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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)

PROPOSED GRANT OF THE 2022 CONVERTIBLE BONDS-RELATED SPECIFIC MANDATE TO ISSUE ADDITIONAL H SHARES

In light of (i) the adjustment to the respective conversion price of Series 1 Bonds and Series 2 Bonds triggered by the implementations of the 2021 Profit Distribution Plan and the 2022 Profit Distribution Plan, which led to an increase in H Shares that may be convertible and issuable under the Convertible Bonds, and (ii) the expiry of the 2021 Convertible Bonds-Related Specific Mandate sought by the Company and granted by the Shareholders at the 2021 AGM and the 2021 Class Meetings, on March 30, 2023, the Board resolved to seek the 2022 Convertible Bonds-Related Specific Mandate at the 2022 AGM and the Class Meetings for the proposed issuance of Additional H Shares.

The 2022 Convertible Bonds-Related Specific Mandate is subject to the approval of the Shareholders by way of special resolution of the 2022 Profit Distribution Plan at the 2022 AGM and the Class Meetings.

Background

References are made to (i) the announcements of the Company dated June 8, 2021, June 9, 2021, June 11, 2021, June 18, 2021, June 21, 2021 in relation to, among other things, the issuance of the Convertible Bonds; (ii) the annual results announcement of the Company dated March 27, 2022, the circular of the Company dated May 6, 2022, and the poll results announcement of the Company dated May 31, 2022, relating to, among other things, the 2021 Profit Distribution Plan; (iii) the announcements of the Company dated April 20, 2022 and May 30, 2022 in relation to the grant of the 2021 Convertible Bonds-Related Specific Mandate and the final number of additional conversion shares to be issued by the Company under the 2021 Convertible Bonds-Related Specific Mandate; (iv) the announcement of the Company dated June 13, 2022 in relation to the respective adjustments to the Series 1 Initial Conversion Price and the Series 2 Initial Conversion Price (the “**Conversion Price Adjustment Announcement**”); and (v) the annual results announcement of the Company dated March 30, 2023 in relation to, among other things, the 2022 Profit Distribution Plan (the “**2022 Annual Results Announcement**”).

Pursuant to the Terms and Conditions, the respective conversion price of Series 1 Bonds and the Series 2 Bonds are subject to adjustment for, among other things, profit distributions and capitalization of reserves made by the Company.

As a result of the approval of the 2021 Profit Distribution Plan by the Shareholders at the 2021 AGM and the 2021 Class Meetings, the conversion price of the Series 1 Bonds and Series 2 Bonds have been adjusted from HK\$ \$250.75 per H Share to HK\$166.42 per H Share, and from HK\$229.50 per H Share to HK\$152.32 per H Share, respectively, with effect from June 14, 2022. Taking into account the implementation of the 2021 Profit Distribution Plan, and assuming full conversion of the Convertible Bonds at the respective Current Conversion Price, the H Shares that may be convertible and issuable under the Convertible Bonds increased from approximately 19,420,396 H Shares to approximately 29,260,954 H Shares. The additional 9,840,558 H Shares issuable in the event of a full conversion of the Convertible Bonds at the Current Conversion Price would be allotted and issued by the Company pursuant to the 2021 Convertible Bonds-Related Specific Mandate sought and granted at the 2021 AGM and the 2021 Class Meetings. The 2021 Convertible Bonds-Related Specific Mandate remains valid from the date of passing of the relevant resolutions at the 2021 AGM and the 2021 Class Meetings (being May 31, 2022) to the date of the 2022 AGM.

As disclosed in the 2022 Annual Results Announcement, the Company is planning to implement the 2022 Profit Distribution and the 2022 Capitalization of Reserve. In light of (i) the adjustment to the respective conversion price of Series 1 Bonds and Series 2 Bonds triggered by the implementations of the 2021 Profit Distribution Plan and the 2022 Profit Distribution Plan, which led to an increase in H Shares that may be convertible and issuable under the Convertible Bonds, and (ii) the expiry of the 2021 Convertible Bonds-Related Specific Mandate sought by the Company and granted by the Shareholders at the 2021 AGM and the 2021 Class Meetings, on March 30, 2023, the Board resolved to seek the 2022 Convertible Bonds-Related Specific Mandate from the Shareholders at the 2022 AGM and the Class Meetings regarding the proposed issuance of Additional H Shares.

Subject to the approval of the 2022 Profit Distribution and the 2022 Capitalization of Reserve by the Shareholders by way of special resolution at the 2022 AGM and the Class Meetings, and taking into account the adjustments made to the Series 1 Initial Conversion Price and the Series 2 Initial Conversion Price upon the implementation of the 2021 Profit Distribution Plan as disclosed in the Conversion Price Adjustment Announcement, the respective Conversion Price of the Series 1 Bonds and Series 2 Bonds will be further adjusted from HK\$166.42 per H Share to HK\$110.32 per H Share and from HK\$152.32 per H Share to HK\$100.97 per H Share, respectively. Save as disclosed above, all other terms of the Convertible Bonds are expected to remain unchanged.

As at the date of this announcement, the principal amount of the Series 1 Bonds and Series 2 Bonds which are outstanding is US\$300 million and RMB1,916 million, respectively. Assuming full conversion of the outstanding (i) Series 1 Bonds at the Series 1 Bonds Further Adjusted Conversion Price and (ii) Series 2 Bonds at the Series 2 Bonds Further Adjusted Conversion Price, the H Shares that may be convertible and issuable under the outstanding Series 1 Bonds will increase from 9,282,711 H Shares to 21,098,984 H Shares and the H Shares that may be convertible and issuable under the outstanding Series 2 Bonds will increase from 10,137,685 H Shares to 23,043,544 H Shares. The total number of Additional H Shares will be 24,722,132 H Shares.

The number of Additional H Shares to be issued and the Series 1 Bonds Further Adjusted Conversion Price and the Series 2 Bonds Further Adjusted Conversion Price disclosed herein may be subject to necessary adjustments by the Board pursuant to (among other things) the Terms and Conditions and will be fixed before the 2022 AGM.

Conditions to the 2022 Convertible Bonds-Related Specific Mandate

The 2022 Convertible Bonds-Related Specific Mandate is subject to the approval of the Shareholders by way of special resolution of the 2022 Profit Distribution Plan at the 2022 AGM and the Class Meetings.

Use of Proceeds

The net proceeds raised from the Convertible Bonds, after the deduction of fees, commissions and expenses payable, are approximately RMB3,776.0 million. As at December 31, 2022, the balance of unutilized net proceeds amounted to approximately RMB831.9 million. The net proceeds from the Convertible Bonds have been and will be utilized in accordance with the purposes set out in the announcement of the Company dated June 21, 2021. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2022.

Use of proceeds	Percentage of allocation of net proceeds	Allocation of net proceeds	Utilized amount as at December 31, 2022	Unutilized net proceeds as at December 31, 2022	Expected timeline for utilizing the net proceeds
		(RMB million)	(RMB million)	(RMB million)	
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	1,112.7	146.0	Expected to be fully utilized by December 31, 2024
Expanding the Group's R&D and manufacturing service platform for biologics	33.3%	1,258.7	704.2	554.5	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	372.0	131.4	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	–	Had been fully utilized by December 31, 2022
Replenishing working capital and other general corporate purposes	10.0%	377.6	377.6	–	Had been fully utilized by December 31, 2022
Total	100%	3,776.0	2,944.1	831.9	

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

The Company will not receive any proceeds from the issuance of Additional H Shares pursuant to the 2022 Convertible Bonds-Related Specific Mandate.

Effect of the Full Conversion of the Outstanding Convertible Bonds on the Shareholding Structure

The issuance of Additional H Shares to be issued pursuant to the 2022 Conversion Bonds-Related Specific Mandate is resulted from the implementations of the 2021 Profit Distribution Plan and the 2022 Profit Distribution Plan, and such issuance will not result in any further material dilution effect on the shareholding structure of the Company, when compared against the shareholding structure of the Company immediately after the full conversion of the outstanding (i) Series 1 Bonds at the Series 1 Bonds Initial Conversion Price of HK\$250.75 per H Share, and (ii) Series 2 Bonds at Series 2 Bonds Initial Conversion Price of HK\$229.50 per H Share, assuming (a) the completion of the 2022 Profit Distribution and 2022 Capitalization of Reserve, and (b) no further Shares are allotted or issued and no existing Shares are repurchased or cancelled prior to the record dates in respect of H Shareholders and A Shareholders by reference to their entitlements to the 2022 Profit Distribution and 2022 Capitalization of Reserve. The effect of the full conversion of the outstanding Convertible Bonds on the shareholding structure of the Company is as follows:

	As at the date of this announcement		Immediately after the full conversion of the outstanding (i) Series 1 Bonds at the Series 1 Bonds Initial Conversion Price of HK\$250.75 per H Share, and (ii) Series 2 Bonds at Series 2 Bonds Initial Conversion Price of HK\$229.50 per H Share		Immediately after the implementation of the 2021 Profit Distribution Plan and the 2022 Profit Distribution Plan and the full conversion of the outstanding (i) Series 1 Bonds at the Series 1 Bonds Further Adjusted Conversion Price of HK\$110.32 per H Share and (ii) Series 2 Bonds at Series 2 Bonds Further Adjusted Conversion Price of HK\$100.97 per H Share	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
H Shares	201,024,750	16.88%	220,445,146	18.21%	345,679,653	18.88%
A Shares	990,199,804	83.12%	990,199,804	81.79%	1,485,299,706	81.12%
Total	<u>1,191,224,554</u>	<u>100.00%</u>	<u>1,210,644,950</u>	<u>100.00%</u>	<u>1,830,979,359</u>	<u>100.00%</u>

Authorization to the Board

Authorization will be sought at the 2022 AGM and the Class Meetings that the Board shall be authorized by the Shareholders to make necessary adjustments to the Series 1 Bonds Further Adjusted Conversion Price and the Series 2 Bonds Further Adjusted Conversion Price and the number of Additional H Shares to be issued according to the approval and implementation of the 2021 Profit Distribution Plan, the 2022 Profit Distribution Plan and the Terms and Conditions.

Further, subject to the approval of the special resolution at the 2022 AGM and the Class Meetings in connection with the 2022 Convertible Bonds-Related Specific Mandate, the Board shall be authorized by the Shareholders to further authorize the chairman of the Board, and/or his authorized persons, to individually or jointly handle matters relating to the issuance of Additional H Shares pursuant to the 2022 Conversion Bonds-Related Specific Mandate, including but not limited to (i) signing, modifying, terminating and/or approving all necessary legal documents related to the issuance of the Additional H Shares, (ii) the disclosure of information related to the issuance of the Additional H Shares, (iii) handling relevant registration and filing procedures, and (iv) dealing with other necessary and appropriate matters relating to the issuance of the Additional H Shares.

Validity Period

The validity period of the 2022 Conversion Bonds-Related Specific Mandate and the authorization to the Board above shall be from the date of passing of this resolution at the 2022 AGM and the Class Meetings to the maturity date of the Series 1 Bonds and the Series 2 Bonds, being June 18, 2026.

AGM AND CLASS MEETINGS

The Company will convene the 2022 AGM, the A Share Class Meeting and the H Share Class Meeting for the Shareholders to consider and, if thought fit, to approve, among other things, the proposals related to the grant of 2022 Convertible Bonds-Related Specific Mandate for the issuance of the Additional H Shares (including the authorization to the Board to further authorize the chairman of the Board, and/or his authorized persons, to individually or jointly handle matters relating thereto).

A circular containing, among other things, details of the proposals above, together with the notices of the 2022 AGM and H Share Class Meeting, will be despatched to the Shareholders in due course.

APPLICATION FOR LISTING OF ADDITIONAL H SHARES

Application(s) will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Additional H Shares

DEFINITIONS

The following words and phrases used in this announcement shall have the following meanings unless otherwise defined:

“2021 AGM”	the 2021 annual general meeting of the Company held on May 31, 2022
“2021 A Share Class Meeting”	the 2021 second class meeting of A Shareholders
“2021 Capitalization of Reserve”	the issue of 5 Capitalization Shares for every 10 Shares by way of capitalization of reserve which was approved by the Shareholders at the 2021 AGM and the 2021 Class Meetings
“2021 Class Meetings”	the 2021 A Share Class Meeting and the 2021 H Share Class Meeting

“2021 Convertible Bonds-Related Specific Mandate”	the specific mandate granted by the Shareholders at the 2021 AGM and the 2021 Class Meetings in relation to the issuance of the additional H shares contemplated thereunder
“2021 H Share Class Meeting”	the 2021 second class meeting of H Shareholders to be held after the conclusion of the 2021 AGM
“2021 Profit Distribution”	the distribution of the final dividends in respect of the year ended December 31, 2021, which was approved by the Shareholders at the 2021 AGM
“2021 Profit Distribution Plan”	the 2021 Profit Distribution and 2021 Capitalization of Reserve
“2022 AGM”	the 2022 annual general meeting of the Company
“2022 Capitalization of Reserve”	the issue of 5 Capitalization Shares for every 10 Shares by way of capitalization of reserve which is to be approved by the Shareholders at the 2022 AGM and the Class Meetings
“2022 Convertible Bonds-Related Specific Mandate”	the specific mandate proposed to be granted to the Board by the Shareholders at the 2022 AGM and the Class Meetings in relation to the issuance of the Additional H Shares
“2022 Profit Distribution”	the proposed distribution of the final dividends in respect of the year ended December 31, 2022
“2022 Profit Distribution Plan”	the 2022 Profit Distribution and 2022 Capitalization of Reserve
“ A Share(s)”	ordinary share(s) of the Company with nominal value of RMB1.00 each which are listed on the Shenzhen Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares
“A Share Class Meeting”	the 2023 first class meeting of A Shareholders
“Additional H Shares”	the additional H Shares to be allotted and issued pursuant to the 2022 Convertible Bonds-Related Specific Mandate
“Board” or “Board of Directors”	the board of Directors
“Class Meetings”	the A Share Class Meeting and the H Share Class Meeting
“Company”	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”	Series 1 Bonds and Series 2 Bonds
“Current Conversion Price”	Series 1 Bonds Current Conversion Price and Series 2 Bonds Current Conversion Price
“Director(s)”	the director(s) of the Company
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each which are listed on the Main Board of the Stock Exchange
“H Shareholder(s)”	holder(s) of H Share(s)
“H Share Class Meeting”	the 2023 first class meeting of H Shareholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Series 1 Bonds”	US\$300.0 million zero coupon convertible bonds due 2026 convertible at the option of the holder thereof into H Shares at the Series 1 Bonds Current Conversion Price of HK\$166.42 per H Share
“Series 2 Bonds”	RMB1,916.0 million US\$ settled zero coupon convertible bonds due 2026 convertible at the option of the holder thereof into H Shares at the Series 2 Bonds Current Conversion Price of HK\$155.32 per H Share
“Series 1 Current Conversion Price”	HK\$166.42 per H Share, being the current conversion price of the Series 1 Bonds, which is subject to adjustment pursuant to the terms and conditions of the Series 1 Bonds
“Series 2 Current Conversion Price”	HK\$152.32 per H Share, being the current conversion price of the Series 2 Bonds, which is subject to adjustment pursuant to the terms and conditions of the Series 2 Bonds
“Series 1 Bonds Further Adjusted Conversion Price”	HK\$110.32 per H Share, being the further adjusted conversion price of the Series 1 Bonds, which shall be adjusted as a result of the approval of the 2021 Profit Distribution Plan and the 2022 Profit Distribution Plan, and subject to necessary adjustments by the Board

“Series 2 Bonds Further Adjusted Conversion Price”	HK\$100.97 per H Share, being the further adjusted conversion price of the Series 2 Bonds, which shall be adjusted as a result of the approval of the 2021 Profit Distribution Plan and the 2022 Profit Distribution Plan, and subject to necessary adjustments by the Board
“Series 1 Bonds Initial Conversion Price”	HK\$250.75 per H Share, being the initial price for conversion of the Series 1 Bonds, which is subject to adjustment pursuant to the terms and conditions of the Series 1 Bonds
“Series 2 Bonds Initial Conversion Price”	HK\$229.50 per H Share, being the initial price for conversion of the Series 2 Bonds, which is subject to adjustment pursuant to the terms and conditions of the Series 2 Bonds
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Terms and Conditions”	the terms and conditions of the Convertible Bonds
“USD”	United State Dollar, the lawful currency of the United States
“%”	per cent

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

Beijing, the PRC
March 30, 2023

As at the date of this announcement, the Board of Directors 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; Ms. Li Lihua, Mr. Zhou Qilin, Mr. Tsang Kwan Hung Benson and Mr. Yu Jian as independent non-executive Directors.

* *For identification purposes only*