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

2024 INTERIM REPORT

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 more than 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. HU Baifeng (胡柏風)
Mr. LI Jiaqing (李家慶)

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. HU Baifeng (胡柏風)
Mr. LI Jiaqing (李家慶)
Mr. ZHOU Qilin (周其林)

COMPANY SECRETARY

Mr. YIM Lok Kwan *(appointed on Apr 25, 2024)*
Ms. MAK Po Man Cherie (麥寶文) *(ceased on Apr 25, 2024)*

AUTHORIZED REPRESENTATIVES

Mr. LOU Xiaoqiang (樓小強)
Mr. YIM Lok Kwan *(appointed on Apr 25, 2024)*
Ms. MAK Po Man Cherie (麥寶文) *(ceased on Apr 25, 2024)*

AUDITOR

Ernst & Young

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
O'Melveny & Myers

31st Floor, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law:
Zhong Lun Law Firm

23-31/F, South Tower
of CP Center, 20 Jin He East Avenue
Chaoyang District
Beijing 100022
P.R China

REGISTERED OFFICE IN THE PRC

8th Floor, Block 1
6 Tai-He Road
Beijing Economic Technological Development Area
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

TRICOR INVESTOR SERVICES LIMITED
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

3759

COMPANY WEBSITE

www.pharmaron.com

Financial Highlights

	Six months ended June 30,		
	2024	2023	Change
	RMB'000	RMB'000	%
Revenue	**5,604,463**	5,640,118	(0.6)
Gross profit	**1,848,051**	2,037,441	(9.3)
Profit attributable to owners of the parent	**1,113,403**	786,093	41.6
Non-IFRSs adjusted net profit attributable to owners of the parent	**690,266**	931,852	(25.9)
Net cash flows generated from operating activities	**1,099,735**	1,280,205	(14.1)

- During the Reporting Period, the Group recorded aggregate revenue of approximately RMB5,604.5 million, representing a decrease of approximately RMB35.7 million, or 0.6%, as compared to the six months ended June 30, 2023.

- During the Reporting Period, the profit attributable to owners of the parent was approximately RMB1,113.4 million, representing an increase of approximately 41.6% as compared to the six months ended June 30, 2023.

- During the Reporting Period, the net cash flows generated from operating activities was approximately RMB1,099.7 million, representing a decrease of approximately 14.1% as compared to the six months ended June 30, 2023.

- The Board resolved not to declare any interim dividend for the six months ended June 30, 2024.

A. BUSINESS REVIEW

1. Principal Business

The Company is a leading fully-integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for our customers, providing fully-integrated drug research, development and manufacturing services throughout the research and development cycle. The Company has 21 R&D centers and manufacturing facilities across China, the U.K. and the U.S., and keeps strengthening the integration of its service offerings both vertically and horizontally, continuously investing in building new service capabilities and improving management efficiency to meet the needs of the market and customers. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is strengthening the integration of different disciplines at the same pharmaceutical R&D stages, improving the science and technology of each discipline, expanding the service offerings, and promoting the interdisciplinary collaborations. The Company has built a fully-integrated service platform for small molecule drugs, biologics and CGT products, and is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities. In addition, the Company will continue develop the global footprints of its service platform to provide customers with interdisciplinary and global service solutions, making full use of the Company's global scientific research talent network to meet customers' regional strategic needs.

B. FINANCIAL REVIEW

1. Overall Operation Results

In the first half of 2024, the Company realized revenue of RMB5,604.5 million, representing a decrease of 0.6% compared to the same period of last year; among them, in the second quarter of 2024, with the gradual recovery of the global biotech funding, the Company realized revenue of RMB2,933.7 million, representing an increase of 9.9% over the first quarter of 2024. The Company's global customer

inquiries and visits have recovered compared to the same period of time in 2023, and the amount of new orders has increased by more than 15% year over year. During the Reporting Period, the Company obtained the profit attributable to owners of the parent of RMB1,113.4 million, representing an increase of 41.6% over the same period of last year. With the comprehensive impact of slightly decreased revenue, increased recruiting in the second half of 2023, increased syndicated loans at the end of 2023, and the operation of newly production capacity at the end of 2023 and during the Reporting Period, the Company obtained the non-IFRSs adjusted net profit attributable to owners of the parent of RMB690.3 million, representing a decrease of 25.9% compared to 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, adhering the highest international quality standards, using state-of-the-art R&D and production technologies, and seamless collaborations among teams in China, the U.K. and the U.S., the Company has effectively met the diverse needs of global customers across different R&D stages. In the first half of 2024, the Company served more than 2,200 global customers, of which customers using the continuous services of multiple business segments of the Company contributed revenue of RMB3,987.9 million, accounting for 71.2% of the Company's revenue. During the Reporting Period, the Company added over 360 new customers, contributing revenue of RMB161.2 million, accounting for 2.9% of the Company's revenue. The existing customer contributed revenue of RMB5,443.2 million, accounting for 97.1% of the Company's revenue.

Categorized by customer types, during the Reporting Period, the revenue from the global top 20 pharmaceutical companies was RMB789.2 million, with a decrease of 7.2% compared to same period of last year, accounting for 14.1% of its total revenue; the revenue from other customers was RMB4,815.3 million, with an increase of 0.5% compared to same period of last year, accounting for 85.9% of its total revenue. Categorized by regions where the customers are located, during the Reporting Period, the revenue from customers in North America was RMB3,668.2 million, with a decrease of 0.2% compared to same period of last year, accounting for 65.5% of its total revenue; the revenue from customers in EU (including the U.K.) was RMB945.6 million, with an increase of 10.0% compared to same period of last year, accounting for 16.9% of its total revenue; the revenue from customers in China Mainland was RMB842.6 million, with a decrease of 13.2% compared to same period of last year, accounting for 15.0% of its total revenue; and the revenue from customers in other regions was RMB148.1 million, with an increase of 10.6% compared to same period of last year, accounting for 2.6% of revenue of its total revenue.

The Company continued to bring in high-level domestic and overseas talents and enhance its global capabilities and capacities to support its growing business. As of June 30, 2024, the total number of employees reached 20,342, including 18,241 R&D, production technology and clinical services staff, accounting for 89.7% of the total number of employees in the Company. With the expansion of its global footprint, the Company owns 11 operating facilities and has more than 1,700 employees in the U.K. and the U.S.. In the first half of 2024, the delivered revenue of the overseas subsidiaries was RMB736.8 million, representing an increase of 4.0% over the same period of last year, accounting for 13.1% of its total revenue.

In June 2024, the Company's Science Based Targets were officially approved by SBTi (Science Based Target initiative), signifying that the Company will actively pursue actions to reduce carbon emission in its own operations and supply chain. In the first half of 2024, in response to the initiative of green energy transformation of the pharmaceutical and medical industry, the Company joined the Health Working Group of the Sustainable Markets Initiative (SMI) China Council, and worked together with value chain partners of the industry to make concerted efforts

for energy saving and emission reduction. In response to the national call to promote the use of renewable energy, the Company has launched renewable energy pilots in domestic and overseas sites and has set up green power procurement channels in advance, while renewable energy certificates would also be procured. Through these efforts, carbon emissions will be effectively reduced, and the proportion of renewable energy use will be increased. In addition, the Company carried out a Diversity, Equality, and Inclusion (DEI) project in the first half of 2024 to comprehensively sort out the Company's human rights and labor risks based on the Company's management enhancements, the capital market concerns and clients expectations. Accordingly, the Company has carried out DEI enhancements, including the establishment of DEI management structure, improvement of labor and human rights related policies and management systems, and strengthening the Company's occupational health and safety management in accordance with the requirements of the ISO 45001 Occupational Health and Safety Management System, to comprehensively enhance the company's performance in labor aspects. Meanwhile, the Company has continued to strengthen the DEI construction of its supply chain, formulated the Supplier Diversity and Inclusion Policy, set the objectives of diversified supply chain and procurement process, expanded the supplier network, reduced the reliance on a single source of supply, and improved the resilience of the Company's supply chain. In the newly released (April 30, 2024) SNSI (Sino-Securities Index) ESG Rating of A-share listed companies, the Company was awarded AA grade, and was also selected as one of the 2024 Top 100 A-share Listed Companies in ESG Excellence and 2024 Top 20 A-share Listed Companies in Best Practices in Corporate Governance (G) Dimension.

2. Operation results of each business segment

(1) Laboratory services

During the Reporting Period, the laboratory services segment realized revenue of RMB3,371.2 million, with a decrease of 0.3% compared to same period of last year; in the second quarter of 2024, the segment's revenue reached RMB1,766.6 million, with an increase of 10.1% compared to the first quarter of 2024; a gross margin of 44.0% in the first half of 2024, with a slightly decrease of 0.8 percentage points compared to same period of last year. In the second quarter of 2024, as a result of increased revenue, the gross margin reached 44.3%, with an increase of 0.7 percentage points compared to the first quarter of 2024. With the gradual recovery of the global biotech funding, during the Reporting Period, the amount of new orders for laboratory services has increased by more than 10% over the same period of last year. The Company's laboratory chemistry services maintained its sustainable competitiveness and market share. The bioscience services continued to realize synergies with laboratory chemistry services, and actively explored business opportunities in oligonucleotides, peptides, antibodies, ADCs, and cell and gene therapies. In the first half of 2024, the proportion of bioscience services in laboratory services revenue exceeded 53%. The Company continued to contribute to the global innovative drug R&D, and participated in 666 drug discovery projects during the Reporting Period, representing an increase of 16 projects over the same period of last year.

As of June 30, 2024, the Company had 9,377 employees engaged in laboratory services. The Company has nearly 6,000 laboratory chemists and technicians in laboratory chemistry services, being one of the world's leading laboratory chemistry groups in terms of size and expertise. The Company has leveraged its years of accumulated experience and expertise in synthetic chemistry to create a unique database for training AI model. The AI model can help to predict optimal conditions and discover new synthetic routes, improving the productivities of its services. During the Reporting Period, the Company's bioscience team continued to improve its technical capability and expand its service offerings. In addition to small molecule drugs, the Company further strengthened its bioscience services for new modalities, including oligonucleotides, peptides, antibodies, ADCs and CGT products, and made good progress. The Company also streamlined and standardized its preclinical, clinical and radiolabelled ADME/DMPK services in China, the U.K. and the U.S., to better support the customers' drugability studies across different regions.

During the Reporting Period, the Campus III in Ningbo had been gradually put into operation, which had increased the Company's service capacities in safety assessment, DMPK and *in vivo* pharmacology. Among them, the drug safety assessment laboratory has received China GLP certification in July 2024. Meanwhile, the Company continued to advance the construction of the Xi'an Campus and the Campus II in Beijing, to support the mid-to-long term development of laboratory services.

(2) CMC (small molecule CDMO) services

During the Reporting Period, the CMC (small molecule CDMO) services realized revenue of RMB1,175.7 million, with a decrease of 6.0% compared to the same period of last year; in the second quarter of 2024, the segment's revenue reached RMB593.6 million, with an increase of 2.0% compared to the first quarter of 2024; a gross margin of 27.8% in the first half of 2024, with a decrease of 4.4 percentage points compared to same period of last year, mainly due to the combined effects of an increase in the number of employees compared to the same period of last year, certain modules in Shaoxing facility were transferred from construction in progress into fixed assets at the end of 2023, and impact of project delivery schedule. In the second quarter of 2024, as a result of increased revenue, the gross margin of the segment reached 28.3%, with an increase of 1.0 percentage points compared to the first quarter of 2024. With the gradual recovery of customer demand and existing projects advance toward later development stages, during the Reporting Period, the Company's new orders for CMC (small molecule CDMO) services increased by more than 25% over the same period of last year, and it is expected that the revenue in the second half of 2024 will increase compared to the first half of 2024.

As of June 30, 2024, the Company had 4,228 employees in CMC (small molecule CDMO) services. With the seamless integration of the Company's fully-integrated R&D service platform and the coordination of different service segments, approximately 78% of CMC (small molecule CDMO) services revenue came from the Company's existing customers of drug discovery services. In terms of process development, more than 2,000 process development chemists of the Company in China and more than 200 process development chemists of the Company in the U.K. worked closely together to provide customized services for global

customers with state-of-the-art technology. In terms of manufacturing, the Company's manufacturing 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 pipeline reached 695 molecules or intermediates, including 16 projects in process validation and commercialization stage, 19 projects in Phase III clinical trials, 162 projects in Phase I-II clinical trials, and 498 projects in preclinical stage. The number of projects in process validation and commercialization stage declined year-over-year because some of the generic drugs in the Cramlington facility were not produced during the Reporting Period. As the Company's CDMO pipeline continued to advance towards late stage, the number of innovative drug projects in process validation and commercialization stage increased year-over-year. During the Reporting Period, an innovative drug that the Company produced for its customer obtained NMPA approval, and became the Company's first commercial drug product manufacturing project. In August 2024, another innovative drug developed by the Company for its customer also obtained NMPA approval, and marked a new milestone for the Company's drug product commercial manufacturing services.

As the core pillar of the Company's CMC (small molecule CDMO) services, the Company is committed to the continuous improvement of its quality of services. The Company strictly adheres to the highest international quality standards and has laid a solid foundation for the further development of its CMC (small molecule CDMO) services by continuously strengthening its quality management systems. The Company's QA team provides customers with a variety of flexible auditing methods, including remote online audit and a combination of online and on-site audits. During the Reporting Period, the Company received 63 QA audits (including 2 audits by regulatory authorities and 61 customer audits), and passed all the audits. Among them, the Company's Shaoxing facility received 7 QA audits. The Company's API manufacturing facility located at Campus I in Ningbo received the on-site inspection by Ningbo Market Supervision and Administration Bureau in February 2024. The Company has successfully passed the inspection and obtained the certificate for exporting APIs to the EU issued by Zhejiang Drug Administration, which fully validated its CMC (small molecule CDMO) services quality management system.

(3) Clinical development services

During the Reporting Period, the clinical development services segment realized revenue of RMB843.3 million, with an increase of 4.7% compared to the same period of last year; in the second quarter of 2024, the segment's revenue reached RMB451.7 million, with an increase of 15.4% compared to the first quarter of 2024; a gross margin of 12.6% in the first half of 2024, with a decrease of 4.4 percentage points compared to the same period of last year, mainly due to revenue mix of different projects and competitions in the China market, which resulted in temporary pressure on the gross margin of the segment. In the second quarter of 2024, as a result of increased revenue, the gross margin reached 15.4%, representing an increase of 6.1 percentage points over the first quarter of 2024.

As of June 30, 2024, the Company had 3,899 employees in clinical development services. Pharmaron Clinical has established an integrated clinical trial service platform in China, an independent early clinical R&D center with 96 beds in Maryland, the U.S., and an integrated

platform of "radioisotope compound synthesis-clinical-analysis" in the U.K. and the U.S.. Pharmaron Clinical's domestic and overseas teams work closely to help overseas customers develop their products in China and help China customers develop their products overseas.

Benefiting from the synergy of the Company's fully-integrated platform and the increasing customer recognitions of Pharmaron Clinical, the Company has continued to increase its number of projects and gain market share. During the Reporting Period, the Company's clinical CRO team provided services to 1,112 ongoing projects, including 77 projects in Phase III clinical trials, 409 projects in Phase I/II clinical trials, and 626 other clinical trials (including Phase IV clinical trials, investigator-initiated trials and real-world evidence trials). In the field of clinical research site management services, the Company's SMO team provided services to over 1,500 ongoing projects. Its CRC team covered over 650 hospitals and clinical trial centers in over 140 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 RMB211.2 million, with an increase of 5.5% compared to the same period of last year; in the second quarter of 2024, the segment's revenue reached RMB119.8 million, with an increase of 31.0% compared to the first quarter of 2024; a gross margin of -31.4% in the first half of 2024, mainly due to the Biologics and gene therapy CDMO business was in the investment stage, and the Biologics CDMO platform at the Campus II in Ningbo was partially put into operation in the first half of 2024, which resulted in increased operating costs and depreciation than that of the same period last year.

As of June 30, 2024, the Company had 737 employees in Biologics and CGT services. During the Reporting Period, the Company provided analytical release testing services to 21 CGT products at various stages from 17 customers, including 9 potency assays for clinical studies and 2 potency assays for commercial manufacture. For the safety assessment services, the Company had 12 GLP and non-GLP toxicology studies for CGT products either had been completed or were in progress. In terms of gene therapy CDMO services, the Company's laboratories and facilities in Liverpool, the U.K. offered customers a scalable and approvable multiple AAV production platform, and further expanded its service capabilities for other advanced modalities. During the Reporting Period, the Company had 11 projects across different service offerings and R&D stages, including 1 Phase III projects, 6 Phase I/II projects, and 4 preclinical projects. In terms of biologics CDMO services, the Company is currently providing process development services to a customer's innovative bispecific antibody in IND enabling stage. The Company's biologics CDMO platform at the Campus II in Ningbo has been partially put into operation in the first half of 2024 and started to provide GMP manufacturing services.

During the Reporting Period, the Company's specialty toxicology *in vivo* laboratory in Carlsbad, California was partially put into operation and start to provide services to CGT products, ophthalmology products, and medical devices. This laboratory is equipped with state-of-the-art instrumentation that can support the totality of specialty CGT toxicology studies from formulation preparation/cell culture capabilities to imaging modalities for sophisticated in life dosing/sampling techniques, and bioanalysis.

3. Profit in the Reporting Period

The profit attributable to owners of the parent in the Reporting Period was approximately RMB1,113.4 million, increased by 41.6% as compared to approximately RMB786.1 million for the six months ended June 30, 2023.

4. Basic and Diluted Earnings Per Share

The basic earnings per share was RMB0.6282, increased by 41.4% as compared to RMB0.4442 for the six months ended June 30, 2023. The diluted earnings per share was RMB0.6271, increased by 41.4% as compared to RMB0.4436 for the six months ended June 30, 2023.

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, 2024 RMB'000 (unaudited)	Six months ended June 30, 2023 RMB'000 (unaudited)
Profit attributable to owners of the parent	**1,113,403**	786,093
Add:		
Share-based compensation expenses	**65,711**	109,931
Convertible Bonds related (gains)/losses	**(6,686)**	56,873
Foreign exchange related losses/(gains)	**5,094**	(4,039)
Realized and unrealized gains from equity investments	**(531,272)**	(17,006)
One-off loss made by Pharmaron Shanghai Co., Ltd. due to the business close	**44,016**	–
Non-IFRS adjusted net profit attributable to owners of the parent	**690,266**	931,852

6. Cash Flows

During the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB1,099.7 million, representing a decrease of approximately RMB180.5 million or 14.1% as compared to the six months ended June 30, 2023.

During the Reporting Period, net cash flows used in investing activities of the Group amounted to approximately RMB10.6 million, representing a decrease of approximately RMB807.3 million or 98.7% as compared to the six months ended June 30, 2023. The decrease was mainly due to the disposal of equity interests in the Group's investment in Proteologix during the Reporting Period.

During the Reporting Period, net cash flows used in financing activities of the Group amounted to RMB4,653.0 million, representing an increase of RMB5,294.5 million or 825.4% as compared to the six months ended June 30, 2023. The increase was mainly due to: 1) the repurchased of Convertible bonds, payment of cash dividends and the repurchased of A Shares of the Company during the Reporting Period; 2) in the same period of last year, cash generated from the capital injection from minority Shareholders for amount of RMB860.0 million, 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, 2024, the Group's cash and cash equivalents amounted to approximately RMB2,283.2 million. During the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB1,099.7 million.

The Group recorded total current assets of approximately RMB7,071.2 million as at June 30, 2024 (December 31, 2023: approximately RMB10,874.4 million) and total current liabilities of approximately RMB3,910.7 million as at June 30, 2024 (December 31, 2023: approximately RMB3,654.5 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, 2024 (December 31, 2023: approximately 3.0).

8. Borrowings and Gearing Ratio

As at June 30, 2024, the Group aggregated interest-bearing bank borrowings of RMB5,179.1 million. Among the total borrowings, RMB852.0 million will be due within one year and RMB4,327.1 million will be due after one year.

As at June 30, 2024, the gearing ratio, calculated as total liabilities over total assets, was 40.5%, as compared with 50.0% as at December 31, 2023.

9. Pledge of Assets

As at June 30, 2024, the Group mortgaged property, plant and equipment with a net carrying amount of approximately RMB670.7 million (December 31, 2023: approximately RMB691.7 million); and the mortgaged right-of-use assets had a net carrying amount of approximately RMB126.9 million (December 31, 2023: approximately RMB128.3 million).

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

Besides, as at June 30, 2024, the Group pledged deposits of approximately RMB117.7 million (December 31, 2023: approximately RMB127.7 million) to issue letters of credit, environmental protection and others.

10. Contingent Liabilities

As at June 30, 2024, the Group did not have any material contingent liabilities.

11. Miscellaneous

(1) 2023 Profit Distribution

On June 6, 2024, the 2023 Profit Distribution of the Company was approved at the annual general meeting of the Company. Pursuant to the 2023 Profit Distribution, the Company has paid a cash dividend of RMB0.2 (inclusive of tax) for per Share to the Shareholders whose names appear on the H shares register of members of the Company on July 8, 2024. For details, please refer to the circular of the Company dated May 14, 2024.

(2) Repurchase, cancellation, redemption and delisting of the Convertible Bonds

In January 2024, the Company repurchased and cancelled an aggregate principal amount of US$79.6 million of the Series 1 Bonds and an aggregate principal amount of RMB865.0 million of the Series 2 Bonds, with the rights to convert into 5,598,263 H Shares and 10,402,787 H Shares of the Company, representing approximately 26.5% and 45.1% of the aggregate principal amount of the Series 1 Bonds and the Series 2 Bonds originally issued, respectively. The aggregate consideration payable for the repurchase of such bonds were approximately US$77.6 million and US$123.9 million, respectively. For details, please refer to the announcements of the Company dated January 12, 2024 and January 15, 2024.

Pursuant to the terms and conditions of the Series 1 Bonds, the Bondholders holding an aggregate principal amount of US$218.9 million of the Series 1 Bonds, representing approximately 73.0% of the aggregate principal amount of the Series 1 Bonds originally issued and approximately 99.3% of the current outstanding principal amount of the Series 1 Bonds, have exercised their option to require the Company to redeem all their Series 1 Bonds, and the Company repurchased all such Series 1 Bonds on June 18, 2024. As of June 30, 2024, all such Series 1 Bonds has been redeemed and cancelled, and the outstanding principal amount of Series 1 Bonds after the redemption is US$1.5 million. The aggregate consideration payable for the redemption of such bonds were US$218.9 million. For details, please refer to the announcement of the Company dated June 19, 2024.

Pursuant to the terms and conditions of the Series 2 Bonds, the Bondholders holding an aggregate principal amount of RMB1,051.0 million of the Series 2 Bonds, representing approximately 54.9% of the aggregate principal amount of the Series 2 Bonds originally issued and all outstanding principal amount of the Series 2 Bonds, have exercised their option to require the Company to redeem all their Series 2 Bonds, and the Company redeemed all such Series 2 Bonds on June 18, 2024. As of June 30, 2024, all Series 2 Bonds have been redeemed and cancelled and no Series 2 Bonds remain outstanding. The aggregate consideration payable for the redemption of such bonds were approximately US$151.2 million. The Company applied to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the Series 2 Bonds. Such withdrawal of listing became effective upon the close of business on June 26, 2024. For details, please refer to the announcement of the Company dated June 19, 2024.

On July 4, 2024, the Company has voluntarily repurchased and cancelled all the outstanding principal amount of the Series 1 Bonds in the amount of US$1.5 million in accordance with the terms and conditions of the Series 1 Bonds. The aggregate consideration payable for the repurchase of such bonds were US$1.5 million. As of the date of this interim report, all Series 1 Bonds have been cancelled and no Series 1 Bonds remain outstanding. The Company applied to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the Series 1 Bonds. Such withdrawal of listing became effective upon the close of business on July 11, 2024. For details, please refer to the announcement of the Company dated July 4, 2024.

(3) Connected Transaction in relation to the Investment in the Yongxin Kangjun Fund

On April 8, 2024, Kangjun Investment (as the General Partner) and eight Limited Partners, namely, the Company, Beijing Xinyuan Zhikang, Ningbo Yongxin, Ningbo Yongqian, Ningbo Yongcai, Zhuhai Gaoke, Shanghai Model and Mr. Yu Yuejiang (郁岳江) entered into the Limited Partnership Agreement in relation to the investment in the Yongxin Kangjun Fund. Pursuant to the Limited Partnership Agreement, the Company would pay a capital contribution of RMB280.0 million and act as a Limited Partner of the Yongxin Kangjun Fund. As at the date of the Limited Partnership Agreement, each of Kangjun Investment and Beijing Xinyuan Zhikang was a connected person of the Company. Therefore, the Company's investment in the Yongxin Kangjun Fund alongside Kangjun Investment and Beijing Xinyuan Zhikang constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated April 8, 2024.

(4) Change of Company Secretary, Authorised Representative and Process Grant

On April 25, 2024, Mr. Yim Lok Kwan was appointed as the Company Secretary, the Authorised Representative and the Process Agent upon the resignation of Ms. Mak Po Man Cherie. For details, please refer to the announcement of the Company dated April 25, 2024.

(5) Amendments to the Articles of Association

On June 6, 2024, 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 changes of relevant laws and regulations, and in order to incorporate certain housekeeping amendments, among others. For details, please refer to the announcement of the Company dated March 28, 2024 and the circular of the Company dated May 14, 2024.

(6) Disposal of Equity Interests in Overseas as Minority Investment of the Company

During the Reporting Period, PROTEOLOGIX, INC. (hereinafter referred to as "PROTEOLOGIX") a company in which the Company holds a minority interest, was acquired by Johnson & Johnson by way of a merger. The Company consented to the merger having taken into account factors including PROTEOLOGIX's technical capabilities and operating conditions. The Company cooperated with PROTEOLOGIX in the transfer of all of its equity interests in PROTEOLOGIX held directly by a subsidiary of the Company for consideration of approximately US$102 million. On June 21, 2024, Johnson & Johnson completed the merger of PROTEOLOGIX, and the Company received the payment of US$86.195 million (after deducting relevant transaction fees and making relevant adjustments). The milestone payment will be paid upon achievement of certain milestone in accordance with the Merger Agreement.

(7) Acquisition of Control of Shanghai JiYing

The Company has been investing significantly in the development of its sustainable technology platform and promoting innovation, making sure that the science and technology developed in Pharmaron is in line with the advancement of current and future new drug discovery and development in the biopharmaceutical industry, as well as continuously investing in cultivating and developing technological capabilities from AI. During the Reporting Period, the Company signed relevant agreements to acquire approximately 78.5% equity interest in Shanghai JiYing AI TECH Co., Ltd. with a total consideration of RMB43.0 million in the form of equity purchase and capital increase. In July 2024, according to the agreements, the Company completed the first closing of equity purchase and obtained control over Shanghai JiYing. Shanghai JiYing has been deeply involved in the field of AI and frontier technologies for many years and holds a competitive advantage. This acquisition is expected to further promote

the digital transformation of the Company's services, empower business segments, significantly improve work efficiency, and achieve the effect of reducing costs and increasing efficiency.

(8) Additional Investment in PharmaGend

On 2 August 2024, all shareholders of PharmaGend signed the Share Subscription Agreement and agreed to jointly invest an additional US$20 million in PharmaGend in proportion to their respective shareholdings. Among them, Pharmaron (Hong Kong) International Limited, a wholly-owned subsidiary of the Company holding 35% equity interest in PharmaGend, shall invest an additional US$7 million in PharmaGend. After the completion of this additional investment, the shareholding ratio of each shareholder in PharmaGend remains unchanged, and the Company still holds 35% equity interest in PharmaGend.

(9) Additional Investment in AstraZeneca Fund

During the Reporting Period, the Company reached a comprehensive strategic cooperation with Astrazeneca Investment (China) Co., Ltd. ("AstraZeneca China") in respect of integrated services for R&D, commercialization and manufacturing throughout the entire process of drug discovery, preclinical and clinical development, including small molecules, biologics and CGT drugs, as well as investment in the field of innovative drug R&D. Meanwhile, based on the positive role of Wuxi AstraZeneca-CICC Venture Capital Partnership (Limited Partnership) ("AstraZeneca Fund"), one of AstraZeneca China's innovative "three pillars", in promoting China's innovative drug industry, the Company signed the Agreement on the Transfer of the Share of the Property of Wuxi AstraZeneca-CICC Venture Capital Partnership (Limited Partnership) (《關於無錫阿斯利康中金創業投資合夥企業(有限合夥)之財產份額轉讓協議》) with the relevant parties on August 16, 2024 to acquire the AstraZeneca Fund partnership interest held by Jiangsu Yuyue Medical Equipment & Supply Co., Ltd. and Shanghai Zhengxingu Investment Management Co., Ltd. for a consideration of RMB0. The Company subscribed for but has not yet paid the total of RMB91 million AstraZeneca Fund commitment held by Jiangsu Yuyue Medical Equipment & Supply Co., Ltd. and Shanghai Zhengxingu Investment Management Co., Ltd.. After this additional investment, the Company's commitment to AstraZeneca Fund amounted to RMB191 million, accounting for 8.46% of the total contribution to AstraZeneca Fund.

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. Industry-leading fully-integrated pharmaceutical R&D services platform with strong capabilities and provides comprehensive service offerings for customers across the globe

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

The Company has established comprehensive expertise in different R&D stages, so as to assist customers in accelerating their R&D programs and cater to a full spectrum of customers' needs. With our professional project management capabilities, we are able to utilize our full integrated services platform to cater for the customers' needs. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is strengthening the integration of different disciplines at the same pharmaceutical R&D stages, improving the science and technology of each discipline, expanding the services offering, and promoting the interdisciplinary collaborations. With the integration and collaboration between our discovery and development service plat forms, 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, process chemistry, GMP API manufacturing, and formulation development and 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. By providing R&D services for the compound synthesis process, and 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 service provider that offers integrated pharmaceutical R&D solutions, which cover radioisotope compound synthesis and human ADME studies using regular isotope analysis technology or high-sensitivity AMS technology. In addition, the Company has established a comprehensive global service network for ADME/DMPK studies, and further strengthen its leading position in discovery and development DMPK services.

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

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

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

(4) Fully-integrated clinical development services in China

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

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

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

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

In recent years, with the rapid advancement of gene and cell therapy technologies and their application for rare and incurable diseases as well as vaccines that have had significant impact on public health systems, the R&D of cell therapies, gene therapies and disease prevention methods are flourishing.

These gene therapies and cell therapies products play an irreplaceable role in the global medical and public health systems. Through acquisition and integration of related resources and platforms, the Company has initially built an integrated services platform of "laboratory testing – IND enabling – process development and manufacturing" for gene therapy products, including a comprehensive and industry leading analytical platform for biologics and CGT products that are in compliance with ICH guidelines of GLP/GCP/GMP in the U.S., and an integrated platform for the development and GMP manufacturing of gene therapy products in the U.K.. By combining both the analytics and CMC platforms in gene therapy products with our safety assessment center which has been inspected and/or certified for GLP compliance by NMPA, FDA and OECD regulatory authorities, the Company offers customers a complete preclinical IND enabling solution for CGT products, as well as clinical testing material manufacturing and clinical sample analysis services for CGT products.

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

The Company operates globally through our 21 operating facilities, clinical and manufacturing facilities in China, U.K., and U.S., of which 11 operating facilities are located overseas. The Company's profound experience in global pharmaceutical R&D, together with its global operations and world-class technical capabilities offers our customers a unique value proposition and customized solutions that combines our technical expertise in different geographic locations and efficient services with seamless integration.

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

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

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

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

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

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

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

The Company's management team is led by Dr. LOU Boliang, our chairman and chief executive officer. With over 30 years of experience in the pharmaceutical industry, he is highly respected in the industry for his excellent leadership that contributes to the Company's rapid development. The Company's senior management team has been with us for more than 10 years. The Company has more than 100 senior scientific and technical leaders, 2 of whom were named as National Talents and 15 of who were named as Beijing Talents. Members of our highly skilled, experienced and international management team possess diverse expertise and extensive knowledge, and have significantly contributed to the growth of the Company's institutional knowledge base. The Company focuses on its homegrown scientific team consisting of selected, young and promising scientists, which enables us to form a cohesive and vibrant mid-level management team composed of over 3,300 technical managers and high-calibre scientific research talents across all scientific disciplines of the Company. In addition, the Company's visionary management team has established a highly experienced and skilled talent pool with strong execution efficiency. As of June 30, 2024, the Company had over 18,241 R&D, production technology and clinical services staff in China, U.K. and U.S.. The highly professional technical team ensures the Company's continuous provision of high-quality R&D

services for customers. The open platform for talent development ensures that the Company will continuously attract talents from around the globe.

The Company is committed to its corporate philosophy of "Employee First and Customer Centric" which put strong emphasis on employee training and improves all mechanisms so as to integrate their career development into the Company's overall development strategy.

In order to develop and train our talents, the Company provides training to our employees through our in-house training system including the "Pharmaron College", visiting scholar programs at renowned laboratories and institutions and holds various seminars, forums and academic symposiums regularly, through which our team members acquire updates on the most advanced technology and techniques of the industry. In addition, the Company has developed training programs with the world renowned universities and research institutes for high-calibre scientific research talent. The above measures have greatly improved the scientific research capabilities and cohesion of the Company and its employees. Furthermore, the Company 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 2024, the Company introduced over 360 new customers, with over 97% 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 the Company to develop new services in drug development and at the early clinical stage.

The Company benefits from its strategic partnership with specific customers. Through knowhow sharing and training provided during our deep collaboration with these customers, the Company is able to further improve technical capabilities and enhance service excellence, thereby creating a virtuous cycle. With our strong technical expertise, advanced 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 2024

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.

The global biotech funding has shown signs of recovery, and the demand of CRO/CDMO services is expected to improve gradually. The long-term industry fundamentals for global and China pharmaceutical R&D and manufacturing remain intact, and the investment is expected to maintain steady growth. In 2023, the global investments and the financial market experienced dramatic fluctuation, and the biopharmaceutical industry entered a major restructuring phase, resulting in a temporary slowdown of the growth of CRO/CDMO industry. During the Reporting Period, the global biotech funding started to head to recovery, followed by early signals of improved customer demand, which are expected to drive the growth of investment in new drug R&D. The pursuit of health and longevity is eternal. With the accelerated growth of the aging population globally, the expansion of the chronic disease patient 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 midsized 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 basically completed the establishment and integration of services platforms for clinical development services, biologics and CGT products. For the small molecule integrated R&D service platform,

through continued expanding and training our talent pools, investing in cutting-edge technologies, upgrading our service capabilities and strengthening the management capabilities for global multidisciplinary collaborations, the Company will further improve the fully-integrated services platform and provide customers with tailored, more flexible and efficient solutions. Cater to the specific needs of domestic and oversea customers, the Company establishes multi-disciplinary and collaborative services teams for customers in a timely manner to address customers' R&D needs, so as to help customers successfully and efficiently advance their pharmaceutical R&D programs. For the new therapeutic modalities such as biologics and CGT products, the Company will leverage its existing strengths to actively expand its customer base, gradually enhance its business scale and operational management efficiency, giving into play the role of a global end-to-end and integrated service platform for biologics and CGT products as the pillar of the Company's overall business. In the clinical development services segment, the Company will further promote the cooperation between teams in China and the U.S., while enhancing its integrated clinical services platform. The Company is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities.

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

3. Main operational plan of the Company for the second half of 2024

During the Reporting Period, the global biotech funding started to head to recovery, followed by early signals of improved customer demand. In the second half of 2024, the Company will continue to adhere to the growth strategy of "end-to-end, fully integrated and global", and is committed to providing customers with better services and winning more market share. The Company will focus on the following tasks:

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

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

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

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

   After years of efforts, the Company has built a small molecule pharmaceutical R&D and manufacturing service platform broadly covering the full process from drug discovery to preclinical and clinical development. In the second half of 2024, the Company will continue to deepen its efforts in

strengthening its leading position in small molecule R&D services and further enhance its competitiveness globally. In addition, the Company will continue to expand and deepen its service offerings in new modalities including oligonucleotides, peptides, antibodies, ADC, and CGT products, and promote the diversification of its integrated platform.

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

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

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

Through a series of integration, the clinical development service platform in China will further strengthen the clinical development service capability of each subsidiary and department and enhance team cohesion. Overseas clinical services extend to clinical development services for patients with oncology and non-oncology diseases, based on the consolidation and enhancement of early-stage clinical trial services focusing on healthy volunteers. In the second half of 2024, while driving the continuous improvement of the integrated clinical service platform, the Company will further promote the cooperation between teams in China and the U.S., and help overseas customers develop their products in China and help China customers develop their products overseas.

4. *Continue improving biologics and CGT services platform*

For the biologics R&D services, in the second half of 2024, the Company will continue to strengthen its capabilities in biologics discovery and CDMO services by introducing more specialized technical talents, hence broadening its services offerings.

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

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

Talents are the foundation of innovation and the key to strengthening our core competitiveness. It is our long-standing human resources strategy to build an inclusive and open development platform to attract and train our talent pool. In the second half of 2024, the Company will continue to attract high-calibre R&D talents

globally, improve the Company's benefits system to maximize the retention of talents in key positions, and further expand and enhance our multi-dimensional and comprehensive training system. Implement differentiated content training according to business needs to different level managers, so that employees and the Company can grow together, so as to provide strong support to the future growth of the Company.

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

The Company will continue to focus on improving the synergies of the service platform through vertical and horizontal directions, and continuously invest in building new service capabilities and improving management efficiency to meet the needs of the market and customers. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is strengthening the integration of different disciplines at the same pharmaceutical R&D stages, improving the science and technology of each discipline, expanding the services offering, and promoting the interdisciplinary collaborations. In the second half of 2024, the Company will proactively promote cooperations across different segments and geographic regions, and strengthen its internal control system to improve productivities and reduce cost.

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

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

(6) Enhance the Company's safety practice

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

4. Potential risks

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

The Company is an industry leading, fully-integrated pharmaceutical R&D service platform with global operations to accelerate drug innovation for our customers. In the medium and long term,

the global pharmaceutical industry is expected to keep growing driven by such factors as an aging population, higher disposable income and increased medical expenditure. However, due to the volatility of the global biotech funding environment and other factors, the growth rate of the pharmaceutical R&D outsourcing industry may fall behind our projections, which will have an adverse impact on the Company's business performance and prospects.

The Company will continue to implement its strategies, improve its scientific research capabilities and service quality and enhance its market competitiveness.

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

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

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

(3) Risks regarding intellectual property protection

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

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

(4) Risks regarding policies and regulation

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

requirements of regulatory policies or fails to pass the on-site inspection by regulatory authorities in the future, it may be disqualified or subject to other administrative penalties, resulting in the termination of cooperation by our customers.

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

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

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

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

(6) Risk of international policy changes

Geopolitical factors have created significant uncertainty in recent years. 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 the 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 or enact new legislation on pharmaceutical R&D outsourcing, our business and results of operations may be adversely affected.

We are aware of the recent legislative activities in the U.S. in the field of biosafety, but the draft bill has not yet been enacted or promulgated and will continue to go through the legislative procedures in the U.S. Senate and the House of Representatives. Given the potential impact of this legislative activity, we will closely monitor the legislation process.

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

(7) Risks regarding exchange rates

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

of the Chinese government to further promote the reform of the RMB exchange rate system and enhance the flexibility of RMB exchange rates, the exchange rates between RMB and USD and other currencies fluctuate.

The Company has reduced and will continue to reduce such risk through hedging transactions.

(8) Risks regarding market competition

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

(9) Risks regarding technological innovation

With the continuous market development and innovation of R&D technologies, advanced technologies are vital for the Company to maintain its leading position in the industry. The Company shall keep up with the development direction of new technologies and processes to maintain our leading position in the industry.

The Company will continue to invest a large amount of human and capital resources to develop new technologies and upgrade our service platform. If target companies with new technologies appeal to us, the Company will consider acquisitions to inject new service capabilities into our platform.

(10) Risks regarding service quality

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

E. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

1. Diversified Structure and Policies

Pharmaron has established a three-tiered DEI (Diversity, Equality, and Inclusion) management structure, which includes the governance, management, and execution. This structure is steered by the Board of Directors and the Strategy Committee, coordinated by the DEI Committee under the Compliance and ESG Committee, and executed by the Employee DEI Group and the Supply Chain DEI Group, aiming to fully formalize and standardize DEI initiatives

in Pharmaron. The Board of Directors and the Strategy Committee serve as the top governing bodies for DEI-related work and are responsible for reviewing and approving company matters concerning DEI. The DEI Committee under the Compliance and ESG Committee is responsible for operating, conducting special projects of DEI, and reporting to the Board of Directors and Strategy Committee on a regular basis. Associating with multiple ERG groups, the Employee DEI Group and the Supply Chain DEI Group are responsible for implementing DEI work plans and promoting DEI objectives. In addition, we have established the *Employee Diversity Equality, and Inclusion Policy* and the *Supplier Diversity and Inclusion Policy* to ensure the effectiveness of DEI in the Company.

2. Labor and Human Rights Policy

Pharmaron has established policies, including the *Code of Conduct*, the *Labor and Human Rights Management System*, the *Child Labor Risk Control and Assistance System*, and the *Safety Manual*. These policies comprehensively cover the Company, suppliers, and partners, encompassing our human rights and labor standards. We also safeguard the freedom of association, collective bargaining rights, equal remuneration, workplace safety, and health protection. We strictly prohibit human trafficking, any use of violence to restrict employees' personal freedom, child labor, forced labor, and oppose any form of discrimination on the grounds of gender, age, ethnicity, region, religion, sexual orientation, or disability. Since 2021, Pharmaron has not experienced any large-scale layoffs over the past three years.

3. Human Rights Assessment and Due Diligence

To ensure full respect for and protection of human rights in all business activities, we engaged professional third-party consultants to actively conduct human rights due diligence and assessment to improve the DEI throughout the Company. The assessments are in the areas of forced labor and child labor, recruitment and personnel mobility, health and safety, freedom of association and collective bargaining rights, grievance mechanisms, diversity, discrimination, forced labor, salaries, compensation, and benefits, forming an internal risk assessment mechanism and effective supervision and rectification. The assessment includes employees of us and our affiliates, as well as third-party employees. With the support from third-party consultants, the assessment also covers local communities, indigenous people, and migrant workers.

In order to mitigate the risk identified in the Human Rights area, we actively carry out improvement actions, comprehensively promoting the implementation mitigation controls in response to the human rights risk identified. In 2023, the human rights assessments covering Pharmaron all sites, and the coverage is 100%. Additionally, the mitigation measures are implemented at all sites, and the coverage is 100%.

In parallel, we have established the supply chain human rights risk assessment mechanism and gradually implement assessments and monitoring on the human rights risks, including new business relationships[1], joint ventures, contractors, and tier-1 suppliers throughout the supply chain.

4. Training

Pharmaron has established internal training policies such as the *Learning and Development Policy*, establishing a systematic training system for full-time employees, part-time employees, and contractors. Training for new employees, part-time employees, and contractors includes policies, job skills, and safety education to help relevant personnel quickly understand the Company and become familiar with their job responsibilities and work environment.

[1] New business relationships include mergers, acquisitions, and joint ventures, among others.

For employee career development, Pharmaron offers Talent Development Program, Elite Talent Program, Leadership Program, MBA, EMBA sponsorship plans, etc., to create a career development path that combines value creation and personal growth and to help employees establish an overall strategic mindset and lead business development. In addition, the Company conducts customized training programs according to required needs to empower the business. Furthermore, to promote the professional development and growth of research teams, we have established the Pharmaron Academy, providing employees with the opportunity to further their professional knowledge and improve their professional quality on the job, with graduates receiving internal certificates and enjoying salary and welfare benefits equivalent to those with the same level of academic qualification. Through a series of leadership training and other training, fully mobilize the enthusiasm and passion of employees for learning and work, continuously improve the personal value and ability of employees, and help employees and the Company grow together. In addition, the Company conducts quality control and product safety training courses for all employees every year, including GMP, GLP, GCP related regulations, data integrity, employee hygiene, basic knowledge of microbiology, record writing standards, etc., to continuously promote the construction of a quality culture. In 2023, the Company's training investment amounted to approximately 10.37 million yuan[2].

5. Joint Training Programs with External Institutions

The Company has joined hands with external institutions to provide leadership enhancement training for Pharmaron employees to further enhance the level of leadership. In 2023, we carried out internal trainer activities, inviting professional lecturers to provide training on "Influence of Storytelling" and "Lifelong Growth Mindset" for internal trainers in Pharmaron Ningbo and Pharmaron Beijing, helping internal trainers master communication skills and cultivate a lifelong growth mindset. Additionally, in the Talent Training, Elite Talent, and Leadership programs, we invited professional consultants from external training institutions to carry out a series of courses such as "Building Talents, Cultivating Efficient Talents – Coaching Leadership," "Change Leadership Sandbox," and "Happy Planet Plan," mainly including the concept of coaching leadership, five major coaching techniques, five-step coaching method, and practical exercises, etc., to promote trainees to master basic coaching skills, and continuously empower business leaders at all levels to respond to external changes, build high-performance team culture, and cultivate talents.

6. Degree Certification

Pharmaron strongly supports employees in participating in official degree certification studies and examinations of external educational institutions. Moreover, we support employees in participating in national intermediate and senior title evaluations and provide full financial support to cultivate comprehensive management and technical talents.

The Company provides professional training for all employees through the Pharmaron Academy. Employees can obtain a graduation certificate from the Pharmaron Academy after passing phase examinations and the graduation examination. The Pharmaron Academy is divided into doctoral and master programs. Graduates of the doctoral program enjoy the treatment of full-time doctoral students in all companies of Pharmaron, and graduates of the master class enjoy the treatment of full-time master students in all companies of Pharmaron. In addition, we have formulated employee support plans and provide paid training services, with the Company covering all tuition fees during the training period.

[2] Among them, the training funds are divided by region as follows: 5.11 million yuan in China and 5.26 million yuan in overseas areas; the funds are divided by type of training as follows: new employee training and internal trainer activities cost about 300,000 yuan, leadership training program costs 3 million yuan, Pharmaron Academy student training costs about 200,000 yuan, employee expansion costs 2.52 million yuan, senior executive EMBA training costs 1.67 million yuan, other business training costs 2.68 million yuan, with a total amount of 10.37 million yuan.

7. University-Enterprise Cooperation

Pharmaron actively establishes cooperative relationships with top universities, disseminating cutting-edge science, providing a variety of practical opportunities for outstanding students, carrying out industry-education-research cooperation with universities, and continuously exploring new models of cooperation. In 2024, Pharmaron participated in 192 domestic job fairs, 33 campus talks, and visited 34 domestic universities offline, holding campus charity activities in 3 key cooperative universities. In 2024, Pharmaron invited teachers and students from 17 universities across the country to visit the main sites of Pharmaron and held employment guidance meetings in 3 universities, providing comprehensive interview and career guidance for graduates.

The Company formulates joint training plans for employees, and provides employment opportunities for outstanding talents from universities. In 2023, we built a university-enterprise internship platform and established cooperative relationships with 45 universities to establish internship bases, deeply exploring and improving the talent training model of university-enterprise cooperation. At the same time, we established a doctoral recruitment team, held PhD job fairs, covered nearly 100 universities, and invited doctors to visit the company for on-site visits.

8. Mentorship Program

Pharmaron has established a mentorship program, launching a personal growth mentorship project, and providing employees with rich learning resources to help them improve work skills and ensure they can better integrate into the Company culture. The Company formulated the *Intern Management Policy* in 2019 and designed a mentorship program for interns. Nearly 200 interns participated in the mentorship program in 2023, and the Company assigned a mentor for each intern. The mentor is responsible for teaching and guiding the intern to become familiar with the work process, improving professional skills, informing interns of various safety precautions in the laboratory, guiding interns to operate various equipment and facilities safely, regularly evaluating and providing feedback on the intern's performance, and providing guidance for the writing of graduation theses, helping interns to quickly integrate into the work environment and grow rapidly in the work.

9. Diversity Training

The Company adheres to the policy of diversity, equality, and inclusion, and our employees come from multiple countries, including the United States, the United Kingdom, Canada, Singapore, Japan, India, and various ethnic groups. We conduct diversity training for all employees, including health and safety, workplace discrimination, and harassment. In the future, we plan to extend this training to all executive directors on the basis of diversity training for all employees, to comprehensively enhance the awareness of diversity, equality and inclusion, and to create a harmonious and diverse working environment.

10. Salary and Non-Salary Benefits

Pharmaron adheres to the principle of equal pay for equal work and carries out gender pay gap analysis, taking necessary actions based on the analysis results, continuously disclosing relevant indicators, and improving the transparency of promotion and compensation decisions to promote diversity and equality in the workplace.

The Company has established the *Performance Evaluation Regulations* as the standard for employee performance evaluation, conducting BSC[3] multi-dimensional performance assessments once a year, and using the assessment system for performance management. We have set up an appeal mechanism for performance feedback, accepting feedback from employees on performance issues and dealing with them. The Company has formulated the equity incentive program for all employees, including employee stock reward plans and stock dividend plans, and each year formulates different types of incentive plans for employees at different levels.

In addition, the Company provides a wide range of non-salary benefits for all employees, including social insurance, a housing provident fund, free transitional housing, meal subsidies, annual free physical examinations, wedding and childbirth gifts, childbirth allowances, etc., to

[3] BSC, balanced score card.

fully protect the welfare benefits of employees. Pharmaron strictly follows the national legal standards for parental leave, providing employees with 10 days of paid parental leave, and provides flexible part-time work arrangements for employees in the UK and the US. We carry out incentives and performance assessments for all employees in ESG areas such as health and safety and business compliance.

Table: 2023 Average Gender Pay Gap Comparison (Female/Male)[4]

Category	Average Pay Gap[5] (%)	Median Pay Gap[6] (%)
All Employees	0.31%	-1.39%
Senior Management and Above	0.96%	-2.99%
Middle Management	-2.57%	-4.97%
General Employees	-2.82%	3.66%

Table: 2023 Average Gender Bonus Gap Comparison (Female/Male)[7]

Category	Average Bonus Gap[8] (%)	Median Bonus Gap[9] (%)
All Employees	-2.42%	-5.48%
Senior Management and Above	-1.78%	-14.28%
Middle Management	-4.64%	-6.25%
General Employees	-5.79%	-0.12%

Table: Employee Turnover Rates from 2020 to 2023

Year	Overall Turnover Rate	Voluntary Turnover Rate
2020	13.67%	13.32%
2021	14.79%	14.52%
2022	14.61%	14.43%
2023	14.14%	13.00%

11. Collective Bargaining

Pharmaron actively upholds the rights of employees to collective bargaining and freedom of association. During the reporting period, the coverage rate of employees who signed collective bargaining agreements reached 74%.

12. Employee Engagement Survey

Pharmaron values employee communication and job satisfaction, and employees can provide feedback through annual engagement surveys. In 2023, an engagement survey was conducted for all employees in the UK, covering aspects such as engagement, diversity and inclusion, health and welfare, growth, and change. The Company conducted in-depth analysis based on the survey results and formulated and carried out improvement actions to better enhance the work experience of employees and strengthen the overall competitiveness of the Company. In addition, in the engagement surveys conducted at the assigned departments of Pharmaron Ningbo and Pharmaron Beijing, employees were most satisfied about aspects such as "team atmosphere, team relationships, clear job responsibilities, support from superiors, trust, empowerment, and guidance and assistance."

13. Health and Safety

Pharmaron continuously improves the occupational health and safety management structure. The Company's Chairman is fully responsible for the Company's occupational health and safety production, appointing the Chief Operating Officer (COO) as the director, the EHS Vice President as the vice director, and senior management personnel from various

4 Refers to the gender pay gap data for employees at Pharmaron in China.

5 The ratio of (the average pay of female employees at Pharmaron minus the average pay of male employees) over the average pay of male employees.

6 The ratio of (the median pay of female employees at Pharmaron minus the median pay of male employees) over the median pay of male employees.

7 Refers to the gender bonus gap data for employees at Pharmaron in China.

8 The ratio of (the average bonus of female employees at Pharmaron minus the average bonus of male employees) over the average bonus of male employees.

9 The ratio of (the median bonus of female employees at Pharmaron minus the median bonus of male employees) to the median bonus of male employees.

functional departments as members to form the Safety Production Management Committee. The Company has issued the *Contractor Safety Management Procedures*, which clearly requires all contractors and construction personnel to comply with, including the establishment and implementation of safety management systems, safety responsibility systems, and safety operation procedures to avoid personal casualties. Moreover, we signed the *Contractor Safety Management Agreement* with contractors, and the signing rate has reached 100%. The Company sets EHS management goals every year, including contractor safety targets. In 2024, the EHS management goals require that the qualification rate of personnel on duty shall reach 100% (including special operation personnel of contractors).

The Company regulates the safety management mechanism of contractors in accordance with the *Contractor Safety Management Procedures*, including pre-construction risk identification, safety management during construction, post-construction inspection, contractor training, and contractor accident management throughout the process. The Company strictly controls the safety risks of contractors, requiring contractors to fill in the *Contractor EHS Pre-Qualification Form* at the initial selection stage, reviewing the safety qualifications of contractors, and eliminating unqualified contractors based on their safety performance. Besides that, the contractors carry out safety risk assessments before construction in accordance with the *EHS Risk Assessment Form for Contractors Site Construction*. We regularly inspect the construction site to check whether contractors have safety violations, and at the same time, conduct safety performance assessments for contractors regularly every year according to the *Contractor EHS Annual Performance Assessment*.

The Company requires all contractor personnel to participate in entry safety training for the first time when entering the Company, and formulates an annual contractor safety education and training plan, and regularly carries out safety education and training for contractor personnel. For long-term on-site contractor personnel, the Company ensures that the safety education and training rate for personnel is maintained at 100%. In April 2024, Pharmaron carried out safety risk education and training for construction operations for contractor personnel, enhancing the contractor's comprehensive understanding of work-related risks. In May 2024, safety education and training were carried out for all cleaning personnel, including safety risk identification, safety protection measures, fire safety, emergency response, etc., which effectively enhance the safety awareness of cleaning personnel.

From 2020 to June 2024, the number of work-related deaths among contractors of Pharmaron was 0.

14. Environmental Management

Before carrying out investment and mergers and acquisitions, Pharmaron hires external experts to conduct a series of due diligence and assessments on business partners, paying particular attention to their environmental performance, which is one of the indicators for investment and mergers and acquisitions.

Our recent targets and net-zero targets have been verified by the Science Based Targets initiative (SBTi) (https://sciencebasedtargets.org/companies-taking-action#dashboard).

Short-term Greenhouse Gas Emission Targets	Long-term Greenhouse Gas Emission Targets
• With 2023 as the base year, a 54.6% reduction in absolute carbon emissions for Scope 1 and 2 by 2033.	• With 2023 as the base year, a 90% reduction in absolute carbon emissions for Scope 1 and 2 by 2050.
• With 2023 as the base year, a 61.1% reduction in carbon emission intensity (economic intensity) for Scope 3 by 2033.	• With 2023 as the base year, a 97% reduction in carbon emission intensity (economic intensity) for Scope 3 by 2050.

Table: Waste Disposal Data

Category	Unit	2023	2022	2021[10]	2020[11]
Non-hazardous waste recovery	tonnes	876.69	540.12	38	25
Hazardous waste recovery	tonnes	2,304.33	1,196.99	0	0

15. Renewable Energy Use and Initiatives

Based on the SBTi targets, Pharmaron actively responds to the national call to promote the use of renewable energy, carrying out the application of renewable energy in domestic and foreign sites. At the same time, we actively understand the global renewable energy (certificate) market situation and build renewable energy procurement channels in advance. Among them, some Chinese sites have already achieved green electricity application, and sites in the UK and the US have also adopted means such as biomass energy and photovoltaic power generation in addition to green electricity, effectively reducing the carbon emissions of the sites.

In response to the industry's call, the Company has joined the "Sustainable Markets Initiative (SMI)[12]" China Council Health Working Group, responding to the "Green Energy Transformation of the Pharmaceutical and Medical Industry Chain" initiative. The Working Group calls on enterprises related to the pharmaceutical and medical industry chain operating in China to take action as much as possible, to reduce the dependence of the health system value chain on fossil fuels, to accelerate the application of distributed energy, to increase the proportion of green electricity procurement, to explore the use of green heat energy, and to promote the green upgrade of the supply chain. The Company helps the green development of the medical and pharmaceutical value chain through mutual assistance and win-win cooperation with member units.

10 For the year 2021, the data only includes information from Pharmaron Beijing, where the disposal method for hazardous waste was incineration, without any recycling involved, hence the recycling volume is 0.

11 For the year 2020, the data only includes information from Pharmaron Beijing, where the disposal method for hazardous waste was incineration, without any recycling involved, hence the recycling volume is 0.

12 The Sustainable Markets Initiative (SMI) was proposed by the then Prince of the United Kingdom, the current King Charles III. It aims to unite the power of the business community to address global crises such as climate change and biodiversity, achieving sustainable development. The "Sustainable Markets Initiative" China Council was officially established on August 22, 2022, becoming an important cooperative platform for China's business community to participate in the global sustainable development process on a larger scale, in a broader field, and at a higher level.

16. Compliant Operations

In 2023, Pharmaron did not have any conflicts of interest, money laundering, or insider trading violations. The number of business ethics and anti-corruption reports received was 0. There were no violations in clinical trials.

Pharmaron prohibits providing monetary donations to political movements or organizations, lobbyists, industry associations, and other tax-exempt groups that influence political movements or legislation in China, and we have not carried out related activities overseas. In 2023, the amount of donations for related activities was 0.

Pharmaron has issued the *Code of Conduct*, providing basic principles for the behavior and business activities of all employees of the Company, including formal employees, contractors, and part-time employees. At the same time, the *Code of Conduct for Business Partners* clarifies the Company's expectations for all suppliers and all business partners in business cooperation, applicable to all business relationships between the Company and business partners.

17. Responsible Procurement

Table: Supplier Data for the Year 2023

Indicator	Unit	Data
Total number of Tier-1 suppliers	–	7,032
Total number of significant suppliers in Tier-1	–	100
Ratio of total spend on significant suppliers in Tier-1	%	86
Total number of significant suppliers in non Tier-1	–	0
Total number of significant suppliers (i.e., core suppliers)	–	20

INTERIM DIVIDEND

The Company did not declare any interim dividend for the six months ended June 30, 2024.

SUPPLEMENTAL DISCLOSURE REGARDING DEFINED CONTRIBUTION SCHEMES

As disclosed in the annual report of the Company issued on April 29, 2024, 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 C1 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 C1 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 C3 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, 2024, the Group had a total of 20,342 employees, as compared to 20,295 employees as at December 31, 2023. 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

During the Reporting Period, the Company repurchased 6,916,163 A Shares on the Shenzhen Stock Exchange for an aggregate consideration of approximately RMB151.1 million (exclusive of expenses). As at the date of this interim report, the repurchased A Shares have not been cancelled and such repurchased A Shares will be cancelled in due course. The repurchase is conducted to safeguard the value of the Company, Shareholders and enhance investor's confidence.

Details of the A share repurchased are as follows:

Month of repurchase	No. of A shares repurchased	Highest price paid per share (RMB)	Lowest price paid per share (RMB)	Aggregate consideration (RMB)
May 2024	6,838,663	22.27	19.92	149,688,203
June 2024	77,500	18.76	18.44	1,434,017
Total	**6,916,163**			**151,122,220**

The Company also had a series of repurchase and redemption of its Series 1 Bonds and Series 2 Bonds during the Reporting Period. For further details, please refer to the section headed "13. Miscellaneous – (2) Repurchase, cancellation, redemption and delisting of the Convertible Bonds" in the interim results announcement published by the Company on August 27, 2024..

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

During the Reporting Period, 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 C1 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, 2024, 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	344,259,653	23.17%	19.26%
Mr. LOU Xiaoqiang	A Shares	Beneficial owner; interests held jointly with another person; interests of controlled corporation; interests of spouse	344,259,653	23.17%	19.26%
Ms. ZHENG Bei	A Shares	Beneficial owner; Interests held jointly with another person; interests of controlled corporation; interests of spouse	344,259,653	23.17%	19.26%
Ms. LI Lihua	A Shares	Beneficial owner	75,000	0.0050%	0.0042%

Notes:

1. As of June 30, 2024, Pharmaron Holdings Limited directly held 180,496,500 A Shares, and is held as to 76.76% by Dr. LOU Boliang.

   As of June 30, 2024, Mr. LOU Xiaoqiang directly held 60,540,050 A Shares and Ningbo Longtaikang Investment Management Co., Ltd. directly held 40,135,026 A Shares. Ningbo Longtaikang Investment Management Co., Ltd.is wholly-owned by Mr. LOU Xiaoqiang.

   As of June 30, 2024, Ms. Zheng Bei directly held 15,750,000 A Shares and Beihai Duotai Venture Capital Co., Ltd., and is wholly owned by Ms. ZHENG Bei, directly held 21,956,986 A Shares.

   As of June 30, 2024, 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 5,261,787 A Shares, 5,261,729 A Shares, 5,261,858 A Shares, 5,261,729 A Shares, and 4,333,988 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.

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

Save as disclosed above, as of June 30, 2024, 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, 2024, 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	180,496,500(L)	12.15%	10.10%
CITIC Securities Co. Ltd.[3]	A Shares	Interest of controlled corporation	305,326,464(L)	20.55%	17.08%

Notes:

1. The letter "L", "S" and "P" stand for long position, short position and lending pool, respectively.

2. Pharmaron Holdings Limited is held as to 76.76% 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 260,827,958 and 44,498,506 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 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.

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 (Asia), Limited	AniKeeper (Zhaoqing) Biotech Co., Ltd. (安凱毅博(肇慶)生物技術有限公司)	49.99%

Save as disclosed above, as of June 30, 2024, 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

As of July 6, 2023, all awards under the 2019 A Share Incentive Scheme had been granted to the relevant participants pursuant to the 2019 A Share Incentive Scheme. All granted A Shares have either been unlocked, or repurchased and cancelled, the 2019 A Share Incentive Scheme has expired. For details, please refer to the 2023 Annual Report of the Company.

2021 A Share Incentive Scheme

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

(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 the general meeting.

(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 labour relationship with the Company or its subsidiaries when a grant under the 2021 A Share Incentive Scheme is made and during the assessment period of the 2021 A Share Incentive Scheme.

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 their respective spouses, parents or children, or the Directors, supervisors, substantial shareholders 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 relevant class of shares in issue (excluding treasury shares).

Pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company was 1,161,300 A Shares (as adjusted after the implementation of the 2021 Capitalization of Reserve), and was further adjusted to 1,741,950 A Shares (as adjusted after the implementation of the 2022 Capitalization of Reserve), representing approximately 0.10% of the Company's total number of issued Shares as of June 30, 2024. 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 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.

As a result of the implementation of the 2021 Profit Distribution Plan and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, on July 28, 2022, the Board resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB70.17 per A Share to RMB46.48 per A Share.

As a result of the implementation of the 2022 Profit Distribution Plan and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, on October 27, 2023, the Board resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB46.48 per A Share to RMB30.79 per A Share.

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.

(v) Vesting of Restricted A Shares during the Reporting Period

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

(vi) 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.

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

Category of grantee	Date of grant	Vesting period	Grant Price[1]	Number of unvested and not register awards as at January 1, 2024	Number of vested on January 29, 2024	Number of lapsed on January 29, 2024	Number of unvested and not register awards as at June 30, 2024
Employees	July 27, 2021	*First tranche:* • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date *Second tranche:* • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date *Third tranche:* • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date *Fourth tranche:* • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	RMB30.79	1,147,178	79,694	302,678	764,806

Note:

(1) The grant price was adjusted from RMB46.48 to RMB30.79 as a result of the implementation of the 2022 Profit Distribution Plan. Please refer to section under "(2) 2021 A Share Incentive Scheme – (iv) Grant price and the basis of determining the grant price" above for further details. Employees shall pay for the subscription funds for the Restricted A Shares based on the grant price at the time of each vesting.

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

The 2021 A Share Incentive Scheme shall be 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. As such, as of June 30, 2024, the remaining life of the 2021 A Share Incentive Scheme is 24 months.

2022 A Share Incentive Scheme

On May 31, 2022, the Shareholders resolved to adopt the 2022 A Share Incentive Scheme, the assessment management measures for the implementation of the 2022 A Share Incentive Scheme and the authorization to the Board to handle matters pertaining to the 2022 A Share Incentive Scheme.

(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.

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

The total number of the eligible participants for the grant proposed under the 2022 A Share Incentive Scheme shall be 379. All eligible participants must have an employment or labour relationship with the Company or its subsidiaries when a grant under the 2022 A Share Incentive Scheme is made and during the assessment period of the 2022 A Share Incentive Scheme.

None of the Directors, supervisors, members of senior management, non-PRC employee, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or their respective spouses, parents or children, or the respective associates of the Directors, supervisors, substantial shareholders has been the grantee of any awards granted pursuant to the 2022 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 2022 A Share Incentive Scheme

None of the grants under the 2022 A Share Incentive Scheme was subject to approval by the shareholders of the Company. The grants 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 relevant class of shares in issue (excluding treasury shares).

Pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme, the maximum number of Restricted A Shares to be issued by the Company was 2,203,200 A Shares (as adjusted after the implementation of the 2021 Capitalization of Reserve), and was further adjusted to 3,304,800 A Shares (as adjusted after the implementation of the 2022 Capitalization of Reserve), representing approximately 0.18% of the Company's total number of issued Shares as of June 30, 2024. 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 under the 2022 A Share Incentive Scheme 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, and considers that this is in balance with a discount in the grant price.

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

As a result of the implementation of the 2022 Profit Distribution Plan, and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme, on October 27, 2023, the Board resolved to adjust the grant price of Restricted A Shares granted under the 2022 A Share Incentive Scheme from RMB38.62 per A Share to RMB25.55 per A Share.

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.

(v) Vesting of Restricted A Shares during the Reporting Period

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

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

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

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

Category of grantee	Date of grant	Vesting period	Grant Price[1]	Number of unvested and not register awards as at January 1, 2024	Number of vested on January 29, 2024	Number of lapsed on January 29, 2024	Number of unvested awards and not register as at June 30, 2024
Employees	July 28, 2022	*First tranche:* • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date *Second tranche:* • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date *Third tranche:* • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date *Fourth tranche:* • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	RMB25.55	3,146,400	582,397	204,102	2,359,901

Note:

(1) The grant price was adjusted from RMB38.62 to RMB25.55 pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme. Please refer to "(3) 2022 A Share Incentive Scheme – (iv) Grant price and the basis of determining the grant price" for further details. Employees shall pay for the subscription funds for the Restricted A Shares based on the grant price at the time of each vesting.

(vii) 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 under the 2022 A Share Incentive Scheme, and such period shall not exceed 60 months. As such, as of June 30, 2024, the remaining life of the 2022 A Share Incentive Scheme is 36 months.

2023 A Share Incentive Scheme

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

(i) Purpose of the 2023 A Share Incentive Scheme

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

(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 labour relationship with the Company or its subsidiaries when a grant under the 2023 A Share Incentive Scheme is made and during the assessment period in relation to the First Grant and the Reserved Grant under the 2023 A Share Incentive Scheme.

None of the Directors, supervisors, chief executive, members of senior management, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or their respective spouses, parents or children, or the respective associates of the Directors, supervisors, substantial shareholders 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 relevant class of shares in issue (excluding treasury shares).

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 the eligibility of 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 0.10% of the Company's total number of issued A Shares as of June 30, 2024(1), 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.

Note:

(1) The total number of issued A Shares of the Company was adjusted as a result of the implementation of the 2022 Capitalization of Reserve.

(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 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 A Share(s) to be attributed, and considers that this is in balance with the discount in the Grant Price.

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

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

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

Category of grantee	Date of grant	Vesting period	Grant Price[1][2]	Number of unvested awards as at January 1, 2024	Number of unvested awards as at June 30, 2024
Employees	July 7, 2023	*First tranche:* • 25% to be vested from the first trading day after the expiry of 12 months following the grant date until the last trading day within the 24 months following the grant date *Second tranche:* • 25% to be vested from the first trading day after the expiry of 24 months following the grant date until the last trading day within the 36 months following the grant date *Third tranche:* • 25% to be vested from the first trading day after the expiry of 36 months following the grant date until the last trading day within the 48 months following the grant date *Fourth tranche:* • 25% to be vested from the first trading day after the expiry of 48 months following the grant date until the last trading day within the 60 months following the grant date	RMB28.58	1,470,300	1,470,300

Notes:

(1) The grant price was determined at RMB28.58. Please refer to "(4) 2023 A Share Incentive Scheme – (iv) Grant price and the basis of determining the grant price" above for further details.

(2) Employees shall pay for the subscription funds for the Restricted A Shares based on the grant price at the time of each vesting.

As of June 30, 2024, all Restricted Shares which not been granted under the Reserved Grant have lapsed and been forfeited. As of the same date, no Restricted A Shares are available for future grant. The Company did not vest any Restricted Shares during the Reporting Period. No awards of Restricted A Shares were canceled, lapsed or vested during the Reporting Period.

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

The 2023 A Share Incentive Scheme shall be valid until the date on which all Restricted A Shares have been attributed or forfeited, and such period shall not exceed 72 months. As such, as of June 30, 2024, the remaining life of the 2023 A Share Incentive Scheme is 60 months.

Subsequent events relating to the Share Incentive Schemes

(i) Adjustments to the A Share Incentive Schemes after the 2023 Profit Distribution

As a result of the implementation of the 2023 Profit Distribution and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, on August 27, 2024, the Board resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB30.79 to RMB30.59 per A Share.

As a result of the implementation of the 2023 Profit Distribution and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2022 A Share Incentive Scheme, on August 27, 2024, the Board resolved to adjust the grant price of Restricted A Shares granted under the 2022 A Share Incentive Scheme from RMB25.55 to RMB25.35 per A Share.

As a result of the implementation of the 2022 Profit Distribution Plan, the 2023 Profit Distribution and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2023 A Share Incentive Scheme, on August 27, 2024, the Board resolved to adjust the grant price of Restricted A Shares granted under the 2023 A Share Incentive Scheme from RMB28.58 to RMB18.65 per A Share. Further, the number of Restricted A Shares to be issued by the Company under the First Grant has been adjusted from 1,444,500 A Shares to 2,166,750 A Shares, and the number of Restricted A Shares to be issued by the Company under the Reserved Grant has been adjusted from 25,800 A Shares to 38,700 A Shares. As of the date of this interim report, there are 2,205,450 unvested A Shares under the 2023 A Share Incentive Scheme.

(ii) Forfeiture of Restricted A Shares under the A Share Incentive Schemes

Upon resignation of five employees due to personal reasons, on August 27, 2024, the Board resolved to forfeit a total of 21,826 Restricted A Shares that had been granted to them pursuant to the 2021 A Share Incentive Scheme.

Upon resignation of 14 employees due to personal reasons and failure to meet performance target by one employee, on August 27, 2024, the Board resolved to forfeit a total of 249,190 Restricted A Shares that had been granted to them pursuant to the 2022 A Share Incentive Scheme.

On August 27, 2024, the Board resolved to forfeit a total of 659,624 Restricted A Shares pursuant to the 2023 A Share Incentive Scheme, among which: 1) 139,950 Restricted A Shares were forfeited upon resignation of 14 employees due to personal reasons; 2) 4,500 Restricted A Shares were forfeited upon voluntary waiver of grants by two employees due to personal reasons; and 3) 515,174 Restricted A Shares under the first attribution were forfeited due to failure to meet the company-level performance evaluation indicator upon the end of the first attribution period.

OTHER EMPLOYEE INCENTIVES

First H Share Award and Trust Scheme

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

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

The purposes of the Employee Share Award Plan are:

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

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

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

The purposes of the Share Bonus Plan are:

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

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

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

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

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

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

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

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

Pursuant to the First H Share Award and Trust Scheme, the maximum number of H Shares that can be purchased on the market by the trustee appointed by the Company for the purpose of servicing the First H Share Award and Trust Scheme was 11,910,000 H Shares as at January 1, 2023, representing approximately 1% of the Company's total number of issued H Shares as at January 1, 2023. The maximum number was further adjusted from 11,910,000 H Shares to 17,865,000 H Shares on July 28, 2023 as a result of the implementation of the 2022 Capitalization of Reserve, which represents approximately 1% of the Company's total number of issued H Shares as of June 30, 2024.

As of June 30, 2024, 17,859,000 H Shares had been purchased by the trustee appointed by the Company through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the relevant scheme rules.

The Company shall not make any further grant of award which will result in the aggregate number of H Shares underlying all grants made pursuant to the First H Share Award and Trust Scheme to exceed the scheme limit without Shareholders' approval. Award shares that have been forfeited in accordance with the First H Share Award and Trust Scheme shall not be added to the scheme limit, nor shall such forfeited shares be added to the total number of H shares granted under the First H Share Award and Trust Scheme. As of June 30, 2024, there are 1,539,339 H Shares to be granted under the First H Share Award, which represents approximately 0.51% of the Company's total number of issued H Shares as of the same date.

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

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

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

Category of grantee	Date of grant	Grant Price	Number of unvested awards as at January 1, 2024	Awards vested during the Reporting Period	Awards forfeited during the Reporting Period	Awards canceled during the Reporting Period	Number of unvested awards as at June 30, 2024
Employees	August 29, 2023	N/A	112,500	0	0	0	112,500
	August 29, 2023	N/A	1,942,071	0	0	0	1,942,071
	May 31, 2022	N/A	8,382,716	2,681,046	395,775	0	5,305,895
	April 1, 2022	N/A	806,196	268,708	0	0	537,488
	December 14, 2020	N/A	913,062	319,140	135,681	0	458,241
Total			**12,156,545**	**3,268,894**	**531,456**	**0**	**8,356,195**

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

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

The First H Share Award and Trust Scheme shall be valid and effective for a term commencing on the date on which the Shareholders and the Board approved the First H Share Award and Trust Scheme (the "Adoption Date"), and ending on the business day immediately prior to the 10th anniversary of the Adoption Date, and after which no further awards will be granted, and thereafter for so long as there are any non-vested award shares granted hereunder prior to the expiration of the First H Share Award and Trust Scheme, in order to give effect to the vesting of such award shares or otherwise as may be required in accordance with the provisions of the rules of the First H Share Award and Trust Scheme. As such, as of June 30, 2024, the remaining life of the First H Share Award and Trust Scheme is 76 months.

Subsequent events relating to the First H Share Award and Trust Scheme

(i) Particulars of unvested H Shares under the First H Share Award and Trust Scheme

On August 29, 2024, the management committee of the First H Share Award and Trust Scheme resolved that a total of 443,683 H Shares that had been granted to 107 grantees shall not be vested due to failure to meet the conditions of company performance indicators pursuant to the First H Share Award and Trust Scheme. These 443,683 H Shares were forfeited and held by the Trustee as Returned Shares (as defined in the Company's Rules of the First H Share Award and Trust Scheme).

On the same date, the management committee of the First H Share Award and Trust Scheme resolved to forfeit a total of 279,774 H Shares that had been granted to 16 grantees upon resignation of these employees due to personal reasons. These 279,774 H Shares were forfeited and held by the Trustee as Returned Shares (as defined in the Company's Rules of the First H Share Award and Trust Scheme).

USE OF PROCEEDS FROM CONVERTIBLE BONDS

Upon issuance of the Series 1 Bonds and Series 2 Bonds in an aggregate principal amount of US$300 million and RMB1,916 million (the "Convertible Bonds"), the Company raised net proceeds, after deduction of fees, commissions and expenses payable, of approximately RMB3,776.0 million. The net proceeds from the Convertible Bonds were fully utilized on December 31, 2023, in accordance with the purposes set out in the announcements of the Company dated June 8, 2021, June 9, 2021, June 11, 2021, June 18, 2021 and June 21, 2021.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2024

	Notes	Six months ended June 30, 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
REVENUE	5	**5,604,463**	5,640,118
Cost of sales		**(3,756,412)**	(3,602,677)
Gross profit		**1,848,051**	2,037,441
Other income and gains	6	**776,275**	131,679
Other expenses	6	**(34,007)**	(17,438)
Selling and distribution expenses		**(122,949)**	(126,777)
Administrative expenses		**(841,221)**	(845,440)
Research and development costs		**(207,798)**	(182,179)
Impairment losses on financial and contract assets		**(22,940)**	(10,713)
Finance costs		**(138,254)**	(89,030)
Share of (losses)/profits of associates		**(30,306)**	10,982
Profit before tax	7	**1,226,851**	908,525
Income tax expense	8	**(143,905)**	(124,457)
Profit for the period		**1,082,946**	784,068
Attributable to:			
Owners of the parent		**1,113,403**	786,093
Non-controlling interests		**(30,457)**	(2,025)
		1,082,946	784,068
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For profit for the period	10	**0.6282**	0.4442
Diluted			
For profit for the period	10	**0.6271**	0.4436

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2024

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**1,082,946**	784,068
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**11,504**	183,687
Fair value losses on:		
– hedging instruments designated in cash flow hedges	**(51,805)**	(165,038)
Income tax effect	**7,771**	18,494
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(32,530)**	37,143
Other comprehensive (loss)/income for the period, net of tax	**(32,530)**	37,143
Total comprehensive income for the period	**1,050,416**	821,211
Attributable to:		
Owners of the parent	**1,075,893**	824,109
Non-controlling interests	**(25,477)**	(2,898)
	1,050,416	821,211

Interim Condensed Consolidated Statement of Financial Position

as at June 30, 2024

	Notes	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**10,306,121**	9,851,705
Right-of-use assets		**984,169**	1,146,142
Goodwill		**2,787,791**	2,780,918
Other intangible assets		**217,613**	216,492
Investments in associates		**734,241**	722,946
Equity investments at fair value through profit or loss		**233,763**	282,032
Biological assets		**156,556**	157,633
Deferred tax assets		**190,343**	153,218
Other non-current assets		**314,846**	291,214
Total non-current assets		**15,925,443**	15,602,300
CURRENT ASSETS			
Inventories		**485,714**	365,479
Contract costs		**246,068**	155,877
Trade and bills receivable	11	**2,179,284**	2,242,153
Contract assets		**427,289**	394,265
Biological assets		**456,220**	491,724
Prepayments, other receivables and other assets		**514,533**	684,017
Financial assets at fair value through profit or loss		**361,089**	594,333
Derivative financial instruments		**–**	27,650
Pledged deposits		**117,716**	127,750
Cash and cash equivalents		**2,283,240**	5,791,165
Total current assets		**7,071,153**	10,874,413
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**852,040**	727,412
Trade payables	12	**503,042**	412,221
Other payables and accruals		**1,376,901**	1,377,183
Derivative financial instruments		**50,026**	26,931
Contract liabilities		**796,969**	740,866
Lease liabilities		**153,489**	185,316
Tax payable		**178,219**	184,547
Total current liabilities		**3,910,686**	3,654,476
NET CURRENT ASSETS		**3,160,467**	7,219,937
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,085,910**	22,822,237

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	Notes	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**4,327,100**	4,308,165
Deferred tax liabilities		**241,509**	290,039
Financial liabilities at fair value through profit or loss		**–**	117,582
Deferred income		**384,865**	391,707
Convertible bonds – debt component		**10,259**	3,891,501
Lease liabilities		**450,538**	585,197
Total non-current liabilities		**5,414,271**	9,584,191
NET ASSETS		**13,671,639**	13,238,046
EQUITY			
Share capital	13	**1,787,394**	1,787,394
Treasury shares		**(478,971)**	(463,453)
Equity component of convertible bonds		**–**	198,554
Reserves		**11,704,441**	11,034,302
Equity attributable to owners of the parent		**13,012,864**	12,556,797
Non-controlling interests		**658,775**	681,249
Total equity		**13,671,639**	13,238,046

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2024

	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, 2024	1,787,394	(463,453)	198,554	4,911,831	250,143	59,602	613,042	(25,067)	20,238	5,204,513	12,556,797	681,249	13,238,046
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	-	1,113,403	1,113,403	(30,457)	1,082,946
Cash flow hedge, net of tax (unaudited)	-	-	-	-	-	-	-	-	(44,034)	-	(44,034)	-	(44,034)
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	-	-	-	6,525	-	-	6,525	4,980	11,505
Total comprehensive (loss)/income for the period (unaudited)	-	-	-	-	-	-	-	6,525	(44,034)	1,113,403	1,075,894	(25,477)	1,050,417
Repurchase of convertible bonds	-	-	(198,554)	11,650	-	-	-	-	-	-	(186,904)	-	(186,904)
H RSU granted	-	135,604	-	(37,921)	(97,923)	-	-	-	-	-	(240)	-	(240)
Repurchase of A shares	-	(151,122)	-	-	-	-	-	-	-	-	(151,122)	-	(151,122)
Dividends declared	-	-	-	-	-	-	-	-	-	(353,963)	(353,963)	-	(353,963)
Recognition of share- based payments	-	-	-	-	72,402	-	-	-	-	-	72,402	3,003	75,405
As at June 30, 2024 (unaudited)	1,787,394	(478,971)	-	4,885,560	224,622	59,602	613,042	(18,542)	(23,796)	5,963,953	13,012,864	658,775	13,671,639

* These reserve accounts comprise the consolidated reserves of RMB11,704,441,000 in the interim condensed interim consolidated statements of financial position as at June 30, 2024.

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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, 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 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 interim 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 ("Share Capital Conversion").

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2024

	Notes	Six months ended June 30, 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Cash flows from operating activities			
Profit before tax		**1,226,851**	908,525
Adjustments for:			
– Depreciation of property, plant and equipment	6	**442,718**	366,288
– Depreciation of right-of-use assets	6	**93,211**	98,172
– Amortisation of other intangible assets	6	**18,884**	17,229
– Impairment losses on inventories, net of reversal	6	**(747)**	2,776
– Impairment losses on financial and contract assets, net of reversal	6	**22,940**	10,713
– Losses of derivative financial instruments	5	**–**	70
– Gains on fair value change of financial liabilities at fair value through profit or loss	5	**–**	(964)
– Gains on financial assets at amortised cost	5	**(1,583)**	(2,069)
– Gains on disposal of right-of-use assets	5	**(8,723)**	(121)
– Gains on financial assets at fair value through profit or loss	5	**(9,644)**	(8,005)
– Losses on fair value change of equity investments at fair value through profit or loss	5	**1,309**	9,286
– Gains on disposal of equity investment at fair value through profit or loss	5	**(562,692)**	(15,477)
– Gains on repurchase of convertible bonds	5	**(89,239)**	–
– Gains on fair value change of biological assets	5	**–**	(52,739)
– Losses on disposal of property, plant and equipment	5	**29,502**	87
– Finance costs		**138,254**	89,030
– Foreign exchange (gain)/loss		**(46,490)**	73,766
– Interest income from time deposits with original maturity of more than three months when acquired		**(1,129)**	(2,044)
– Share of loss/(gain) of associates		**30,307**	(10,982)
– Share-based compensation expenses	6	**75,405**	125,336
		1,359,134	1,608,877

	Notes	Six months ended June 30, 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
(Increase)/decrease in inventories		**(119,488)**	3,145
Decrease in biological assets		**35,504**	48,177
(Increase)/decrease in contract costs		**(90,191)**	3,305
Decrease/(increase) in trade receivables		**40,747**	(208,603)
Decrease/(increase) in prepayments, other receivables and other assets		**91,073**	(28,750)
Increase in contract assets		**(33,774)**	(61,145)
(Increase)/decrease in other non-current assets		**6,263**	283,425
Increase in trade payables		**90,822**	10,154
Decrease in accruals and other payables		**(99,418)**	(331,265)
Increase in deferred income		**56,103**	129,625
Decrease in contract liabilities		**(6,855)**	(11,353)
Cash flows generated from operations		**1,329,920**	1,445,592
Income tax paid		**(230,185)**	(165,387)
Net cash flows generated from operating activities		**1,099,735**	1,280,205
Cash flows from investing activities			
Purchases of property, plant and equipment		**(930,683)**	(1,494,764)
Proceeds from disposal of property, plant and equipment		**267**	837
Proceeds from disposal of financial assets at fair value through profit or loss		**1,476,305**	1,796,215
Additions of other intangible assets		**(19,529)**	(6,041)
Purchase of equity investments at fair value through profit or loss		**(2,619)**	(33,397)
Proceeds from disposal of equity investments at fair value through profit or loss		**612,270**	25,510
Proceeds from disposal of financial assets at amortised cost		**145,917**	–
Settlement of derivative financial instrument		**–**	192,333
Purchase of financial assets at fair value through profit or loss		**(1,374,004)**	(1,380,676)
Proceeds from disposal of time deposits with original maturity of more than three months when acquired		**1,429**	82,044
Capital injection in associates		**(40,000)**	–
Net cash flows used in investing activities		**(130,647)**	(817,939)

	Notes	Six months ended June 30, 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Cash flows from financing activities			
Interest on bank loans paid		**(94,393)**	(27,025)
Proceeds from bank loans		**222,185**	260,147
Repayments of bank loans		**(96,349)**	(357,225)
Payments of lease liabilities		**(101,851)**	(93,611)
Injection from non controlling interests		**–**	860,000
Repurchase of A shares under share option scheme		**(151,122)**	(830)
Repurchase of convertible bonds		**(4,136,384)**	–
Dividends paid to shareholders		**(295,112)**	–
Net cash flows (used in)/generated from financing activities		**(4,653,026)**	641,456
Net (decrease)/increase in cash and cash equivalents		**(3,683,938)**	1,103,722
Cash and cash equivalents at beginning of period		**5,789,115**	1,359,713
Effect of foreign exchange rate changes, net		**57,634**	12,144
Cash and cash equivalents at end of period		**2,162,811**	2,475,579

1. GENERAL INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2024 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, 2023 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, 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

   The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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 and bioscience services, covering small molecule drugs, oligonucleotides, peptides, antibodies, antibody-drug conjugates (ADC) and CGT products, etc.
- The CMC (small molecule CDMO) services segment includes development and manufacturing, materials science/pre-formulation, formulation development and manufacturing, and analytical development services
- The clinical development services segment includes overseas clinical development services (including radiolabelled science services and early stage clinical trial services) and domestic clinical development services (including clinical research services and site management services)
- The Biologics and CGT services segment includes biologics discovery, development and manufacturing services (CDMO), CGT lab and Gene therapy CDMO services
- The "Others" segment

Segment revenue and results

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

Six months ended June 30, 2024 (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	3,371,177	1,175,747	843,269	211,210	3,060	5,604,463
Segment results	1,481,655	326,749	105,842	(66,329)	134	1,848,051
Unallocated amount:						
Other income and gains						776,275
Other expenses						(34,007)
Selling and distribution expenses						(122,949)
Administrative expenses						(841,221)
Research and development costs						(207,798)
Impairment losses on financial and contract assets						(22,940)
Finance costs						(138,254)
Share of losses of associates						(30,306)
Group's profit before tax						1,226,851

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

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

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,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
North America	**3,668,223**	3,675,469
Europe	**945,577**	859,776
Chinese Mainland	**842,603**	970,977
Asia (except Chinese Mainland)	**126,009**	114,851
Others	**22,051**	19,045
Total	**5,604,463**	5,640,118

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

(b) Non-current assets

	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Chinese Mainland	**10,875,470**	10,565,990
Europe	**2,576,740**	2,552,833
North America	**2,031,508**	2,026,668
Asia (except Chinese Mainland)	**17,619**	21,559
Total	**15,501,337**	15,167,050

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, 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue from contracts with customers	**5,604,463**	5,640,118
Total	**5,604,463**	5,640,118

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	Six months ended June 30, 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Type of services		
Laboratory services	**3,371,177**	3,380,373
CMC (small molecule CDMO) services	**1,175,747**	1,251,316
Clinical development services	**843,269**	805,193
Biologics and CGT services	**211,210**	200,217
Others	**3,060**	3,019
Total	**5,604,463**	5,640,118
Timing of revenue recognition		
Services transferred at a point of time	**2,887,870**	2,958,151
Services transferred over time	**2,716,593**	2,681,967
Total	**5,604,463**	5,640,118

(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,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Interest income	**50,881**	14,238
Government grants and subsidies related to		
– Assets (i)	**10,365**	7,081
– Income (ii)	**19,844**	22,137
Subtotal	**81,090**	43,456
Other gains		
Foreign exchange gains, net	**22,923**	8,426
Gains on disposal of equity investment at fair value through profit or loss	**562,692**	15,477
Gains on fair value change of biological assets	**–**	52,739
Gains on financial assets at fair value through profit or loss	**9,644**	8,005
Gains on financial assets at amortised cost	**1,583**	2,069
Gains on fair value change of financial liabilities at fair value through profit or loss	**–**	964
Gains on repurchase of convertible bonds	**89,239**	–
Gains on disposal of right-of-use assets	**8,723**	121
Others	**381**	422
Subtotal	**695,185**	88,223
Total	**776,275**	131,679
Other expenses		
Losses on disposal of biological assets	**(2,850)**	(5,697)
Losses on disposal of property, plant and equipment	**(29,502)**	(87)
Losses on derivative financial instruments	**–**	(70)
Losses on fair value change of equity investments at fair value through profit or loss	**(1,309)**	(9,286)
Others	**(346)**	(2,298)
Total	**(34,007)**	(17,438)

6. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**442,718**	366,288
Depreciation of right-of-use assets	**93,211**	98,172
Amortization of other intangible assets	**18,884**	17,229
Staff cost* (including directors' and chief executive's remuneration):		
Salaries and other benefits	**2,137,594**	2,029,553
Pension scheme contribution, social welfare and other welfare**	**664,750**	581,295
Share-based compensation expenses	**75,405**	125,336
Gains on fair value change of biological assets	**–**	(52,739)
Gains on repurchase of convertible bonds	**(89,239)**	–
Gains on financial assets at amortised cost	**(1,583)**	(2,069)
Gains on financial assets at fair value through profit or loss	**(9,644)**	(8,005)
Gains on disposal of equity investment at fair value through profit or loss	**(562,692)**	(15,477)
Losses on fair value change of equity investment at fair value through profit or loss	**1,309**	9,286
Impairment (gains)/losses on inventories, net of reversal	**(747)**	2,776
Impairment losses on financial and contract assets	**22,940**	10,713
Losses of derivative financial instruments	**–**	70
Foreign exchange gains, net	**(22,923)**	(8,426)
Gains on fair value change of financial liabilities at fair value through profit or loss	**–**	(964)
Auditor's remuneration	**2,425**	2,425

* 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, 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current tax	**221,833**	174,880
Deferred tax	**(77,928)**	(50,423)
Total	**143,905**	124,457

8. DIVIDENDS

On June 6, 2024, the Company's shareholders approved the 2023 Profit Distribution Plan at annual general meeting as a final dividend of RMB0.2 (inclusive of tax) per share in respect of the year ended December 31, 2023 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB353,963,000 (inclusive of tax). As at June 30, 2024, all A shares dividends have been paid.

The directors of the Company have determined that no dividend will be proposed or declared in respect of the current interim period (Six months ended June 30, 2023: 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, 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,113,403**	786,093
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**–**	–
Earnings for the purpose of calculating basic earnings per share	**1,113,403**	786,093
Effect of diluted potential ordinary shares:		
Add: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**–**	–
Earnings for the purpose of calculating diluted earnings per share	**1,113,403**	786,093

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

	Six months ended June 30,	
	2024 (unaudited)	2023 (unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**1,772,440,504**	1,769,715,031
Effect of diluted potential ordinary shares:		
Effective of restricted shares units and share awards issued by the Company	**3,051,679**	2,320,281
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	**1,775,492,183**	1,772,035,312

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, 2024, the Group acquired assets with a cost of RMB1,127,471,000 (Six months ended June 30, 2023: RMB1,346,494,000), and disposed of assets with a net carrying amount of RMB1,154,000 (Six months ended June 30, 2023: RMB3,834,000).

11. GOODWILL

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Cost	**2,787,791**	2,780,918
Accumulated impairment	**–**	–
Net carrying amount	**2,787,791**	2,780,918
Opening carrying amount, net of accumulated impairment	**2,780,918**	2,687,865
Exchange realignment	**6,873**	93,053
Total	**2,787,791**	2,780,918

12. TRADE AND BILLS RECEIVABLE

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, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Within 1 year	**2,135,324**	2,201,100
1 year to 2 years	**43,960**	41,053
Total	**2,179,284**	2,242,153

Included in trade receivables are amounts due from a related party of RMB63,144,000 as at June 30, 2024 (December 31, 2023: RMB58,960,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

13. CONTRACT ASSETS

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Contract assets	**436,137**	402,363
Allowance for impairment	**(8,848)**	(8,098)
Total	**427,289**	394,265

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Financial assets at amortised cost	**57,060**	176,677
Prepayments	**26,036**	17,809
Deposits and other receivables	**49,020**	46,737
Prepaid expenses	**122,685**	107,761
Tax recoverable	**257,972**	324,002
Others	**1,760**	11,031
Total	**514,533**	684,017

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, 2023	**157,633**	**491,724**	**649,357**
Breeding costs	**–**	**12,627**	**12,627**
Purchases	**–**	**3,300**	**3,300**
Transfer among group of primates	**457**	**(457)**	**–**
Decrease due to disposal	**(1,534)**	**(1,316)**	**(2,850)**
Decrease due to sales	**–**	**(9,392)**	**(9,392)**
Decrease due to experiments	**–**	**(40,266)**	**(40,266)**
June 30, 2024	**156,556**	**456,220**	**612,776**

At June 30, 2024, 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, 2024 RMB'000
Current	456,220
Non-current	156,556
Total	612,776

16. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Current assets		
Derivatives under hedge accounting		
Cash flow hedges – Foreign currency forward contracts	–	27,650
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges – Foreign currency forward contracts	50,026	26,931

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, 2024			
Foreign currency risk			
– Foreign currency forward contracts	430,000	30,000	460,000
Average forward rates (USD/RMB)	7.0152	7.0590	7.0180

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, 2024				
Foreign currency risk				
– Foreign currency forward contracts	460,000	–	50,026	Derivative financial instruments liabilities

	Cash flow hedge reserve RMB'000
As at June 30, 2024	
Foreign currency risk	
– Foreign currency forward contracts	(23,796)

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, 2024				
Foreign currency risk				
– Foreign currency forward contracts	(109,693)	16,454	(93,239)	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, 2024				
Foreign currency risk				
– Foreign currency forward contracts	(24,648)	3,697	(20,951)	Revenue
Foreign currency risk				
– Foreign currency forward contracts	(33,240)	4,986	(28,254)	Other expenses

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	June 30, 2024			December 31, 2023		
	Effective interest rate (%)	**Maturity**	**RMB'000 (unaudited)**	Effective interest rate (%)	Maturity	RMB'000 (audited)
Current						
Bank loans – unsecured	**3.400-3.530**	**2025**	**852,040**	3.200-3.600	2024	727,412
Subtotal			**852,040**			727,412
Non-current						
Bank loans – secured (a)	**2.800-3.710**	**2026~2030**	**812,656**	3.050-3.960	2025-2032	691,669
Bank loans – unsecured	**3.350-3.470**	**2026~2032**	**3,514,444**	3.350-3.530	2025-2032	3,616,496
Subtotal			**4,327,100**			4,308,165
Total			**5,179,140**			5,035,577

Analysed into:	**June 30, 2024 RMB'000 (unaudited)**	December 31, 2023 RMB'000 (audited)
Bank loans repayable:		
Within one year	**852,040**	727,412
In the second year	**352,438**	325,508
In the third to fifth years, inclusive	**3,573,927**	3,469,229
Beyond five years	**400,735**	513,428
Total	**5,179,140**	5,035,577

(a) As at June 30, 2024, the bank loans with the amount of RMB812,656,000 (December 31, 2023: RMB691,669,000) 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, 2024, the mortgaged property, plant and equipment have a net carrying amount of approximately RMB670,678,000 (December 31, 2023: RMB691,705,000), and the mortgaged right-of-use assets have a net carrying amount of RMB126,908,000 (December 31, 2023: RMB128,314,000).

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 declaration of the Final Dividends and the Capitalization of Reserve by the Company, 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, 2023 (Audited)	**3,891,501**	**117,582**	**198,554**	**4,207,637**
Exchange adjustments	**5,507**	**–**	**–**	**5,507**
Interest charge	**34,387**	**–**	**–**	**34,387**
Redemption of the convertible Bonds	**(3,921,136)**	**(117,582)**	**(198,554)**	**(4,237,272)**
As at June 30, 2024 (Unaudited)	**10,259**	**–**	**–**	**10,259**

As at June 30,2024, the series 1 Bonds of USD298,500,000 in an aggregate principal amount was redeemed and cancelled, and the principal amount of USD1,500,000 still in circulation. All the series 2 Bonds have been redeemed and cancelled, no the series 2 Bonds are in circulation.

As at June 30 2024, there is no residual value for the derivative component.

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, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Within 1 year	**492,482**	401,034
Over 1 year	**10,560**	11,187
Total	**503,042**	412,221

20. OTHER PAYABLES AND ACCRUALS

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Staff payroll and welfare payables	**612,559**	708,193
Other tax payable	**43,874**	53,401
Payables for acquisition of plant and equipment	**503,154**	439,640
Accrued expenses	**98,269**	105,379
Dividend payable	**58,851**	–
Payable for acquisition of equity interests in subsidiaries	**14,758**	14,758
Others	**45,436**	55,812
Total	**1,376,901**	1,377,183

21. SHARE CAPITAL

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Issued and fully paid:	1,787,394	1,787,394

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, 2023, January 1, 2024 and June 30, 2024	1,787,394,297	1,787,394

22. SHARE OPTION SCHEME

2021 Pharmaron 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 Pharmaron A Share Incentive Scheme consisting of Restricted A shares and share options. On June 9, 2021, the shareholders' meeting of the Company passed a resolution to grant 774,200 A Shares of the Company under the 2021 Pharmaron A Share Incentive Scheme consisting of Restricted A shares and share options. 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 Pharmaron 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.

As a result of the implementation of the 2022 Profit Distribution Plan and pursuant to the Management Measures for Share Incentives of Listed Companies and the 2021 A Share Incentive Scheme, on October 27, 2023, the Board resolved to adjust the grant price of Restricted A Shares granted under the 2021 A Share Incentive Scheme from RMB46.48 per A Share to RMB30.79 per A Share.

For the period ended June 30, 2024, the Group has recorded share-based compensation expenses of RMB5,513,000 (Six months ended June 30,2023: RMB10,141,000) in relation to the 2021 Pharmaron A Share Incentive Scheme.

22. SHARE OPTION SCHEME (CONTINUED)

2022 Pharmaron A Share Incentive Scheme

On May 31, 2022, the Shareholders have resolved to adopt the 2022 Pharmaron 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 2022 Capitalization of Reserve, the number of Restricted A Shares to be issued by the Company has been adjusted from 2,203,200 A Shares to 3,304,800 A Shares, and the grant price has been adjusted from RMB38.62 per A Share to RMB25.55 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, 2024, the Group has recorded share-based compensation expenses of RMB11,884,000 (Six months ended June 30,2023: 22,799,000) in relation to the 2022 Pharmaron A Share Incentive Scheme.

2023 Pharmaron A Share Incentive Scheme

On July 7, 2023, the Shareholders have resolved to adopt the 2023 Pharmaron A Share Incentive Scheme, pursuant to which, the maximum number of restricted A shares to be issued by the Company is 1,470,300 A shares, representing approximately 0.20% of the Company's total number of issued shares at the time of the adoption of the scheme. The granted Restricted A Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain performance conditions.

For the period ended June 30, 2024, the Group has recorded share-based compensation expenses of RMB2,132,000 in relation to the 2023 Pharmaron 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 RMB2,163,000 during the period ended June 30, 2024 (Six months ended June 30,2023: RMB865,000).

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"), an independent third party. 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 issued under the H Share Scheme in any case is 7,940,000 H Shares, which is adjusted to 11,910,000 H Shares as a result of Share Capital Conversion, 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 five 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, 2024, the Group had recorded share-based compensation expenses of RMB2,211,000 (Six months ended June 30,2023: RMB4,759,000) 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 Share Capital Conversion, 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, 2024, the Group had recorded share-based compensation expenses of RMB3,324,000 (Six months ended June 30,2023: 6,369,000) 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 Share Capital Conversion, 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, 2024, the Group had recorded share-based compensation expenses of RMB41,261,000 (Six months ended June 30,2023: 80,403,000) in relation to the 2022 Second Grant.

22. SHARE OPTION SCHEME (CONTINUED)

The First H Share Award and Trust Scheme (continued)

(4) On Aug 29, 2023, the management committee of the H Share Scheme has further resolved to grant awards of a total of 1,942,071 H Shares to 121 eligible employees. All of the relevant granted H Shares shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions. For the period ended June 30, 2024, the Group had recorded share-based compensation expenses of RMB6,249,000 in relation to the 2023 First Grant.

(5) On Aug 29, 2023, the management committee of the H Share Scheme has further resolved to grant awards of a total of 112,500 H Shares to 2 eligible employees. All of the relevant granted H Shares shall be vested over a two-year period, with 50% and 50% of total shares vesting on each anniversary date after the respective vesting commencement date upon meeting certain vesting conditions. For the period ended June 30, 2024, the Group had recorded share-based compensation expenses of RMB668,000 in relation to the 2023 Second Grant.

23. CONTINGENT LIABILITIES

As at June 30, 2024 and December 31, 2023, neither the Group nor the Company had any significant contingent liabilities.

24. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Property, plant and equipment	**1,231,382**	958,041
Capital contributions payable to associates	**355,020**	397,639
Total	**1,586,402**	1,355,680

25. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the six months ended June 30, 2024 and 2023, respectively:

(a) Transactions with related parties:

		Six months ended June 30,	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Entities controlled by the close family members of the directors			
Rental cost	(i)	**1,250**	1,250
Entities in which the directors act as key management personnel			
Provision of pharmaceutical R&D service	(ii)	**25,249**	26,509
Sale of products	(iii)	**5**	248
Rental income	(iv)	**59**	59

Notes:

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

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

(iii) 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.

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

25. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group had the following material transactions with related parties during the six months ended June 30, 2024 and 2023, respectively:

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	**6,346**	**6,314**

(c) Outstanding balance with a related party:

As at June 30, 2024, the Group had an outstanding balance with a related party included in contract assets and liabilities amounting to RMB5,816,000 (December 31, 2023: RMB2,460,000) and RMB3,272,000 (December 31, 2023: RMB2,732,000), respectively.

Details of the Group's trade receivables and payables with its related parties as at June 30, 2024 and December 31, 2023 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, 2024 and December 31, 2023 are as follows:

June 30, 2024		**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	–	233,763	–	233,763
Financial assets included in other non-current assets	58,250	–	–	58,250
Trade receivables	2,179,284	–	–	2,179,284
Financial assets included in prepayments, other receivables and other assets	106,080	–	–	106,080
Financial assets at fair value through profit or loss	–	–	361,089	361,089
Pledged deposits	237,716	–	–	237,716
Cash and cash equivalents	2,163,240	–	–	2,163,240
Total	4,744,570	233,763	361,089	5,339,422

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	–	5,179,140	5,179,140
Trade payables	–	503,042	503,042
Financial liabilities included in other payables and accruals	–	694,851	694,851
Derivative financial instruments	50,026	–	50,026
Convertible bonds debt component	–	10,259	10,259
Total	50,026	6,387,292	6,437,318

December 31, 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	–	282,032	–	282,032
Financial assets included in other non-current assets	64,512	–	–	64,512
Trade and bills receivable	2,242,153	–	–	2,242,153
Financial assets included in prepayments, other receivables and other assets	226,094	–	–	226,094
Financial assets at fair value through profit or loss	–	–	594,333	594,333
Derivative financial instruments	–	–	27,650	27,650
Pledged deposits	127,750	–	–	127,750
Cash and cash equivalents	5,791,165	–	–	5,791,165
Total	8,451,674	282,032	621,983	9,355,689

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	–	5,035,577	5,035,577
Trade payables	–	412,221	412,221
Financial liabilities included in other payables and accruals	–	591,004	591,004
Convertible bonds debt component	–	3,891,501	3,891,501
Financial liabilities at fair value through profit or loss	117,582	–	117,582
Derivative financial instruments	26,931	–	26,931
Total	144,513	9,930,303	10,074,816

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.

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

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:

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 Chinese Mainland. 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, 2024 and December 31, 2023:

	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 Total RMB'000
As at June 30, 2024				
Equity investments at fair value through profit or loss	–	–	**233,763**	**233,763**
Financial assets at fair value through profit or loss	–	**361,089**	–	**361,089**
Total	–	**361,089**	**233,763**	**594,852**
As at December 31, 2023				
Equity investments at fair value through profit or loss	–	–	282,032	282,032
Derivative financial instruments (assets)	–	27,650	–	27,650
Financial assets at fair value through profit or loss	–	594,333	–	594,333
Total	–	621,983	282,032	904,015

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, 2024 RMB'000	As at December 31,2023 RMB'000
At January 1	**81,396**	52,710
Purchase	**–**	28,168
Transferred out	**(49,736)**	–
Exchange realignment	**157**	518
Total	**31,817**	81,396

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, 2024 RMB'000	As at December 31, 2023 RMB'000
At 1 January	**200,636**	166,346
Purchase	**2,619**	40,530
Fair value gain	**(1,309)**	(6,240)
Total	**201,946**	200,636

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, 2024				
Derivative financial instruments (liabilities)	**–**	**50,026**	**–**	**50,026**

	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, 2023				
Derivative financial instruments (liabilities)	–	26,931	–	26,931
Convertible bonds – Embedded derivative component	–	–	117,582	117,582
Total	–	26,931	117,582	144,513

28. EVENTS AFTER THE REPORTING PERIOD

There are no material events affecting the Company after the Reporting Period and up to the date of this interim report.

Definitions

"2019 A Share Incentive Scheme"	the 2019 Restricted A Share Incentive Scheme of the Company
"2021 A Share Incentive Scheme"	the 2021 Restricted A Share Incentive Scheme of the Company
"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
"2023 Profit Distribution"	the proposed distribution of Dividends
"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
"CDMO"	contract development and manufacturing organization(s), a CMO that, in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
"CMC"	chemistry, manufacturing and controls
"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
"Directors"	directors of the Company
"Dividends"	the distribution of 2023 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 8, 2024, being the record date for ascertaining the entitlement to dividend on Shares, based on a rule of receiving RMB0.2 per Share held by the Shareholders payable in RMB to the A Shareholders and in Hong Kong dollars 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.
"First H Share Award and Trust Scheme"	The First H Share Award and Trust Scheme of the Company
"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)
"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
"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of the Listing Issuers
"N/A"	Not appliable

"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
"PRC"	the People's Republic of China
"R&D"	research and development
"Reporting Period"	the six months ended June 30, 2024
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.K."	the United Kingdom
"U.S."	the United States
"%"	per cent.

康龙化成
PHARMARON

Pharmaron Beijing Co., Ltd.

6 Tai-He Road, Beijing Economic
Technological Development Area, Beijing, China
http://www.pharmaron.com
pharmaron@pharmaron.com