expiration of the 12-month period after the the listing date of Restricted Shares, with 40%, 30% and 30% of the awards unlocking after the first, second and third anniversary dates of the A Share registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 A Share Incentive Scheme, employees shall not transfer the A Shares which fulfil the unlocking conditions to any third party in any form within six months from each unlocking anniversary date.

For the period ended June 30, 2023, the Group has recorded share-based compensation expenses of Nil (Six months ended June 30, 2022: RMB4,650,000) in relation to the 2019 A Share Incentive Scheme.

22. SHARE OPTION SCHEME (CONTINUED)

2021 A Share Incentive Scheme

On July 12, 2021, the shareholders' meeting of the Company passed a resolution to issue up to 774,200 A Shares of the Company under the 2021 A Share Incentive Scheme consisting of Restricted A shares. On July 27, 2021, 774,200 restricted A shares of the Company were approved to grant eligible employees at the price of RMB70.17 per A Share and the grant date was July 27, 2021. These granted restricted A Shares have a contractual term of no more than five years and will be unlocked over a four-year period, with 25%, 25%, 25% and 25% of the awards unlocking on the first, second, third and fourth anniversary dates of the A Share registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2021 A Share Incentive Scheme, employees shall not transfer the A Shares which fulfil the unlocking conditions to any third party in any form within six months from each unlocking anniversary date.

For the period ended June 30, 2023, the Group has recorded share-based compensation expenses of RMB10,141,000 (Six months ended June 30, 2022: RMB21,927,000) in relation to the 2021 A Share Incentive Scheme.

2022 A Share Incentive Scheme

On May 31, 2022, the Shareholders have resolved to adopt the 2022 A Share Incentive Scheme, pursuant to which, 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. As a result of (i) resignations or voluntary forfeiture of Restricted A Shares of certain eligible employees, and (ii) the implementation of the 2021 Capitalization of Reserve, the number of Restricted A Shares to be issued by the Company has been adjusted from 1,548,800 A Shares to 2,203,200 A Shares, and the grant price has been adjusted from RMB58.38 per A Share to RMB38.62 per A Share, pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme.

For the period ended June 30, 2023, the Group has recorded share-based compensation expenses of RMB22,799,000 (Six months ended June 30, 2022: Nil) in relation to the 2022 A Share Incentive Scheme.

Share Based Incentive of Subsidiaries

Certain subsidiaries of the Group, whose revenue, profits or total assets accounted for less than 75% of the Company in any of the three preceding financial years, granted share-based incentives to eligible employees to attract and motivate personnel and promote the success of the subsidiaries. The Group recognised share-based compensation expenses of RMB865,000 during the period ended June 30, 2023 (Six months ended June 30, 2022: RMB1,730,000).

22. SHARE OPTION SCHEME (CONTINUED)

The First H Share Award and Trust Scheme

The Company adopted a H share award and trust scheme (the "H Share Scheme"), comprised of the Employee Share Award Plan (the "ESAP") and the Share Bonus Plan, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the H Share Scheme include any individual, being a Director, senior management, key operating team member, employee, or consultant, who is a full-time PRC or non-PRC employee of any members of the Group. The awards under the ESAP shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total options vesting on each anniversary date after the vesting commencement date upon meeting certain sales performance conditions. Awards under the Share Bonus Plan shall be vested in two equal tranches (i.e., 50% and 50% on each anniversary date after the vesting commence date upon meeting certain profit performance conditions). The H Share Scheme was approved in the 2020 third extraordinary general meeting ("EGM") of the Company on December 11, 2020 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Further details of the H Share Scheme are also set out in an announcement of the Company.

In order to operate the H Share Scheme, a trust was established pursuant to the trust deed between the Company and an independent third party (the "Trustee"). The source of the Award Shares under the H Share Scheme shall be H Shares to be acquired by the Trustee through on-market transactions at the prevailing market price. The maximum number of shares may be granted under the H Share Scheme in any case is 11,910,000 H Shares, which is adjusted from 7,940,000 H Shares to 11,910,000 H Shares as a result of 2021 Capitalization of Reserve, representing approximately 0.99% of the Company's total share capital as at the approval date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Set out below are details of three grants under the H Share Scheme.

(1) On December 14, 2020, the 2020 First Grant of the H Share Scheme was approved by the management committee to grant 81 eligible participants 776,100 H shares, and the grant date was December 14, 2020. These granted shares will 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 vesting conditions. For the period ended June 30, 2023, the Group had recorded share-based compensation expenses of RMB4,759,000 (Six months ended June 30, 2022: RMB7,025,000) in relation to the 2020 First Grant.

(2) On April 1, 2022, the 2022 First Grant of the H Share Scheme was approved by the management committee to grant 44 eligible participants 751,110 H shares, in consideration of 2021 Capitalization of Reserve, and the grant date was April 1, 2022. These granted shares will 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 vesting conditions. For the period ended June 30, 2023, the Group had recorded share-based compensation expenses of RMB6,369,000 (Six months ended June 30, 2022: RMB2,129,000) in relation to the 2022 First Grant Plan.

(3) On May 31, 2022, the 2022 Second Grant of the H Share Scheme was approved by the management committee to grant 131 eligible participants 7,588,450 H shares, in consideration of 2021 Capitalization of Reserve, and the grant date was May 31, 2022. These granted shares will 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 vesting conditions. For the period ended June 30, 2023, the Group had recorded share-based compensation expenses of RMB80,403,000 (Six months ended June 30, 2022: RMB14,601,000) in relation to the 2022 Second Grant.

23. CONTINGENT LIABILITIES

As at June 30, 2023 and December 31, 2022, neither the Group nor the Company had any significant contingent liabilities.

24. COMMITMENTS

(a) Capital commitments

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Contracted, but not provided for:		
Property, plant and equipment	**899,378**	1,204,653
Capital contributions payable to associates	**123,439**	125,894
	1,022,817	1,330,547

25. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the six months ended June 30, 2023 and 2022, respectively:

(a) Transactions with related parties:

		Six months ended June 30,	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Entities controlled by the close family members of the directors			
Purchase of raw materials	(i)	**–**	2,573
Rental cost	(ii)	**12,500**	625
Entities in which the directors act as key management personnel			
Provision of pharmaceutical R&D service	(iii)	**26,509**	9,826
Sale of products	(iv)	**248**	70
Rental income	(v)	**59**	59

Notes:

(i) The purchases from related parties were made according to the published prices and conditions similar to those offered to the major customers of the suppliers.

(ii) The rental cost from related parties was an office rent from Ningbo Kanghui Technology Development Co., Ltd..

(iii) The R&D service fees were made according to the price list for similar nature and quantity of services provided to other clients.

(iv) The sales to related parties were made according to the published prices and conditions similar to those offered to the major suppliers of the customers.

(v) The rental income from related parties was an office rent to Kangjun Investment Management (Beijing) Co., Ltd.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel of the Group:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	**6,314**	6,320

(c) Outstanding balances with related parties

As at June 30, 2023, the Group had an outstanding balance with a related party included in contract assets and liabilities amounting to RMB2,185,000 (December 31, 2022: RMB5,108,000) and RMB3,767,000 (December 31, 2022: RMB1,261,000), respectively.

Details of the Group's trade receivables and payables with its related parties as at June 30, 2023 and December 31, 2022 are disclosed in notes 12 and 19 to the financial information.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at June 30, 2023 and December 31, 2022 are as follows:

June 30, 2023		Financial assets at fair value through profit or loss		
Financial assets	**Financial assets at amortised cost RMB'000**	**Equity investments at fair value through profit or loss RMB'000**	**Mandatorily designated as such RMB'000**	**Total RMB'000**
Equity investments at fair value through profit or loss	–	254,976	–	254,976
Financial assets included in other non-current assets	210,469	–	–	210,469
Trade receivables	2,138,257	–	–	2,138,257
Financial assets included in prepayments, other receivables and other assets	114,050	–	–	114,050
Financial assets at fair value through profit or loss	–	–	637,198	637,198
Derivative financial instruments	–	–	–	–
Pledged deposits	36,852	–	–	36,852
Cash and cash equivalents	2,475,879	–	–	2,475,879
	4,975,507	254,976	637,198	5,867,681

26. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,366,722	1,366,722
Trade payables	–	416,502	416,502
Financial liabilities included in other payables and accruals	–	648,317	648,317
Derivative financial instruments	171,548	–	171,548
Convertible bonds -debt component	–	3,872,522	3,872,522
Financial liabilities at fair value through profit or loss	111,129	–	111,129
	282,677	6,304,063	6,586,740

December 31, 2022		Financial assets at fair value through profit or loss		
Financial assets	Financial assets at amortised cost RMB'000	Equity investments at fair value through profit or loss RMB'000	Mandatorily designated as such RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	–	239,048	–	239,048
Financial assets included in other non-current assets	–	–	694,472	694,472
Trade receivables	1,881,882	–	–	1,881,882
Financial assets included in prepayments, other receivables and other assets	–	–	50,890	50,890
Financial assets at fair value through profit or loss	207,957	–	–	207,957
Derivative financial instruments	641,308	–	–	641,308
Pledged deposits	49,255	–	–	49,255
Cash and cash equivalents	1,448,229	–	–	1,448,229
	4,228,631	239,048	745,362	5,213,041

26. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,451,054	1,451,054
Trade payables	–	406,348	406,348
Financial liabilities included in other payables and accruals	–	882,884	882,884
Convertible bond -debt component	–	3,740,919	3,740,919
Financial liabilities at fair value through profit or loss	112,093	–	112,093
Derivative financial instruments	30,035	–	30,035
	142,128	6,481,205	6,623,333

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the non-current portion of interest-bearing bank and other borrowings and debt component of convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at the end of each reporting period were assessed to be insignificant.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the financial assets and liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The following methods and assumptions were used to estimate the fair values:

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

For the fair value of the unlisted equity investments at fair value through profit or loss, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments including forward currency contracts and are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market unobservable inputs.

The fair value of the derivative component of the convertible bonds were measured with reference to valuation report issued by a third party professional valuer.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at June 30, 2023 and December 31, 2022:

	Valuation technique	Significant unobservable inputs (level 3)	Sensitivity of fair value to the input
Equity investments at fair value through profit or loss	Valuation multiples	Average EV/R&D multiple of peers	The higher the multiples, the higher the fair value
Fund investment at fair value through profit or loss – unlisted	Net Asset value of underlying investment	Net Asset value	The higher the net asset value, the higher the fair value
Convertible bonds – embedded derivative component	Binomial model	Expected volatility/ Risk-free rate	The higher the expected volatility, the higher the fair value. The lower risk-free rate, the higher the fair value

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Significant Observable inputs (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000	Total RMB'000
As at June 30, 2023				
Equity investments at fair value through profit or loss	**–**	**–**	**254,976**	**254,976**
Financial assets at fair value through profit or loss	**–**	**637,198**	**–**	**637,198**
	–	**637,198**	**254,976**	**892,174**
As at December 31, 2022				
Equity investments at fair value through profit or loss	19,992	–	219,056	239,048
Derivative financial instruments (assets)	–	50,890	–	50,890
Financial assets at fair value through profit or loss	–	694,472	–	694,472
	19,992	745,362	219,056	984,410

Details of the reconciliation of equity investments at fair value through profit or loss measured at Level 3 fair value measurement are as follows:

Equity investments at fair value through profit or loss – unlisted	**As at June 30, 2023 RMB'000**	As at December 31, 2022 RMB'000
At January 1	**52,711**	31,817
Purchase	**27,696**	20,949
Transferred from an investment in associates to equity investments at fair value through profit or loss	**–**	–
Transferred out	**–**	–
Fair value gain	**–**	–
Exchange realignment	**1,991**	(55)
	82,398	52,711

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value (continued)

Fund investments at fair value through profit or loss – unlisted	**As at June 30, 2023 RMB'000**	As at December 31, 2022 RMB'000
At 1 January	**166,345**	112,521
Purchase	**5,531**	46,840
Fair value gain	**702**	6,984
	172,578	166,345

Liabilities measured at fair value

	Significant Observable inputs (level 1) RMB'000	**Significant observable inputs (level 2) RMB'000**	**Significant unobservable inputs (level 3) RMB'000**	**Total RMB'000**
As at June 30, 2023				
Derivative financial instruments (liabilities)	**–**	**171,548**	**–**	**171,548**
Convertible bonds – Embedded derivative component	**–**	**–**	**111,129**	**111,129**
	–	**171,548**	**111,129**	**282,677**

	Significant Observable inputs (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000	Total RMB'000
As at December 31, 2022				
Derivative financial instruments (liabilities)	–	30,035	–	30,035
Convertible bonds – Embedded derivative component	–	–	112,093	112,093
	–	30,035	112,093	142,128

28. EVENTS AFTER THE REPORTING PERIOD

Grant of restricted A shares under the 2023 A Share Incentive Scheme

On July 7, 2023, the Company has granted a total of 1,444,500 restricted A Shares under the first grant, and 25,800 restricted A Shares under the reserved grant in accordance with the 2023 A Share Incentive Scheme to 282 and 13 eligible employees, respectively, for them to subscribe at the price of RMB28.58 per A share. The granted restricted A shares under the 2023 A Share Incentive Scheme shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares attributed on each anniversary date following the relevant grant date upon meeting certain performance targets. For details, please refer to the announcement of the Company dated July 9, 2023.

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

"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
"2022 A Share Incentive Scheme"	the 2022 Restricted A Share Incentive Scheme of the Company
"2023 A Share Incentive Scheme"	the 2023 Restricted A Share Incentive Scheme of the Company
"2022 Capitalization of Reserve"	the proposed issue of 5 Capitalization Shares for every 10 Shares by way of capitalization of reserve
"2022 Profit Distribution"	the proposed distribution of Dividends
"2022 Profit Distribution Plan"	the 2022 Profit Distribution and 2022 Capitalization of Reserve of the Company for the year ended December 31, 2022
"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
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"Bonds"	Series 1 Bonds and Series 2 Bonds
"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 2022 final dividends to the Shareholders whose names appear on the register of members for the A Shareholders and the H Shareholders at the close of business on July 26, 2023, being the record date for ascertaining the entitlement to dividend on Shares, based on a rule of receiving RMB0.30 per Share held by the Shareholders payable in RMB to the A Shareholders and in HK$ to the H Shareholders
"DMPK/ADME"	drug metabolism and pharmacokinetics/Absorption, Distribution, Metabolism and Excretion
"FDA"	the Food and Drug Administration of the U.S.
"FIH"	first-in-human
"GBP"	British pound sterling, the lawful currency of the United Kingdom
"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)
"Hongfeng Venture"	Ningbo Yufeng Venture Capital Partnership (Limited Partnership) (寧波煜灃創業投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on September 29, 2021
"IND"	Investigational new drug
"Kangjun Investment"	Bayland Capital (Beijing) Co., Ltd. (康君投資管理(北京)有限公司), a limited liability company incorporated in PRC on June 18, 2019

"Kangjun Zhongyuan"	Ningbo Kangjun Zhongyuan Equity Investment Partnership (Limited Partnership) (寧波康君仲元股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 25, 2021
"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Management Measures"	the Management Measures for Share Incentives of Listed Companies
"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 2022 Capitalization of Reserve
"New H Shares"	the new H Shares to be allotted and issued under the 2022 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, which is held as to 88.89% by our Company
"Pharmaron Clinical"	Pharmaron (Chengdu) Clinical Services Co., Ltd. (康龍化成(成都)臨床研究服務有限公司), a company incorporated in PRC on May 27, 2021, which is held as to 81.58% by our Company
"Pharmaron Ningbo Biologics"	Pharmaron (Ningbo) Biologics Co., Ltd. (康龍化成(寧波)生物醫藥有限公司), a limited liability company incorporated in PRC on October 9, 2020, which is held as to 88.89% by our Company
"PRC"	the People's Republic of China
"R&D"	research and development
"Reporting Period"	the six months ended June 30, 2023
"Restricted A Shares"	the restricted A Shares granted by our Company under the respective 2019 A Share Incentive Scheme, 2021 A Share Incentive Scheme, 2022 A Share Incentive Scheme and 2023 A Share Incentive Scheme
"RMB"	Renminbi, the lawful currency of the PRC
"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)
"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
"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
"U.K."	the United Kingdom
"U.S."	the United States
"%"	per cent.

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