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Pharmaron Beijing Co., Ltd.*

康龍化成（北京）新藥技術股份有限公司

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

(Stock Code: 3759)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

FINANCIAL SUMMARY AND HIGHLIGHTS

	Six months ended June 30,		
	2021	2020	Change
	RMB'000	RMB'000	%
Revenue	3,285,511	2,193,167	49.8
Gross profit	1,189,711	794,400	49.8
Profit attributable to owners of the parent	564,837	478,960	17.9
Non-IFRSs adjusted net profit attributable to owners of the parent	651,392	431,608	50.9
Net cash flows generated from operating activities	845,064	617,948	36.8

- During the Reporting Period, the Group recorded aggregate revenue of approximately RMB3,285.5 million, representing an increase of approximately RMB1,092.3 million, or 49.8%, as compared to the six months ended June 30, 2020.
- During the Reporting Period, the profit attributable to owners of the parent was approximately RMB564.8 million, representing an increase of approximately 17.9% as compared to the six months ended June 30, 2020.
- During the Reporting Period, the net cash flows generated from operating activities was approximately RMB845.1 million, representing an increase of approximately 36.8% as compared to the six months ended June 30, 2020.
- The Board resolved not to declare any interim dividend for the six months ended June 30, 2021.

The board of directors of Pharmaron Beijing Co., Ltd. is pleased to announce the unaudited interim results of the Group for the six months ended June 30, 2021 with the comparative figures in the corresponding period in 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

		Six months ended June 30,	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
REVENUE	4	3,285,511	2,193,167
Cost of sales		<u>(2,095,800)</u>	<u>(1,398,767)</u>
Gross profit		1,189,711	794,400
Other income and gains	5	119,881	202,817
Other expenses	5	(109,595)	(40,442)
Selling and distribution expenses		(63,733)	(40,422)
Administrative expenses		(383,583)	(303,525)
Research and development costs		(64,464)	(43,104)
Impairment reversal/(losses) on financial and contract assets		472	(3,215)
Finance costs		(15,786)	(13,386)
Share of losses of associates		<u>(6,993)</u>	<u>(20,824)</u>
Profit before tax	6	665,910	532,299
Income tax expense	7	<u>(118,610)</u>	<u>(65,664)</u>
Profit for the period		<u>547,300</u>	<u>466,635</u>
Attributable to:			
Owners of the parent		564,837	478,960
Non-controlling interests		<u>(17,537)</u>	<u>(12,325)</u>
		<u>547,300</u>	<u>466,635</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For profit for the period	9	<u>RMB0.7126</u>	<u>RMB0.6053</u>
Diluted			
For profit for the period	9	<u>RMB0.7121</u>	<u>RMB0.6045</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	<u>547,300</u>	<u>466,635</u>
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	<u>(28,626)</u>	<u>(30,421)</u>
Fair value gain on – hedging instruments designated in cash flow hedges	<u>10,947</u>	<u>-</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(17,679)</u>	<u>(30,421)</u>
Other comprehensive loss for the period, net of tax	<u>(17,679)</u>	<u>(30,421)</u>
Total comprehensive income for the period	<u><u>529,621</u></u>	<u><u>436,214</u></u>
Attributable to:		
Owners of the parent	547,136	448,509
Non-controlling interests	<u>(17,515)</u>	<u>(12,295)</u>
	<u><u>529,621</u></u>	<u><u>436,214</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	<i>Notes</i>	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		4,754,574	3,841,445
Right-of-use assets		626,860	567,630
Investment properties		-	43,889
Goodwill		1,804,929	1,166,172
Other intangible assets		180,024	189,976
Investments in associates		298,178	280,474
Equity investments at fair value through profit or loss		198,215	121,230
Biological assets		35,553	-
Deferred tax assets		12,629	8,436
Other non-current assets		308,726	149,162
Total non-current assets		8,219,688	6,368,414
CURRENT ASSETS			
Inventories		160,889	128,757
Contract costs		190,044	152,860
Trade receivables	<i>10</i>	1,127,460	1,076,614
Contract assets		182,647	133,764
Biological assets		94,408	-
Prepayments, other receivables and other assets		336,621	196,020
Financial assets at fair value through profit or loss		720,403	825,312
Derivative financial instruments		36,744	84,698
Pledged deposits		18,306	7,263
Cash and cash equivalents		5,950,491	2,935,090
Total current assets		8,818,013	5,540,378
CURRENT LIABILITIES			
Interest-bearing bank borrowings		406,611	386,146
Trade payables	<i>11</i>	268,436	191,497
Other payables and accruals		919,640	819,313
Contract liabilities		615,694	473,289
Lease liabilities		84,537	83,925
Financial liabilities at fair value through profit or loss		145,352	-
Tax payable		75,253	27,620
Total current liabilities		2,515,523	1,981,790
NET CURRENT ASSETS		6,302,490	3,558,588
TOTAL ASSETS LESS CURRENT LIABILITIES		14,522,178	9,927,002

	<i>Notes</i>	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		858,967	394,811
Deferred tax liabilities		112,647	106,906
Financial liabilities at fair value through profit or loss		-	146,810
Deferred income		155,197	158,128
Convertible bonds-debt component		3,436,490	-
Convertible bonds-embedded derivative component		254,808	-
Lease liabilities		200,804	186,608
Total non-current liabilities		5,018,913	993,263
NET ASSETS		9,503,265	8,933,739
EQUITY			
Share capital	12	794,387	794,387
Treasury shares		(81,391)	(45,475)
Equity component of convertible bonds		198,554	-
Reserves		8,455,086	8,121,407
Equity attributable to owners of the parent		9,366,636	8,870,319
Non-controlling interests		136,629	63,420
Total equity		9,503,265	8,933,739

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

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, 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, 2021 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, 2020 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, 2020, except for the adoption of the following revised IFRSs and newly adoption of certain IFRSs for the first time for the current period's financial information.

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

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

- a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The Conceptual Framework has had no material impact on the disclosures set out in these condensed consolidated financial statements. The Group had certain interest-bearing bank borrowings denominated in foreign currencies based on the London Interbank Offered Rate (“LIBOR”) as at June 30, 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.
- b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

The following accounting policies have been adopted by the Group and become effective on January 1, 2021:

Biological assets

Biological assets included monkeys for experiment, which are classified as current assets and monkeys for breeding, which are classified as non-current assets of the Group. Biological assets are measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resultant gain or loss recognized in the consolidated statement of profit or loss for the period in which it arises. The fair value of monkeys is determined by using the market method through direct comparison or analysis of the recent trading prices of the same or similar assets, and is determined independently by a professional valuer.

As at June 30, 2021, no material changes in fair value of the biological assets for the current period was recognized in the interim condensed consolidated statement of profit or loss.

Financial liabilities

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

3. OPERATING SEGMENT INFORMATION

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

- The laboratory services segment includes laboratory chemistry and bioscience (including DMPK/ADME, *in vitro* biology and *in vivo* pharmacology, safety assessment and U.S. laboratory services) services
- The CMC (small molecule CDMO) services segment includes small molecule APIs process development and manufacturing, materials science/pre-formulation, formulation development and manufacturing, and analytical development services
- The clinical development services segment includes clinical research services, site management services, regulatory bioanalysis and radiolabelled science services
- The Biologics and CGT services segment includes biologics discovery services, biologics and CGT lab services, CGT development and manufacturing services CDMO and biologics development and manufacturing services CDMO
- 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, 2021 (unaudited)	Laboratory services RMB’000	CMC (small molecule CDMO) services RMB’000	Clinical development services RMB’000	Biologics and CGT services RMB’000	Others RMB’000	Total RMB’000
Segment revenue	2,027,048	762,243	422,691	71,661	1,868	3,285,511
Segment results	<u>848,521</u>	<u>278,517</u>	<u>59,614</u>	<u>2,159</u>	<u>900</u>	<u>1,189,711</u>
Unallocated amount:						
Other income and gains						119,881
Other expenses						(109,595)
Selling and distribution expenses						(63,733)
Administrative expenses						(383,583)
Research and development costs						(64,464)
Impairment reversals on financial and contract assets						472
Finance costs						(15,786)
Share of losses of associates						(6,993)
Group’s profit before tax						<u><u>665,910</u></u>

Six months ended June 30, 2020 (unaudited)	Laboratory services <i>RMB'000</i>	CMC(small molecule CDMO) services <i>RMB'000</i>	Clinical development services <i>RMB'000</i>	Biologics and CGT services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	1,428,844	506,460	242,549	4,877	10,437	2,193,167
Segment results	<u>586,486</u>	<u>145,794</u>	<u>52,893</u>	<u>3,005</u>	<u>6,222</u>	<u>794,400</u>
Unallocated amount:						
Other income and gains						202,817
Other expenses						(40,442)
Selling and distribution expenses						(40,422)
Administrative expenses						(303,525)
Research and development costs						(43,104)
Impairment losses on financial and contract assets						(3,215)
Finance costs						(13,386)
Share of losses of associates						(20,824)
Group's profit before tax						<u><u>532,299</u></u>

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

Geographical information

(a) Revenue from external customers

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
North America	2,136,045	1,389,926
Europe	564,435	454,454
Asia (except Mainland China)	77,995	66,860
Mainland China	492,991	256,632
Others	14,045	25,295
	<u>3,285,511</u>	<u>2,193,167</u>

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

(b) Non-current assets

	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Mainland China	5,406,929	4,529,104
North America	1,279,053	1,278,656
Europe	1,301,514	430,988
Asia (except Mainland China)	21,348	-
	8,008,844	6,238,748

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, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue from contracts with customers	3,283,643	2,182,730
Revenue from other sources	1,868	10,437
	3,285,511	2,193,167

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Type of services		
Laboratory services	2,027,048	1,428,844
CMC (small molecule CDMO) services	762,243	506,460
Clinical development services	422,691	242,549
Biologics and CGT services	71,661	4,877
Total revenue from contracts with customers	3,283,643	2,182,730
Timing of revenue recognition		
Services transferred at a point of time	1,776,503	1,172,809
Services transferred over time	1,507,140	1,009,921
Total revenue from contracts with customers	3,283,643	2,182,730

(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,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Interest income	19,884	43,143
Government grants and subsidies related to		
– Assets	5,930	5,159
– Income	17,584	11,428
	43,398	59,730
Other gains		
Foreign exchange gains, net	–	3,231
Gains on fair value change of equity investment at fair value through profit or loss	17,057	100,837
Gains on financial assets at fair value through profit or loss	27,705	15,722
Gains on derivative financial instruments	5,918	–
Gains on fair value re-measurement of existing equity in business combination not under common control	–	23,123
Gains resulting from transfer of an investment in associates to equity investments at fair value through profit or loss	25,452	–
Others	351	174
	76,483	143,087
	119,881	202,817
Other expenses		
Foreign exchange loss, net	(2,961)	–
Losses on disposal of property, plant and equipment	(872)	(390)
Losses of derivative financial instruments	–	(35,303)
Losses on fair value change of convertible bonds-embedded derivative component	(100,395)	–
Others	(5,367)	(4,749)
	(109,595)	(40,442)

6. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	207,380	167,654
Depreciation of right-of-use assets	49,459	34,307
Depreciation of investment properties	344	411
Amortization of other intangible assets	12,108	3,179
Staff costs* (including directors' and chief executive's remuneration):		
Salaries and other benefits	1,106,238	727,978
Pension scheme contribution, social welfare and other welfare	310,516	160,095
Share-based compensation expenses	25,720	34,570
Gains resulting from transfer of an investment in associates to equity investments at fair value through profit or loss	(25,452)	—
Gains on fair value re-measurement of existing equity in business combination not under common control	—	(23,123)
Gains on financial assets at fair value through profit or loss	(27,705)	(15,722)
Gains on fair value change of equity investment at fair value through profit or loss	(17,057)	(100,837)
Impairment losses on inventories, net of reversal	1,252	2,162
Impairment (reversal)/losses on financial and contract assets	(472)	3,215
(Gains)/losses on derivative financial instruments	(5,918)	35,303
Losses on fair value change of convertible bonds-embedded derivative component	100,395	—
Auditor's remuneration	2,150	1,740

* 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.

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax	119,638	64,707
Deferred tax	(1,028)	957
	118,610	65,664

8. DIVIDENDS

On May 28, 2021, the Company's shareholders approved the 2020 Profit Distribution Plan at annual general meeting, pursuant to which a final dividend of RMB0.3 (inclusive of tax) per share in respect of the year ended December 31, 2020 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB238,316,000 (inclusive of tax). As at June 30, 2021, RMB231,825,000 has been paid.

The directors of the Company have determined that no dividend will be proposed or declared in respect of the current interim period (Six months ended June 30, 2020: 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,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	564,837	478,960
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	(694)	(611)
Earnings for the purpose of calculating basic earnings per share	<u>564,143</u>	<u>478,349</u>
Effect of diluted potential ordinary shares:		
Add: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	<u>347</u>	<u>611</u>
Earnings for the purpose of calculating diluted earnings per share	<u>564,490</u>	<u>478,960</u>
	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<u>791,669,412</u>	<u>790,310,075</u>
Effect of diluted potential ordinary shares:		
Effective of restricted shares units and share awards issued by the Company	<u>1,038,939</u>	<u>2,000,880</u>
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	<u>792,708,351</u>	<u>792,310,955</u>

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Within 1 year	1,113,526	1,065,203
1 year to 2 years	13,934	11,411
	<u>1,127,460</u>	<u>1,076,614</u>

Included in trade receivables was an amount due from a related party of RMB470,000 (December 31, 2020: RMB7,339,000) which was repayable on credit terms similar to those offered to the major customers of the Group.

11. TRADE PAYABLES

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

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

	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Within 1 year	263,642	187,369
Over 1 year	4,794	4,128
	<u>268,436</u>	<u>191,497</u>

Included in the trade payables was an amount due to a related party of RMB4,000 (December 31, 2020: RMB804,000) which was repayable within 30 days, which represents credit terms similar to those offered by the related party to their major customers.

12. SHARE CAPITAL

	June 30, 2021 <i>RMB'000</i> (unaudited)	December 31, 2020 <i>RMB'000</i> (audited)
Issued and fully paid:	<u>794,387</u>	<u>794,387</u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>
At December 31, 2020 and January 1, 2021	<u>794,387,462</u>	<u>794,387</u>
At June 30, 2021	<u>794,387,462</u>	<u>794,387</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Principal Business

The Company is a leading fully-integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for our customers. The Company provides fully-integrated drug research, development and manufacturing services from drug discovery to drug development. In terms of main business type, our services can be divided into four service segments: laboratory services, CMC (small molecule CDMO) services, clinical development services, and biologics and CGT services.

The Company's business originates from the drug discovery stage and is in a leading position in drug discovery, preclinical and early clinical-stage research, and is committed to expanding its downstream R&D service capabilities including drug development, clinical and manufacturing. We continue to strengthen the Company's fully-integrated service capabilities in pharmaceutical research and development. Through years of construction, the Company has built a chemistry technical service platform and DMPK/ADME service platform throughout the entire drug R&D process and commercial stages, and has established a complete integrated R&D service platform from drug discovery to POC ("**Proof of Clinical Concept**"). In the process of development, 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, the U.S. and the U.K. By using global operation and management methods, we are able to effectively integrate our resources to create global professional service capability to provide comprehensive and high quality services globally. Also, the Company will accelerate the establishment of R&D service capabilities for biologics and CGT products and committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities.

The Company has a well-established R&D services platform for the discovery stage of small molecule innovative drugs, based on which the Company has expanded its expertise to various stages of drug development and manufacturing. In order to meet customers' need for pharmaceutical R&D services, the Company expands its service scope to CMC (small molecule CDMO) and clinical development services. The Company's drug development services platform mainly provides drug safety assessment services with GLP compliance accredited by NMPA, FDA and OECD, chemical and formulations development services, GMP manufacturing services for chemical APIs and finished dosages, comprehensive radiolabelled substance synthesis, analysis and clinical trial services, clinical trial and analysis, as well as clinical development services including drug & device registration and application, medical affairs, clinical operation, data management and biostatistics and bioanalysis in both China and U.S..

The Company made significant efforts to establish the service platform of biologics and CGT products. On one hand, the Company has accelerated the establishment of the team and facilities for biologics products in China. On the other hand, through the acquisition of Absorption Systems LLC, and Allergan Biologics Limited (nowly known as Pharmaron Biologics (UK) Ltd.), the Company has begun to develop a service platform for CGT products to establish laboratory services and CDMO services of CGT products, so as to better meet the needs of our customers. For further details of the acquisition of Allergan Biologics Limited, please refer to the announcement of the Company date March 1, 2021.

Operating Models

1. Laboratory services

Laboratory services of the Company include laboratory chemistry and bioscience (including DMPK/ADME, *in vitro* biology and *in vivo* pharmacology, safety assessment and U.S. laboratory services) services.

Laboratory chemistry is the starting point for the Company's development, and it's also the core and cornerstone of the Company's business. The Company has accumulated extensive experiences and established a core talent pool in the field of compound design and synthesis, providing drug discovery services in target selection, lead compound screening services according to the needs of the customers. At the same time, as the important components of our laboratory services, *in vitro* and *in vivo* DMPK/ADME, *in vitro* biology and *in vivo* pharmacology provide customers with drug discovery services including target validation, structure activity relationship studies, candidate compound identification, drugability studies (from aspects of biology, DMPK/ADME, pharmacology and safety assessment).

With the advantage of global GLP compliance (FDA, NMPA, OECD), the Company's drug safety assessment services provide a comprehensive IND support to our global customers by performing all the related drug safety assessment studies to support their IND filing in different jurisdictions. With our global R&D team and validated quality standards and systems, our drug discovery and subsequent systematic drug development services assist our customers in accelerating their R&D projects from preclinical R&D to clinical phases in a number of countries.

To further strengthen the fully-integrated services platform and continue expand the global footprint, the Company acquired Absorption Systems in November 2020 and improved U.S. laboratory services through such acquisition. Absorption Systems laboratory provides DMPK/ADME and bioanalysis services needed in the development of small molecules. With the global network of laboratory services capabilities, the Company will further strengthen and consolidate its leading position in drug discovery and development of fully-integrated DMPK service platform. In addition, Absorption Systems is also able to provide laboratory services in the areas of ophthalmology and medical devices.

2. *CMC (small molecule CDMO) services*

Our experienced CMC (small molecule CDMO) services team delivers customized and cost efficient solutions to customers in drug development and manufacturing, including small molecule APIs process development and manufacturing, materials science/pre-formulation, formulation development and manufacturing, and analytical development services to support pre-clinical and clinical development. The CMC (small molecule CDMO) services of the Company mainly provide pharmaceutical companies with chemical and formulation process development and clinical scale manufacturing services during the drug development stage with capabilities and capacities to cover the process development and manufacturing needs throughout clinical Phase I to III. The cGMP API and drug product manufacturing facilities of the Company are qualified to manufacture products to support clinical trials in global markets, including the U.S., China and EU. Our quality assurance system follows guidelines of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH Guidelines) and supports the development and manufacture regulation of APIs and pharmaceuticals in compliance with FDA, NMPA and EMA, and can also support the preparation of complete regulatory data packages and documentation for regulatory filings and cGMP audits in the U.S., EU, and Asia.

For the capability's improvement, the Company keeps investing on cutting-edge technologies of small molecule to provide value-added process optimization and manufacture services to domestic and foreign customers to meet their needs at different drug development stages. In terms of R&D and manufacturing capacity, the Company has facilities in Tianjin, Shaoxing, Ningbo and the U.K., and will continue to increase capacity to provide customers with services that consistently meeting their global quality standards and production requirement. In terms of customer services, leveraging on the technical experience accumulated over the years and integrated services platform, the Company's development and manufacturing services get involved at the early stage of the drug development projects, the solid foundation of the early stage projects has paved the way for the development of our commercial manufacturing business.

3. *Clinical development services*

Our clinical development services include overseas and domestic clinical development services.

The overseas clinical development services includes radiolabelled science services and pre-clinical trial services. Our independent early clinical R&D center with 96 beds in Maryland, the U.S., has an experienced medical and support team in clinical pharmacology, specializing in comprehensive FIH studies, vaccine development/infection challenge studies, comprehensive ^{14}C drug absorption, distribution and excretion trial, TQT/cardiac safety, cross-ethnic bridging studies and patient recruitment.

Meanwhile, the Company has the global bioanalytical capabilities in China, the U.S. and the U.K., which is available for use by clinical trials around the world. Our regulatory bioanalysis includes small molecule bioassays, biologics bioassays, and ^{14}C -API and ^{14}C metabolism bioassays. The Company's experienced synthetic chemists, analytical chemists and pharmaceutical chemical metabolism scientists help our customers synthesize ^{14}C and ^3H radiolabelled compounds and use for the DMPK/ADME studies of various compounds during clinical, preclinical and discovery stages, so as to accelerate their clinical development process.

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

With the establishment of domestic and overseas clinical development services platforms, it enables our customers to submit IND application for their drug candidates in China, the U.S. or EU in parallel, building an integrated platform for clinical development services. With the synergetic effect of the integrated services approach and the continuous improvement of our capabilities, the Company's revenue in clinical development service increased rapidly.

4. *Biologics and CGT services*

Since 2019, the Company has been deploying Biologics and CGT Services. Through self-development and external acquisitions, the Company has accelerated the construction of its Biologics and CGT Service platform covering Biologics Discovery Services, Biologics and CGT Lab Services, CGT Development and Manufacturing Services CDMO, and Biologics Development and Manufacturing Services CDMO.

Biologics Discovery Services include biologics plasmid design, cell screening, target biologics expression and purification, analytical method development for target biologics and analysis and identification of the products, primarily serving various needs for cells and proteins, including mAbs, at the early stage of research and development.

Biologics and CGT Lab Services include analytical method development and validation for various proteins, and cells, as well as for various types of DNA and RNA products, and analysis of activity, toxicity, tissue distribution and viral shedding, and quantitative analysis of gene cell products, which can meet the specific requirements for analysis (including compliance with GLP/GCP/GMP regulations) of gene cell products during the pre-clinical and clinical development and marketing stages.

CGT Development and Manufacturing Services CDMO include plasmid synthesis containing therapeutic genes, cell line development, cell bank establishment, production process development and optimization, formulation preparation process optimization, mass production of products, analytical method development and validation, product-related impurities identification and analysis, stability evaluation, product analysis and identification and GMP batch release, etc., covering a full set of CDMO services for the entire process of CGT products process development and their cGMP production, so as to support the needs for pre-clinical safety evaluation of gene cell products, Phase I, II and III clinical trials, and post-marketing product life cycle management. These services are licensed by MHRA, the UK pharmaceutical administration authority, for the manufacture of biologics.

For Biologics Development and Manufacturing Services CDMO, the Company is accelerating the build-up of the base of biologics CDMO service platform. The Hangzhou Bay service center II Phase I is the base of Company's biologics development and production service (covers nearly 70,000 m²). After the project is completed, it will be able to provide development services for cell line and cell culture process, upstream and downstream process development, formulation development and fill-and-finish process and analytical methods, as well as drug substances and product manufacturing services with 200L to 2,000L production capacity to support the project from pilot to commercial stage production.

Financial Review

In the first half of 2021, the Company adheres to the mission of “Supporting Our Partners’ Success in Discovery, Development and Commercialization of Innovative Medicines.” With the joint efforts of all employees, the Company continued to provide customers with high quality R&D services, all business sectors of the Company have achieved rapid growth. At the same time, the Company actively integrated and improved new business sectors, gradually improved our fully-integrated pharmaceutical R&D services platform for new drugs, further improved R&D efficiency, saved R&D time and costs for our customers, and provided customers with a full range of service support for R&D topics. Since the global outbreak of the COVID-19 pandemic, the Company’s business has remained steady growth. The pandemic has not imposed a material adverse impact on the operation of the Company. As the global pharmaceutical market continued to grow steadily and the market penetration rate continued to increase, the Company seized the opportunity of the rapid development of the healthcare industry, cooperated more closely with domestic and foreign pharmaceutical and biopharmaceutical R&D companies, and gradually expanded its business and cooperation. The Company accelerated the establishment of R&D service capabilities for biologics and CGT products, and established a biologics and CGT business segment. Pharmaron is committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities.

During the Reporting Period, all business segments of the Company maintained strong growth momentum. The Company recorded total revenue of RMB3,285.5 million, representing an increase of 49.8% over the same period of last year. With the benefit from economies of scale and the growth in revenue, the Company achieved gross profit of RMB1,189.7 million and gross profit margin of 36.2%, net profit attributable to owners of the parent of RMB564.8 million, representing an increase of 17.9% over the same period of last year, and the Non-IFRSs adjusted net profit attributable to owners of the parent of RMB651.4 million, representing an increase of 50.9% over the same period of last year. The Company continues to develop its clinical research services and strategically deploy its biologics and CGT services based on the expanding of the laboratory and CMC (small molecule CDMO) services, and enable high quality development in terms of services capabilities and business growth which in turn further strengthened our fully integrated pharmaceutical R&D services platform.

Overall Operation Results

In the first half of 2021, the Company introduced over 400 new customers, and our new drug R&D service platform served customers including the global top 20 pharmaceutical companies, with over 90% of revenue from the Company's large, diverse and loyal repeat customers. Our end-to-end R&D services platform with seamless integration approach greatly improved efficiency and further enhanced the synergies of our different service segments as well as gained more and more customer recognition. During the Reporting Period, over 80% of the revenue of our discovery stage bioscience services contributed by our existing laboratory chemistry customers, and 71% of CMC (small molecule CDMO) revenue contributed by our existing customers from drug discovery services (laboratory chemicals and bioscience services). During the Reporting Period, the Company contributed to the development of global innovative drug R&D by applying our long-accumulated expertise in pharmaceutical R&D to support our customers' R&D projects, the Company contributed to the global pharmaceutical R&D community and conducted studies for 55 investigational new drugs (IND) or new drug applications filing for our Chinese customers, of which, 44 projects applied simultaneously in multiple jurisdictions (including China, the U.S. and EU), an integrated service package for IND enabling R&D services gained more and more customer recognition. Meanwhile, with the strengthening of both capability and capacity of the pharmaceutical process development and manufacturing services, the Company worked on 695 APIs or intermediates, including 467 preclinical stage, 197 Phase I-II clinical stage, 27 Phase III clinical stage and 4 in process validation and commercial stage. The Company's overseas laboratory continued to improve and validate its service capacity. The San Diego laboratory of Absorption Systems successfully passed FDA on-site inspection in mid-August. Up to now, the laboratory has passed two FDA inspections without any FDA 438 defect rectification and observation requirements; Pharmaron UK's Hoddesden factory accepted the GMP inspection of the MHRA in the UK at the end of June this year.

During the Reporting Period, the Company continued expanding capacity to meet the growing business demand. The Company was about to complete the construction of Phase III of Tianjin plant (40,000 m²) and part of it has been gradually in operation from the first quarter of 2021, which will increase the process development capacity of our CMC (small molecule CDMO) services. During the Reporting Period, the Company continued the construction of Phase II of Hangzhou Bay R&D service center. The first 120,000 m² of laboratory space of Phase II of Hangzhou Bay R&D service center was about to complete and part of it has been gradually in operation from the first quarter of 2021. The remaining 42,000 m² of Phase II of Hangzhou Bay R&D service center was under construction and expected to complete the main structure and start internal installation in 2021. Once completed, Phase II of Hangzhou Bay R&D service center can provide additional laboratory space for up to 2,500 scientists and technician for our laboratory and CMC (small molecule CDMO) services. Furthermore, with our strategy to expand our CMC (small molecule CDMO) service downstream to late-stage clinical and commercial manufacturing, we accelerated the construction of Shaoxing Phase I facility with an area of 81,000 m² and reactor volume of 600 m³, of which, reactor volume of 200 m³ was expected to be operational in the second half of 2021 and the remaining 400 m³ will be completed in 2022. In the first half of 2021, the Company continued to develop the biologics drug development and manufacturing service (CDMO) capability and accelerated the build-up of the biologics CDMO service platform. We started the construction of 70,000 m² of our biologics product development and manufacturing facility at our Hangzhou Bay service center II Phase I and was expected to start internal installation and become operational for GMP production in the first half of 2023.

With the growth in business demand, the Company continuously expanding its talent pool. As of June 30, 2021, The Company had a total of 12,776 employees, of which, 11,400 R&D, production technology and clinical services staff, accounting for 89.2% of the total headcount. As of June 30, 2021, the headcount of R&D, production technology and clinical services staff increased by 1,573 as compared with December 31, 2020.

In June 2021, the Company successfully issued principal amount of US\$300 million zero coupon convertible bonds due 2026 and principal amount of RMB1,916 million zero coupon US\$-settled convertible bonds due 2026 (together, the “**Convertible Bonds**”) (both bonds could be converted to H Shares of the Company). The net proceeds from this issuance are approximately RMB3,776.0 million, and will be used to expand capacities and capabilities of pharmaceutical process development and manufacturing facilities, expand capability of R&D and manufacturing service platforms for biologics, expand capacities and capabilities of safety assessment of laboratory R&D services as well as laboratory and manufacturing facilities in the U.K., and supplement for working capital and general corporate purposes.

Operation results of each business sector

1. Laboratory services

As global pharmaceutical R&D investment continues to grow and the penetration rate for pharmaceutical R&D outsourcing continues to increase, the business volume from high quality customers and projects is on the rising trend. During the Reporting Period, the Company, through its global resources allocation and long-accumulated laboratory service capabilities, supported our customers to continue their pharmaceutical R&D programs and have undertaken more research works from customers, which contributed to the rapid growth of laboratory service revenue. The Company recorded revenue of RMB2,027.0 million in laboratory services, which representing an increase of 41.9% as compared to same period of last year, with the gross profit margin of 41.9%, representing an increase of 0.9% compared to same period of last year.

The Company had over 4,400 scientists and technicians in laboratory chemistry area which is one of the world leading chemistry groups in terms of size and expertise. During the Reporting Period, whilst our laboratory chemistry services achieved steady growth, the headcount of scientists and technicians in the bioscience areas exceeded 1,700, bioscience services entered the fast lane of development with the bioscience revenue contribution to the laboratory service increased to 45.8% as a result of the seamless integration with laboratory chemistry services. In order to strengthen our quality control of animal experiments and optimize our supply system of animal experiments, and to enhance our capabilities in the biological sciences such as drug safety assessment, the Company acquired the right of control of Biomedical Research (GZ), Ltd. (肇慶創藥生物科技有限公司), a subsidiary of Shin Nippon Biomedical Laboratories (Asia) Limited (新日本科學(亞洲)有限公司), in the first half of 2021 by way of equity purchase and capital contribution. Biomedical Research (GZ), Ltd. has experienced husbandry team in animal experiments as well as advanced and standardized facilities. Biomedical Research (GZ), Ltd. is committed to promoting the humanized management and scientific husbandry.

In order to meet the increasing business demand, the Company continued to expand its services capacity. At the same time, in order to meet the business needs, the Company continues to expand its R&D team and improve the caliber of its personnel. As of June 30, 2021, the staff for the laboratory service business were 6,122, representing an increase of 565 as compared to December 31, 2020.

2. *CMC (small molecule CDMO) services*

For pharmaceutical and R&D companies, the CMC (small molecule CDMO) services delivered by the Company can help our customers significantly reduce R&D costs and expedite the R&D process. During the Reporting Period, the Company recorded revenue of RMB762.2 million in CMC (small molecule CDMO) services, representing an increase of 50.5% as compared to the same period of last year, with the gross profit margin of 36.5%, representing an increase of 7.7% as compared to the same period of last year.

The increase in revenue from CMC (small molecule CDMO) services was mainly due to more drug discovery projects accumulated over the years progressing to the development stage, the expanded CMC (small molecule CDMO) services offering, the improvement of technical capabilities, and the continuous expansion of manufacturing capacity and the increased demand from the domestic innovative drug development market. During the Reporting Period, the Company continuously strengthens the CMC (small molecule CDMO) service platform with the U.K. and Chinese teams worked more closely together which in turn contributing to the continuous improvement in the business quality in the CMC (small molecule CDMO) services. With the implementation of China's Drug Marketing Authorization Holder System and the rise of a large number of biotech start-ups, the focus of pharmaceutical R&D in China is shifting from generic drug R&D to innovative drug R&D, and China's innovative drug market is developing rapidly. It is expected that the Chinese CMC (small molecule CDMO) market will continue to grow.

In order to meet the growing demand for CMC (small molecule CDMO) services, the Company is actively expanding its CMC (small molecule CDMO) service team. As of June 30, 2021, the Company had 2,160 employees engaged in CMC (small molecule CDMO) services, representing an increase of 226 employees as compared to December 31, 2020.

3. *Clinical development services*

During the Reporting Period, with the help of our unique integrated services platform of radioisotope compound "synthesis clinical-analysis", our overseas operations achieved steady growth. The Company will build up a fully-integrated international pharmaceutical R&D services platform to provide clinical development services for our customers. During the Reporting Period, the Company recorded revenue of RMB422.7 million in clinical development services, representing an increase of 74.3% over the same period of last year, and a gross profit margin of 14.1%, representing an decrease of 7.7% over the same period of last year.

During the reporting period, the Company established Pharmaron Clinical Services. Pharmaron Clinical Services will integrate the clinical development capabilities of its subsidiaries and departments to optimize the organizational structure of experts and management teams, and build a fully-integrated clinical development service platform, so as to provide customers with higher quality, more comprehensive and more efficient integrated clinical development services. While Pharmaron Clinical Services building fully-integrated clinical development service platform in China, it will also further deepen the close cooperation between China and the U.S. through this integration, and provide end-to-end solutions to customers for clinical development and complementary trials between China and the U.S. In addition, the Company has begun to develop drug discovery, preclinical R&D and CDMO service platforms in China, the U.S., and the U.K., Pharmaron Clinical Services will also benefit from the integration of the Company's global clinical resources, achieve seamless upstream and downstream docking, and in turn lay a solid foundation for clinical development in Phase I/II/III/IV trials.

The Company continuously develop the clinical development services and increased the talent pool in clinical development services. As of June 30, 2021, the Company had 2,848 employees engaged in clinical development services, representing an increase of 640 as compared to December 31, 2020.

4. *Biologics and CGT services*

To strengthen the building and management of R&D service capabilities for biologics and cell and gene therapies, the biologics and CGT business segments began independent accounting during the Reporting Period. In the first half of 2021, the Company recorded revenue of RMB71.7 million in biologics and CGT services, and a gross profit margin of 3.0%. As of June 30, 2021, there are a total of 270 employees engaged in underlying biologics and CGT services of its subsidiaries and departments, representing an increase of 142 as compared to December 31, 2020.

In the second quarter of 2021, the Company completed its acquisition of Allergan Biologics Limited in Liverpool, U.K.. Allergan Biologics Limited is equipped with advanced and flexible cGMP biologics manufacturing facilities and has over 100 experienced science and technology and production personnel. It provides customers with CDMO services mainly focusing on CGT products: plasmid synthesis containing therapeutic genes, cell line development, cell bank establishment, production process development and optimization, formulation process optimization, mass production of products, analytical method development and validation, product-related impurities identification and analysis, stability valuation, product analysis and identification and GMP batch release, etc., covering a full set of CDMO services for the entire process of CGT products process development and their cGMP production, so as to support the needs for pre-clinical safety evaluation of gene cell products, Phase I, II and III clinical trials, and post-marketing product life cycle management. Allergan Biologics Limited has been holding a biologics production license issued by the MHRA (Medicines and Healthcare Products Regulatory Agency of the U.K.) since 2007. The Company will transform Allergan Biologics Limited from an in-house R&D center to a company that provides CGT Development and Manufacturing Services CDMO to third-party customers by means of business integration.

In November 2020, the Company acquired Absorption Systems located in the U.S. providing customers with biologics and CGT *in vitro* and *in vivo* laboratory analytical, bioassays testing and animal testing services. The analytical laboratory services of biologics and CGT products at Absorption Systems include development of various analytical methods and analysis of samples for early-stage research and development projects, as well as analytical method development and validation in compliance with ICH's GCP, GLP and GMP regulatory guidelines and their application to the analysis of samples for later-stage research and development, so as to meet different customer requirements for identification of product candidates and products at different research and development stages, as well as the release of GMP products and technology transfer of production processes. The analytical platforms include the analytical method development and validation for various proteins and cell therapeutical products, as well as the analytical method development and validation for quantitative DNA and RNA products, which is used for the analysis of activity, toxicity, tissue distribution, and viral shedding, and quantitative analysis of gene cell products. These analytical methods can be used for both early-stage projects in the research and development of CGT products and for analysis that needs to meet GLP/GCP/GMP requirements. The analytical platform of Absorption Systems can be used for the safety evaluation of CGT products, as well as for the analysis at clinical development stage and batch release of a marketed product. The successful acquisition of Absorption Systems and Allergan Biologics Limited further has improved the Company's layout in the field of CGT services.

To meet the production capacity demand for biologics drug development and manufacturing services (CDMO), the Company is accelerating the build-up of the biologics CDMO service platform. We have completed the civil construction of our biologics drug development and manufacturing facility at our Hangzhou Bay service center II Phase I (nearly 70,000 m²) and started the internal installation, which will become operational for GMP production in the first half of 2023. After the project is delivered, it will be able to provide development services for cell line and cell culture process, upstream and downstream process development, formulation development and fill-and-finish process and analytical methods, as well as drug substances and product manufacturing services with 200L to 2,000L production capacity to support the project from pilot to commercial stage production.

Gross Profit and Gross Profit Margin

During the Reporting Period, our gross profit was approximately RMB1,189.7 million, as compared to RMB794.4 million for the six months ended June 30, 2020. Gross profit margin remained stable at 36.2% as compared to the six months ended June 30, 2020. The stable gross margin for the six months ended June 30, 2021 was a combination effects of: (1) higher operating efficiency from the economies of scale of the established service lines; (2) continuous investment in the new service offerings with relatively low margin during the development and ramped-up period and (3) RMB appreciation in the Reporting Period. Should the weighted average USD exchange rate in the Reporting Period remains the same as the same period of last year, the gross margin for the six months ended June 30, 2021 will be higher by 3.6%.

Gross profit of our laboratory services increased from RMB586.5 million for the six months ended June 30, 2020 to RMB848.5 million for the Reporting Period. Gross profit margin of our laboratory services increased from 41.0% for the six months ended June 30, 2020 to 41.9% for the Reporting Period.

Gross profit of our CMC (small molecule CDMO) services increased from RMB145.8 million for the six months ended June 30, 2020 to RMB278.5 million for the Reporting Period. Gross profit margin of our CMC (small molecule CDMO) services increased from 28.8% for the six months ended June 30, 2020 to 36.5% for the Reporting Period.

Gross profit of our clinical development services increased from RMB52.9 million for the six months ended June 30, 2020 to RMB59.6 million for the Reporting Period. Gross profit margin of our clinical development services decreased from 21.8% for the six months ended June 30, 2020 to 14.1% for the Reporting Period, representing a decrease of 7.7% over the same period last year.

Gross profit of our Biologics and CGT services decreased from RMB3.0 million for the six months ended June 30, 2020 to RMB2.2 million for the Reporting Period. Gross profit margin of our Biologics and CGT services decreased from 61.6% for the six months ended June 30, 2020 to 3.0% for the Reporting Period, representing a decrease of 58.6% over the same period last year primarily due to the impact of Allergan Biologics Limited which was acquired in April 2021.

Other Income and Gains

During the Reporting Period, other income and gains was approximately RMB119.9 million, representing an decrease of approximately 40.9% or RMB82.9 million as compared to the six months ended June 30, 2020. The decrease was mainly due to: (1) decrease in gains on fair value change of our equity investment of RMB83.8 million; (2) decrease in interest income of RMB23.3 million; (3) increase in gains resulting from transfer of an investment in associate, Shanghai Kejun Pharmaceutical Technology Co., Ltd. (上海柯君醫藥科技有限公司), to equity investments at fair value through profit or loss of RMB25.5 million; (4) increase in gains on financial assets at fair value through profit or loss of RMB12.0 million; (5) one-off fair value gain of RMB23.1 million resulted from re-measurement of our equity interest in LinkStart when it became our subsidiary in June 2020.

Other Expenses

During the Reporting Period, other expenses was approximately RMB109.6 million, representing an increase of approximately 171.0% or RMB69.2 million as compared to the six months ended June 30, 2020. The increase was mainly due to losses on fair value change of convertible bonds-embedded derivative component issued by the Company in 2021 with RMB100.4 million.

Selling and Distribution Expenses

The selling expenses in the Reporting Period were approximately RMB63.7 million, increased by approximately 57.7% or approximately RMB23.3 million as compared to the six months ended June 30, 2020. The increase was primarily due to increase in headcount of our business development staff to support our expansion of operation.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB383.6 million, as compared to approximately RMB303.5 million for the six months ended June 30, 2020. The increase was mainly due to our continued business expansion. Our administrative expenses as a percentage to revenue decreased from 13.8% in the six months ended June 30, 2020 to 11.7% in the Reporting Period, which was mainly due to the economies of scale and our expense control effort.

Research and Development Costs

The research and development expenses of the Group in the Reporting Period were approximately RMB64.5 million, representing an increase of approximately 49.6% or RMB21.4 million as compared to the six months ended June 30, 2020. The increase was primarily due to our increased internal R&D activities for exploring and expanding into new service offerings.

Finance Costs

During the Reporting Period, finance costs was approximately RMB15.8 million, representing an increase of approximately 17.9% or RMB2.4 million as compared to the six months ended June 30, 2020. The increase was primarily due to interest expense from Convertible Bonds issued in the Reporting Period.

Income Tax Expense

The income tax expense in the Reporting Period was approximately RMB118.6 million, representing an increase of 80.6% or approximately RMB52.9 million as compared to the six months ended June 30, 2020. It was primarily due to the increase in profit before tax as a result of the growth of the Group's business operations.

Profit in the Reporting Period

As a result of the foregoing, the profit attributable to owners of the parent in the Reporting Period was RMB564.8 million, increased by 17.9% as compared to RMB479.0 million for the six months ended June 30, 2020.

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, 2021 RMB'000 (unaudited)	Six months ended June 30, 2020 RMB'000 (unaudited)
Profit attributable to owners of the parent	564,837	478,960
Add:		
Share-based compensation expenses	21,932	28,488
Interest and issuance expense on convertible bonds	6,409	-
Losses on fair value change of convertible bonds-embedded derivative component	100,395	-
Foreign exchange related (gains)/losses	(9,937)	27,296
Non-IFRS net profit attributable to owners of the parent	683,636	534,744
Add:		
Realized and unrealized gains or losses from equity investments	(32,244)	(103,136)
Non-IFRS adjusted net profit attributable to owners of the parent	651,392	431,608

Cash Flows

During the Reporting Period, net cash flows generated from operating activities of the Group amounted to RMB845.1 million, representing an increase of RMB227.1 million or 36.8% over the six months ended June 30, 2020. The increase was mainly due to the increase in revenue and profit of the Group during the Reporting Period.

During the Reporting Period, net cash flows used in investing activities of the Group amounted to RMB2,224.8 million, representing an increase of RMB192.4 million or 9.5% over the six months ended June 30, 2020. The net cash flows used in investing activities during the Reporting Period was mainly from (1) construction of our Phase II of Hangzhou Bay R&D service center, Phase I of Shaoxing Shangyu manufacturing facility and purchases of other property, plant and equipment of RMB1,031.9 million; and (2) net cash outflows used in acquisition of subsidiaries and capital injection in an associate and other equity investment of RMB939.5 million.

During the Reporting Period, net cash flows generated from financing activities of the Group amounted to RMB3,938.1 million, representing an increase of RMB4,681.2 million or 629.9% over the six months ended June 30, 2020. The increase was primarily due to the proceeds of Convertible Bonds during the Reporting Period.

Liquidity and Financial Resources

The Group has maintained a sound financial position during the Reporting Period. As at June 30, 2021, the Group's cash and cash equivalents amounted to approximately RMB5,950.5 million. For the Reporting Period, net cash flows generated from operating activities of the Group amounted to approximately RMB845.1 million.

The Group recorded total current assets of approximately RMB8,818.0 million as at June 30, 2021 (December 31, 2020: approximately RMB5,540.4 million) and total current liabilities of approximately RMB2,515.5 million as at June 30, 2021 (December 31, 2020: approximately RMB1,981.8 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 3.5 as at June 30, 2021 (December 31, 2020: approximately 2.8).

Borrowings and Gearing Ratio

As at June 30, 2021, the Group aggregated interest-bearing bank borrowings of RMB1,265.6 million. Among the total borrowings, RMB406.6 million will be due within one year and RMB859.0 million will be due after one year.

As at June 30, 2021, the gearing ratio, calculated as total liabilities over total assets, was 44.2%, as compared with 25.0% as at December 31, 2020.

Pledge of Assets

As at June 30, 2021, the Group mortgaged property, plant and equipment with a net carrying amount of approximately RMB419.6 million (December 31, 2020: approximately RMB405.6 million); and the mortgaged right-of-use assets had a net carrying amount of approximately RMB178.1 million (December 31, 2020: approximately RMB180.5 million).

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

Besides, as at June 30, 2021, the Group pledged deposits of approximately RMB18.3 million (December 31, 2020: approximately RMB7.3 million) to issue letters of credit and for environmental protection.

Contingent Liabilities

As at June 30, 2021, the Group did not have any material contingent liabilities.

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, which lead to significant competitive advantages in the business model, R&D service capabilities, customer collaboration and supporting domestic and foreign pharmaceutical/biotech companies in innovative drug R&D.

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

The Company has a well-established pharmaceutical R&D services platform for the discovery stage of small molecule innovative drugs, based on which the Company has expanded its expertise to various stages of drug development and manufacturing. The Company is in a leading position in drug discovery, preclinical and early clinical-stage research, and is committed to expanding its capabilities downstream to late clinical-stage development and commercial manufacturing. In the process of expanding 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, the U.S. and the 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. The Company has established a good reputation in the global pharmaceutical R&D service industry and a strong partnership with top pharmaceutical and biotech companies. Through the comprehensive early-stage drug R&D services, we have accumulated a profound understanding of the unique scientific challenges facing their new pharmaceutical R&D projects, which better positions the Company to press ahead with such projects in the late development stage. 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, thereby creating value for customers.

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

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

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

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

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

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

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

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

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

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

The Company has 17 (of which 9 are overseas) operating entities in China, the U.K. and the U.S. The Company integrates its resources and conducts global business with international operations and management tools. By relying on the profound experience in global pharmaceutical R&D, service facilities and world-class technical strength, the Company possesses international professional service capabilities and is able to offer customers with high-quality customized services.

It is the Company's core strategy for each international acquisition to effectively integrate with our global services platform and brought in the world class talent and facilities into our integrated services platform to further strengthen our overall services capabilities and increase the efficiency of our services. These strategies complement each other to effectively improve the Company's international operation capability and bring high value-added services to customers. For example, our process chemistry and drug discovery teams in China and the U.K. worked closely together to provide customized solutions with hybrid model which continued to gain recognition from customers.

Through our global operation, the Company has established a services network and strategic presence in global life science hubs which enhance the customer communication and understanding of customer needs. Also, by carrying out our R&D services under different jurisdictions, it provides flexibility to customize our services and solutions that best suit our customers' geographic and strategic needs. The clinical pharmacology team in the 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 the 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, the U.S., or EU in parallel, which makes the IND applications of our customers more flexible and efficient.

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

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

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

The Company's management team is led by Dr. LOU Boliang, our chairman and chief executive officer. With over 30 years of experience in the pharmaceutical industry, he is highly respected in the industry for his excellent leadership that contributes to the Company's rapid development. The Company's senior management team has been with us for more than 10 years. The Company, by introducing overseas talents and internal training, has nearly 100 senior scientific and technical leaders, 3 of whom were named as National Talents and 15 named as Beijing Talents. Members of our highly skilled, experienced and international management team possess diverse expertise and extensive knowledge, and have significantly contributed to the growth of the Company's institutional knowledge base. The Company focuses on its home-grown scientific team consisting of selected, young and promising scientists, which enables us to form a cohesive and vibrant mid-level management team composed of nearly 2,165 technical managers and high-caliber scientific research talents across all scientific disciplines of the Company. In addition, the Company's visionary management team has established a highly experienced and skilled talent pool with strong execution efficiency. As of June 30, 2020, the Company had over 11,400 R&D, production technology and clinical services staff in China, the U.K. and the U.S. The highly professional technical team ensures the Company's continuous provision of high-quality R&D services for customers. The open platform for talent development ensures that the Company will continuously attract talents from around the globe.

The Company is committed to its corporate philosophy of "Employee First and Customer Centric" which put strong emphasis on employee training and improves all mechanisms so as to integrate their career development into the Company's overall development strategy. In order to develop and train our talents, the Company provides training to our employees through our in-house training system including the "Pharmaron College", visiting scholar programs at renowned laboratories and institutions and holds various seminars, forums and academic symposiums regularly, through which our team members acquire updates on the most advanced technology and techniques of the industry. In addition, the Company has developed training programs with the world renowned universities and research institutes for high-caliber scientific research talent. The above measures have greatly improved the scientific research capabilities and cohesion of the Company and its employees. Furthermore, we respect and value every single customer so as to ensure R&D quality by tackling each technical challenge and completing 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, and provides services to the customers, including the global top 20 pharmaceutical companies and numerous reputable biotech companies. In the first half of 2021, the Company introduced over 400 new customers, with over 90% of revenue contributed by the Company's large, diverse and loyal repeat customers. The Company's fully-integrated solution and deep understanding of customers' needs allow it to provide customized pharmaceutical R&D services for customers according to their needs. With further progress made in the existing customers' projects, the loyal and growing customer base will enable us to develop new services in drug development and at the early clinical stage.

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

6. *Insight into industry trends and well positioned to capture growth opportunities arising from industry evolution*

The Company, with profound industry accumulation, large customer base and close partnership, keeps abreast of the global pharmaceutical R&D trends. It's strong awareness and understanding of evolving R&D needs allow the Company to strengthen the technology service platform and updates the service model in time, to better serve our customers.

It is a trend for pharmaceutical R&D companies to enter into deeper collaborations with their pharmaceutical R&D service providers that provide end-to-end services with good track records to achieve higher R&D efficiency. In addition, the number of biotech start-ups and their R&D investments increase rapidly. Out of consideration of costs and time efficiency, these biotech start-ups more extensively use the fully-integrated R&D services platform to support their pharmaceutical R&D programs. Through long-term collaboration with customers, the Company will contribute to transforming the drug R&D industry in a more efficient way and continuously benefit from the growing demand for pharmaceutical R&D services.

Along with the trend of the Chinese pharmaceutical industry shifting from generic drugs to innovative drugs and the rapidly increasing number of biotech start-ups in China, China has a robust demand for pharmaceutical R&D services and becomes fastest-growing pharmaceutical R&D services market across the world. The Company is well-positioned to capitalize on the strong growth drivers in China's pharmaceutical R&D industry and further strengthen its leadership in such a market.

Outlook for the second half of 2021

Discussion and Analysis of Future Development

1. Industry competition and development

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

(1) Market conditions of pharmaceutical R&D and outsourcing services

Under the pressure of increasing R&D costs and patent cliff, as well as limited by their own R&D capacity, pharmaceutical companies gradually turn to pharmaceutical R&D/manufacturing outsourcing services with an aim to reduce their R&D costs of drugs and improve their R&D efficiency. The increasing investment in pharmaceutical R&D also provides a solid foundation and guarantee for the market development of outsourcing services for R&D and manufacturing. In the future, the size of global pharmaceutical research, development and manufacturing service market and the size of China's pharmaceutical service market are expected to maintain sound growth. According to Frost & Sullivan's forecast, the size of global pharmaceutical service market is expected to be US\$99.9 billion in 2020. It is estimated that the size of global pharmaceutical service market will increase to US\$149.8 billion by 2024, representing an expected CAGR of 10.7% from 2020 to 2024. Compared to global pharmaceutical service market, China's pharmaceutical service market is smaller in size but is growing at a faster growth rate. According to Frost & Sullivan's forecast, the size of China's pharmaceutical service market is expected to reach US\$12 billion in 2020, and it is expected to increase to US\$32.7 billion by 2024, twice the growth rate of global pharmaceutical service market. According to Frost & Sullivan's forecast, the size of global pharmaceutical R&D outsourcing services market was US\$67.2 billion in 2020, representing a market penetration rate (the proportion of the size of the total CRO services market in the total R&D investment) of 35.2%; meanwhile, the size of Chinese pharmaceutical R&D outsourcing services market is expected to be US\$8 billion in 2020, representing a market penetration rate of 31.7%. In 2024, the size of global pharmaceutical R&D outsourcing services market is expected to be US\$96 billion, and the market penetration rate will further climb to 42.3%; the Chinese market is expected to reach US\$22.2 billion and the market penetration rate is expected to be 46.6%.

(2) Market conditions of drug discovery R&D services

Drug discovery is a multidisciplinary and systematic work and process. According to Frost & Sullivan's forecast, the size of the global drug discovery service market is expected to be US\$14.2 billion in 2020, representing a market penetration rate (the proportion of the revenue from services in the total R&D investment) of 35.5%. It is estimated that the size of global drug discovery service market will increase to US\$20.4 billion by 2024, representing a CAGR of 9.5% from 2020 to 2024, far exceeding the growth rate of investment in drug discovery R&D in the same period, and the penetration rate of global drug discovery R&D service market will reach 43.3%; meanwhile, the size of China's drug discovery service market is estimated to be US\$1.6 billion in 2020, accounting for 43.2% of the entire drug discovery R&D market. It is estimated that the size of China's drug discovery R&D service market will increase to US\$4.3 billion by 2024, exceeding the growth rates of both the investment in drug discovery and the global drug discovery R&D services in the same period. The market penetration rate of China's drug discovery R&D services will also rise to 62.1%.

(3) Market conditions of pharmaceutical development and manufacturing services

Pharmaceutical development and manufacturing services cover the whole process of preclinical research, clinical research, drug registration and commercial manufacturing. According to Frost & Sullivan's forecast, the size of the global pharmaceutical CMO service market is expected to be US\$32.7 billion in 2020. It is estimated that the size of global pharmaceutical CMO service market will increase to US\$53.8 billion by 2024, representing a CAGR of 13.3% from 2020 to 2024; meanwhile, the size of China's pharmaceutical CMO service market is expected to be US\$4 billion in 2020, accounting for 12.2% of the entire pharmaceutical CMO service market. It is estimated that the size of China's pharmaceutical CMO service market will increase to US\$10.5 billion by 2024, 14.0% higher than the growth rate of global pharmaceutical CMO service in the same period.

(4) Market conditions of clinical development services

Drug clinical development services cover Phase I to Phase III of human clinical trials and post-commercialization research of drugs. With the steady growth in investments in drug research and development, patent cliff for a number of major pharmaceutical products drawing near and the raise in prominence of small to medium size biotech companies globally, pharmaceutical companies appreciate the use of contract research services, particularly the contracting of clinical development services, having a relatively high cost of human resources, in order to advance the drug development stages more efficiently. According to Frost and Sullivan's forecast, the global market for drug clinical development services reached US\$43.2 billion in 2020, and market penetration (the proportion of revenue of clinical development CRO service in total clinical development investment) is 33.5%. The global market is expected to reach US\$62.2 billion by 2024, representing an expected CAGR of 9.5%, and market penetration is expected to reach 40.3%; at the same time, the market for drug clinical development outsourcing services in China has reached US\$4.4 billion, accounting

for 10.1% of the global market for drug clinical development services, and market penetration was 26.0%. With the rapid growth of the Chinese pharmaceutical industry, it is expected that the market for drug clinical research service in China will reach US\$13.7 billion and market penetration rate of 42.7% by 2024, representing an expected CAGR of 33.1%, far exceeding the global market growth rate of 9.5% during the same period.

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

The Company will continue to build and improve our fully-integrated and international pharmaceutical R&D service platform, which has always been our core development strategy. In addition to continue develop our small molecule integrated R&D services platform, the Company will accelerate the establishment of R&D service capabilities for biologics and CGT products as Pharmaron is committed to becoming a global leader in drug R&D services across multiple therapeutic modalities. Through the fully-integrated service platform, the Company is able to provide customers with more flexible and efficient services, business teams equipped with various professional skills customize services for customers according to their needs in a timely manner, and promptly respond to the requirements of relevant R&D projects, so as to help customers successfully and efficiently complete pharmaceutical R&D works while promoting collaboration between different disciplines. On one hand, our international acquisition 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. On the other hand, our global operation has established a services network and strategic presence in global life science hubs which enhance the customer communication and understanding of customer needs as well as offers customized solutions to customers by integrating the expertise and presence from our global operations.

We will adhere to the business development strategy that put emphasis on both domestic and overseas markets. Through our established effort in developing overseas market, we have a large customers base with solid customer relationship and we will constantly improves our R&D capabilities and professional skills to offer high quality services to our customers and expand our collaboration with them. Also, we will take advantage of our brand reputation and develop and introduce our services to more customers. For the domestic market, we will pay more attention in cultivating the domestic market and adopt a specific market strategy to address the domestic needs.

In the second half of 2021, based on its long-term development strategy, the Company will continue to focus on the following work:

- (1) Maintain its leading position in the small molecule R&D service area and further enhance our technologies and global footprint expansion.

Advanced technologies are crucial for the Company to maintain its leading position in the small molecule area, the Company will build upon its established fully-integrated small molecule drugs R&D services platform and continuously invest in the latest small molecule technology to expand the services offerings. Also, regarding business development, we will pay more attention to brand building by providing top quality small molecule services to further strengthen customer loyalty and brand recognition.

(2) Accelerate the build up of biologics and CGT services platform

While developing discovery biologics service capabilities, we will accelerate the build-up of the CDMO service platform for biologics and CGT products. In 2021, we will further develop our biologics drug discovery service capabilities by expanding our team and introduce more professional talent and broaden our services offering. We will accelerate the construction of biologics manufacturing capacities for drug development stage in Ningbo and establishing a quality system that meet the highest international standard. Furthermore, we will leverage on the existing CGT service capabilities of Absorption Systems and the acquisition of Allergan Biologics Limited which we completed in second quarter of 2021 to establish our global CGT service platform.

(3) Further enhance management capabilities

To strengthen our core competitiveness, we will further integrate our global resources to build a global services platform. As such, we will improve execution efficiency of the management team to better support our global expansion strategy. Our management capabilities also involves quality and safety management. In 2021, the Company will provide high quality services and products to our customers by adhering to the highest international quality standards. Safety production will continue to be the top priority of our daily operation which is crucial for the sustainability of the Company businesses. On top of that, information security will become an important component of our safety production efforts. For this purpose, we will continuously optimize and upgrade the information system of our global operation to constantly safeguard customers' information and intellectual properties.

(4) Continue to expand domestic and overseas market shares

For the overseas market growth, we will continue to maintain our solid relationships with our existing customer base, deeply analyze and explore customer needs, expand our service offerings, and introduce new customers with the help of our reputation and brand influence. For the domestic market, we will pay more attention in cultivating the domestic market and adopt a specific market strategy to address the domestic needs to improve our competitiveness in the domestic market. With the increase of our late stage CMC (small molecule CDMO) service capacity, we are seeking further expansion in the domestic market.

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

Human resources are the foundation of innovation and key to strengthen our core competitiveness. As future development of the Company rely on high caliber talents in different areas, we deeply understand the urgency and necessity of building an inclusive and open talent development platform to continually infuse new energy to fuel our company innovation and growth.

3. *Potential risks*

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

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

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

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

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

(3) Risks regarding intellectual property protection

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

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

(4) Risks regarding policies and regulation

There are strict laws, regulations and industry standards in many countries or regions to which drugs are intended to be ultimately sold (such as China, the U.S., the 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 fulfillment of regulatory policy requirements.

(5) Risk of international policy changes

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

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

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

(7) Risks regarding exchange rates

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

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

(8) Risks regarding market competition

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

(9) Risks regarding technological innovation

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

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

(10) Risks regarding service quality

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

OTHER INFORMATION

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended June 30, 2021.

Supplemental Disclosure regarding Defined Contribution Schemes

As disclosed in the annual report of the Company issued on April 28, 2021, 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 labour 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.

Use of Proceeds from the Global Offering

Upon completion of the global offering of its H Shares (the “**Global Offering**”), the Company raised net proceeds of approximately RMB4,522.7 million. As at June 30, 2021, the balance of unutilized net proceeds amounted to approximately RMB1,108.2 million. The net proceeds from the Global Offering have been and will be utilized in accordance with the purposes set out in the prospectus of the Company dated November 14, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2021.

Use of proceeds		Allocation of net proceeds (RMB million)	Utilized amount as at June 30, 2021 (RMB million)	Unutilized net proceeds as at June 30, 2021 (RMB million)	Expected timeline for utilizing the net proceeds from the Global Offering ⁽¹⁾
Expand capacities and capabilities in laboratory and manufacturing facilities in the PRC	30.0%	1,356.8	1,179.9	176.9	Expected to be fully utilized by December 31, 2021
• upgrading and expanding our Ningbo facility	19.5%	881.9	705.0	176.9	Expected to be fully utilized by December 31, 2021
• upgrading and expanding our Tianjin facility	4.5%	203.5	203.5	–	Have been fully utilized by Jun 30, 2021

Use of proceeds		Allocation of net proceeds (RMB million)	Utilized amount as at June 30, 2021 (RMB million)	Unutilized net proceeds as at June 30, 2021 (RMB million)	Expected timeline for utilizing the net proceeds from the Global Offering ⁽¹⁾
• upgrading and expanding other manufacturing facilities	6.0%	271.4	271.4	–	Have been fully utilized by Jun 30, 2021
Fund further expansion of businesses in the U.S. and U.K.	10.0%	452.3	114.6	337.7	Expected to be fully utilized by December 31, 2021
Establish pharmaceutical R&D services platform for discovery and development of biologics	20.0%	904.5	904.5	–	Have been fully utilized by Jun 30, 2021
Expand clinical development services	15.0%	678.4	84.8	593.6	Expected to be fully utilized by December 31, 2022
Expand our capacity and capabilities through potential acquisitions of CRO and CMO companies and businesses	15.0%	678.4	678.4	–	Have been fully utilized by Jun 30, 2021
General corporate and working capital	10.0%	452.3	452.3	–	Have been fully utilized by June 30, 2021
Total	100%	4,522.7	3,414.5	1,108.2	

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

Issue of and Use of Proceeds from Convertible Bonds

On June 18, 2021, the Company issued the Series 1 Bonds and Series 2 Bonds in an aggregate principal amount of US\$300 million and RMB1,916 million, respectively. For details of the Convertible Bonds, please refer to the announcements of the Company dated June 8, 2021, June 9, 2021, June 11, 2021, June 18, 2021 and June 21, 2021. The net proceeds, after deduction of fees, commissions and expenses payable, was approximately RMB3,776.0 million. The net proceeds from the Convertible Bonds had not yet been utilized and all of the net proceeds has been deposited into short-term deposits in bank accounts maintained by the Group. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2021.

Use of proceeds		Allocation of net proceeds (RMB million)	Utilized amount as at June 30, 2021 (RMB million)	Unutilized net proceeds as at June 30, 2021 (RMB million)	Expected timeline for utilizing the net proceeds
Expanding capacities and capabilities of the Group's pharmaceutical process development and manufacturing facilities (i.e. CMC services) for small molecule drugs	33.3%	1,258.7	–	1,258.7	Expected to be fully utilized by December 31, 2024.
Expanding the Group's R&D and manufacturing service platform for biologics	33.3%	1,258.7	–	1,258.7	Expected to be fully utilized by December 31, 2024.
Expanding capabilities of the Group's laboratory services in drug safety assessment	13.3%	503.4	–	503.4	Expected to be fully utilized by December 31, 2024.
Expanding capacities and capabilities of the Group's laboratory and manufacturing facilities in the United Kingdom	10.0%	377.6	–	377.6	Expected to be fully utilized by December 31, 2023.
Replenishing working capital and other general corporate purposes	10.0%	377.6	–	377.6	Expected to be fully utilized by December 31, 2021.
Total	100%	3,776.0	–	3,776.0	

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

Employee Remuneration and Relations

As at June 30, 2021, the Group had a total of 12,776 employees, as compared to 11,012 employees as at December 31, 2020. 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

During the extraordinary general meetings held on May 28, 2021 and July 12, 2021, the Shareholders have approved the special resolution to repurchase (at the repurchase price of RMB17.85 per Share) and cancel a total of 210,364 Restricted A Shares due to the resignation of six participants. The 210,364 Restricted A Shares have been granted to six participants. The above 210,364 Restricted A Shares are still subject to lock-up, and the Company will apply to China Securities Depository and Clearing Corporation Limited Shenzhen Branch for repurchase and cancellation in due course in accordance with the 2019 A Share Incentive Scheme.

Material Events after the Reporting Period

Acquisition of 55% Equity interest in Enyuan

On July 6, 2021, the Company made a capital injection for the subscribed registered capital of Enyuan Pharmaceutical Technology (Beijing) Co., Ltd. ("**Enyuan**", an international contract research organization), with a cash consideration of RMB55,000,000 in exchange for 55% of its equity interest. After the completion of this transaction, the Group was able to control Enyuan and Enyuan became a subsidiary of the Group.

2021 A Share Incentive Scheme

On July 27, 2021, the Company has granted a total of 774,200 restricted A shares of the Company to eligible employees for them to subscribe at the price of RMB70.17 per A share (the "**2021 A Share Incentive Scheme**"). The granted restricted A shares under the 2021 A Share Incentive Scheme shall be vested over a four-year period, with 25%, 25%, 25% and 25% of total shares vesting on each anniversary date after the vesting commencement date upon meeting certain sales performance conditions.

Entering into the limited partnership agreement to invest in the Legend Huikang Fund

On July 27, 2021, the Company entered into a limited partnership agreement with Lasa Junqi (as the general partner) and 37 other limited partners in relation to the investment in the Legend Huikang Fund. The amount of capital contribution payable by the Company as a limited partner is RMB68,000,000. Lasa Junqi, the general partner of the Legend Huikang Fund, is the general partner of Beijing Junlian Tongdao Investment Management Partnership (Limited Partnership) (北京君聯同道投資管理合夥企業(有限合夥)), which is the general partner of Tianjin Junlian Wenda Equity Investment Partnership (Limited Partnership) (天津君聯聞達股權投資合夥企業(有限合夥)), a substantial shareholder of the Company. Four other limited partners are also connected persons of the Company. For further details, please refer to the announcement of the Company dated July 27, 2021.

Entering into the limited partnership agreement to invest in the Kangjun Zhongyuan Fund

On August 12, 2021, Kangjun Investment (as the general partner) and eleven limited partners including the Company entered into the limited partnership agreement to invest in the Kangjun Zhongyuan Fund. The amount of capital contribution payable by the Company is RMB260,000,000. Kangjun Investment, the general partner of the Kangjun Zhongyuan Fund, is an associate of Legend Capital, a substantial shareholder of the Company. For further details, please refer to the announcements of the Company dated August 12, 2021 and August 17, 2021.

Annual Dividends

On May 28, 2021, the Company's shareholders approved the 2020 Profit Distribution Plan at annual general meeting, pursuant to which a final dividend of RMB0.3 (inclusive of tax) per share in respect of the year ended December 31, 2020 was declared to both holders of A shares and H shares and aggregate dividend amounted to RMB238,316,000 (inclusive of tax). As at June 30, 2021, RMB231,825,000 has been paid.

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

Compliance with the Model Code for Securities Transactions by Directors

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

Compliance with the Corporate Governance Code

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

Audit Committee

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

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

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

Publication of the Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.pharmaron.com). The Group's 2021 interim report which include all the financial and other related information of the Company required by the Listing Rules will be dispatched to shareholders and will be published on the aforementioned websites in due course.

APPRECIATION

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

DEFINITIONS

“2019 A Share Incentive Scheme”	the 2019 Restricted A Share and Share Option Incentive Scheme of the Company
“2021 A Share Incentive Scheme”	the 2021 Restricted A Share Incentive Scheme of the Company
“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
“Absorption Systems”	Absorption Systems LLC, a Delaware limited liability company formerly known as Absorption Systems LP
“AMS”	accelerator mass spectrometry
“API”	Active Pharmaceutical Ingredient
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“CGT”	Cell and Gene Therapy
“CMC”	chemistry, manufacturing and controls
“CMO”	Contract Manufacturing Organization
“CNS”	central nervous system
“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

“CR Medicon”	Nanjing Sirui Biotechnology Co., Ltd. (南京思睿生物科技有限公司), a company incorporated in PRC on February 7, 2018 and is held as to 55.56% by our Company
“CRO”	Contract Research Organization
“DMPK/ADME”	drug metabolism and pharmacokinetics/Absorption, Distribution, Metabolism and Excretion
“Directors”	directors of the Company
“EU”	European Union
“FDA”	the Food and Drug Administration of the U.S.
“FIH”	first-in-human
“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
“IND applications”	Investigational new drug applications
“Linkstart”	Beijing LinkStart Biotechnology Co., Ltd. (北京聯斯達醫藥科技發展有限公司), a company incorporated in PRC on July 19, 2012, one of our subsidiaries
“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
“NMPA”	National Medical Product Administration (國家藥品監督管理局) (formerly known as China Food and Drug Administration), the authority responsible for approving drug and biologic products in China
“OECD”	the Organization for Economic Cooperation and Development

“Pharmaron Biologics UK”	Pharmaron Biologics (UK), Ltd., formerly known as Allergan Biologics Limited, a private company limited by shares incorporated under the laws of England and Wales
“Pharmaron Clinical Services”	Pharmaron (Chengdu) Clinical Services Co., Ltd. (康龍化成(成都)臨床研究服務有限公司), a company incorporated in the PRC on May 21, 2021 our wholly-owned subsidiary
“Pharmaron Ningbo Tech”	Pharmaron (Ningbo) Technology Development Co., Ltd. (康龍化成(寧波)科技發展有限公司), formerly known as Ningbo KTB Technology Development Co., Ltd. (寧波康泰博科技發展有限公司), a company incorporated in the PRC on January 12, 2015, our wholly-owned subsidiary
“Pharmaron Shaoxing”	Pharmaron Shaoxing Co., Ltd. (康龍化成(紹興)藥業有限公司), a company incorporated in the PRC on January 3, 2017, our wholly-owned subsidiary
“Pharmaron Tianjin”	Pharmaron (Tianjin) Process Development and Manufacturing Co., Ltd. (康龍化成(天津)藥物製備技術有限公司), a company incorporated in the PRC on July 16, 2008, our wholly-owned subsidiary
“Pharmaron UK”	Pharmaron UK Limited, formerly known as Quotient Bioresearch Group Limited, a company incorporated in the U.K. on October 30, 2013, which is held as to 100% by Pharmaron HK International, our wholly-owned subsidiary
“PRC”	the People’s Republic of China
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2021
“Restricted A Shares”	A Share(s) granted to the participants by the Company on such conditions as stipulated under the A Share Incentive Scheme, which are subject to the attribution conditions stipulated under the A Share Incentive Scheme and can only be attributed and transferred after satisfaction of the attribution conditions
“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

“SMO”	Site Management Organization
“SSU”	Study Start up
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.K.”	the United Kingdom
“U.S.”	the United States
“%”	per cent.

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

Beijing, the PRC
August 29, 2021

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

* *For identification purposes only*