ASYMCHEM

Asymchem Laboratories (Tianjin) Co., Ltd.
凱萊英醫藥集團（天津）股份有限公司

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

2022 INTERIM REPORT

www.asymchem.com
Stock Code: 6821

ASYMCHEM

www.asymchem.com

CONTENT

DEFINITIONS

In this interim report, the following expressions have the meanings set out below unless the context otherwise requires.

"ALAB"	Asymchem Laboratories, Incorporated, a limited liability company incorporated in the United States on November 27, 1995, which is a controlling shareholder and owned as to 71.19% and 19.52% by Dr. Hao Hong and Dr. Ye Song, respectively, as of the date of this interim report
"Asymchem Biotechnology Development"	Shanghai Asymchem Biotechnology Development Co., Ltd. (上海凱萊英生物技術發展有限公司), a limited liability company incorporated in the PRC
"AsymCore"	Asymchem Tongxin (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership) (凱萊同心(天津)企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC
"A Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 per share, which are listed for trading on the Shenzhen Stock Exchange and traded in Renminbi
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"CDMO"	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman" or "Chairman of the Board"	the chairman of the Board

"China" or the "PRC"	the People's Republic of China, but for the purpose of this interim report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company," "our Company," "the Company," or "Asymchem"	Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司), was established under the laws of the PRC as an enterprise legal person on October 8, 1998, the A Shares of which are listed on the Shenzhen Stock Exchange and the H Shares of which are listed on the Hong Kong Stock Exchange
"Corresponding Period"	for the six month ended June 30, 2021
"Director(s)"	the director(s) of our Company
"Group," "our Group," "we," "us," or "our"	our Company and its subsidiaries
"Haihe Asymchem Fund"	Tianjin Haihe Asymchem Biopharmaceutical Industry Innovation Investment Fund (Limited Partnership) (天津海河凱萊英生物醫藥產業創新投資基金(有限合夥)), a limited partnership established under the laws of the PRC
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	the date, namely December 10, 2021, on which the H Shares were listed and from which dealings in the H Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

DEFINITIONS

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus of the Company dated November 30, 2021
"Reporting Period"	for the six months ended June 30, 2022
"RMB" or "Renminbi"	the lawful currency of the PRC
"Shareholder(s)"	shareholder(s) of the Company
"Supervisor(s)"	the supervisor(s) of our Company
"Yugen Medtech"	Tianjin Yugen Medtech Co., Ltd. (天津有濟醫藥科技發展有限公司)

In this interim report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial Shareholder" shall have the meanings given to such terms in the Listing Rules.

Unless otherwise defined herein, capitalized terms used in this interim report shall have the same meanings as those defined in the Prospectus.

CORPORATE INFORMATION

BOARD

Executive Directors

Dr. Hao Hong
Ms. Yang Rui
Mr. Zhang Da
Mr. Hong Liang

Non-executive Directors

Dr. Ye Song
Ms. Zhang Ting

Independent Non-executive Directors

Ms. Zhang Kun
Mr. Wang Qingsong
Mr. Lee, Kar Chung Felix

REGISTERED OFFICE AND HEAD OFFICE

No. 6 Dongting 3rd Street
Economic – Technological
Development Area
Tianjin
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

40th Floor, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Xu Xiangke
Mr. Cheng Ching Kit *(associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*

AUTHORIZED REPRESENTATIVES

Mr. Zhang Da
Mr. Xu Xiangke

AUDIT COMMITTEE

Ms. Zhang Kun *(Chairwoman)*
Ms. Zhang Ting
Mr. Wang Qingsong

STRATEGY COMMITTEE

Dr. Hao Hong *(Chairman)*
Ms. Yang Rui
Mr. Lee, Kar Chung Felix

NOMINATION COMMITTEE

Mr. Lee, Kar Chung Felix *(Chairman)*
Mr. Hong Liang
Mr. Wang Qingsong

REMUNERATION AND EXAMINATION COMMITTEE

Mr. Wang Qingsong *(Chairman)*
Mr. Zhang Da
Ms. Zhang Kun

CORPORATE INFORMATION

STOCK CODES

Hong Kong Stock Exchange (H Shares): 6821
Shenzhen Stock Exchange (A Shares): 002821

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISERS TO THE COMPANY

Hong Kong laws

Cooley HK
35/F
Two Exchange Square
8 Connaught Place
Central
Hong Kong

PRC laws

DeHeng Law Offices
12/F, Tower B, Focus Place
19 Finance Street
Xicheng District
Beijing
PRC

COMPANY'S WEBSITE

www.asymchem.com

FINANCIAL HIGHLIGHTS

	For the six months ended June 30, 2022 RMB'000 (except percentages) (Unaudited)	For the six months ended June 30, 2021 RMB'000 (except percentages) (Audited)	Change proportion
Revenue	**5,034,065**	1,755,569	186.7%
Gross profit	**2,363,225**	785,387	200.9%
Gross profit margin	**46.9%**	44.7%	
Net profit attributable to shareholders of the listed company	**1,740,095**	429,327	305.3%
Net profit margin attributable to shareholders of the listed company	**34.6%**	24.5%	
Non-IFRS Measures:			
Adjusted net profit attributable to shareholders of the listed company (Note)	**1,537,478**	445,943	244.8%
Adjusted net profit margin attributable to shareholders of the listed company (Note)	**30.5%**	25.4%	
	RMB	RMB	
Earnings per share			
– Basic	**4.75**	1.27	274.0%
– Diluted	**4.74**	1.26	276.2%

Note: Please refer to "Management Discussion and Analysis — II. Financial Review — (XXVI) Non-IFRS Measures."

MANAGEMENT DISCUSSION AND ANALYSIS

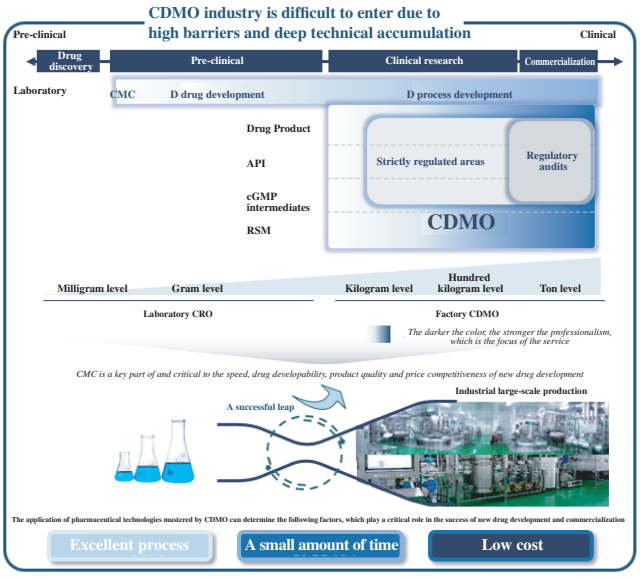
BUSINESS REVIEW

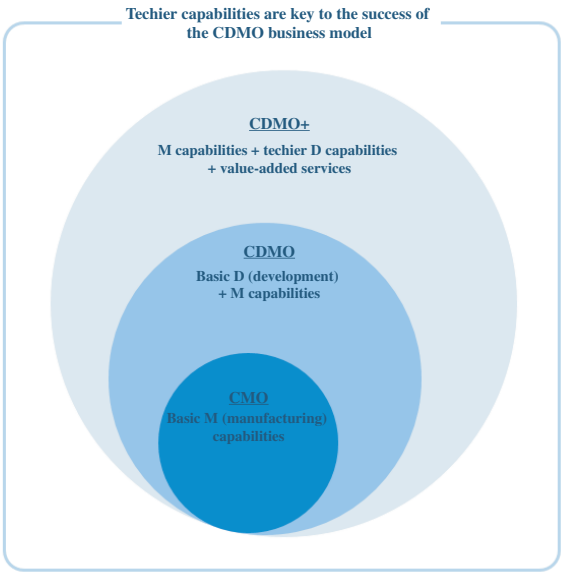
Principal Businesses of the Company During the Reporting Period

Contract Development Manufacture Organization ("CDMO") services include process development, scale-up and commercial manufacturing services. These services are critical in the R&D process of new drugs and have a direct impact on a drug's probability of clinical and commercial success. The basic value of CDMOs is to tackle the incompatibility between the growing high demand for new drugs and the escalating R&D cost, and to leverage the trend of more refined and specialized division of labor in pharmaceutical R&D to achieve more rapid drug development. We go above and beyond offering traditional contract manufacturing services and have set ourselves apart with a strategic focus on, and continuous optimization of, our "D" (Development) capabilities, empowering us to promptly solve new difficulties in complex process and technical challenges faced by customers, and to rapidly move from laboratories to mass production.

As a global, industry-leading one-stop integrated CDMO solution provider, the Company has been implementing all standards with high requirements, high standards and high-quality work specifications, and adhered to the cGMP quality management system and EHS management system with first-class international standards, thereby improving its production and project management capabilities and building a moat in the CDMO industry. The Company has also established a "customer-centric" business orientation in the global cooperative pharmaceutical network that has taken shape for years and is increasingly improved. These efforts have contributed to the Company's position as a "trusted and reliable CDMO partner" in the industry, enabling it to create value for global customers with diverse needs and provide them with efficient and high-quality R&D and production services. The Company has built up a marketing network covering global mainstream pharmaceutical companies through technical marketing, and is therefore able to undertake blockbuster drug orders at the same time. It also has formed deep embedded relationships with international pharmaceutical giants and emerging pharmaceutical companies, and become a long-term strategic partner of many multinational pharmaceutical companies.

Our position in the industrial value chain



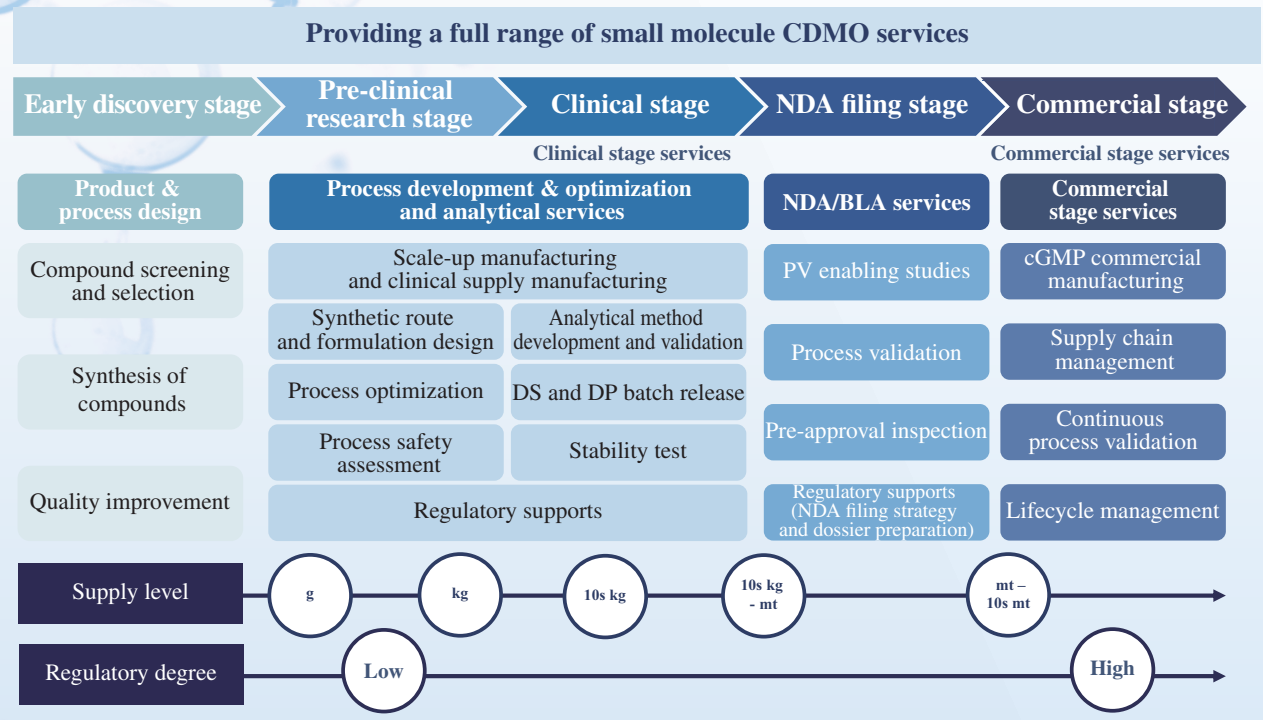


We have over 20 years of experience in the small molecule CDMO field and are actively exploring and rolling out new businesses to build a professional one-stop service platform. Starting from “every person, every product, every service,” we provide excellent CDMO services and solutions throughout the drug lifecycle, ranging from development to commercialization, and are committed to becoming a reliable partner of first choice for the global pharmaceutical industry.

Small molecule CDMO service

At the stage of drug development and clinical research, we help new drug R&D companies develop and improve their process routes to enhance their R&D efficiency and success rate, and reduce R&D costs. At the stage of drug commercialization and supply, we reduce production costs and improve production efficiency through continuous process optimization, while ensuring product quality and supply stability, which can also greatly save pharmaceutical companies' investment in fixed assets and allow them to devote more resources to R&D. The Company provides such services as process development, process optimization and analysis, scale-up manufacturing and clinical supply manufacturing, new drug application validation and approval, etc. in the clinical stage of small molecule CDMO, and cGMP commercial manufacturing and lifecycle management in the Commercial stage, focusing on drugs for the treatment of major diseases such as viruses, infections, tumors, cardiovascular diseases, nervous system, diabetes and so on.

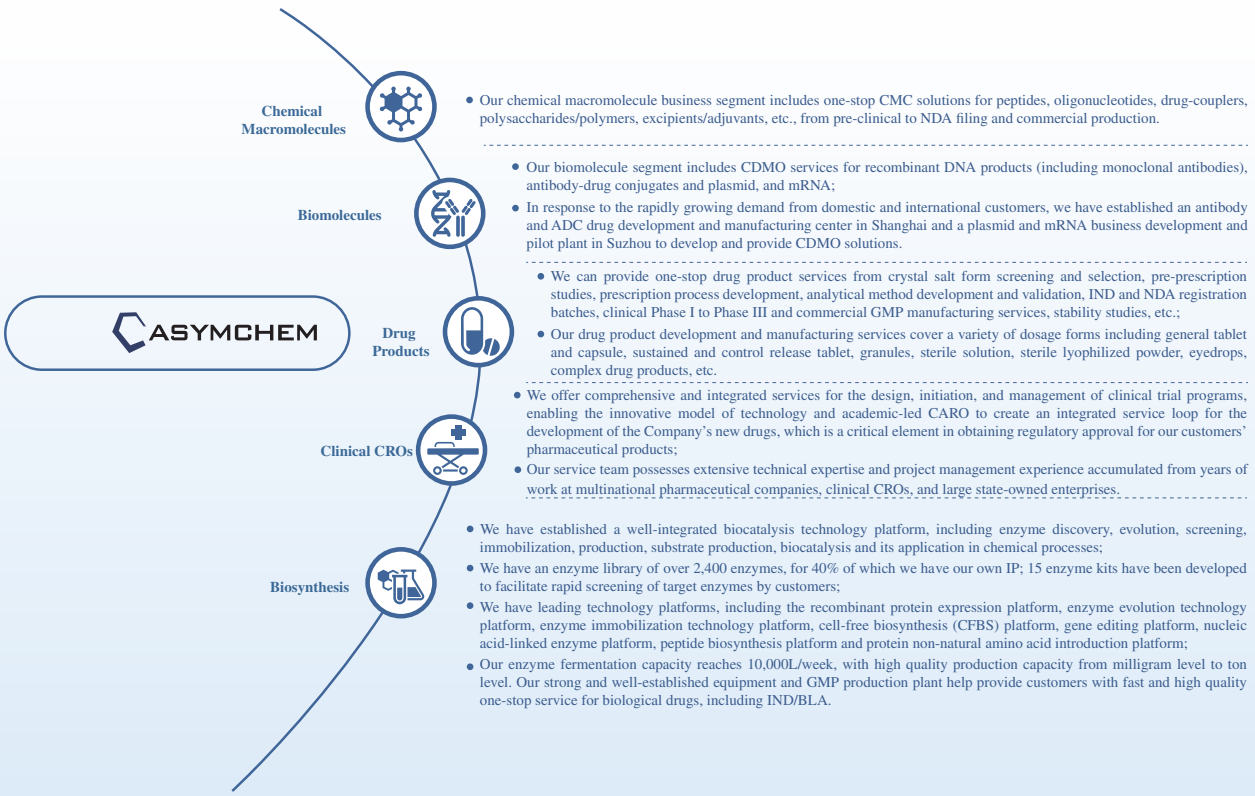
According to the data from the Frost & Sullivan, in terms of revenue in 2020, the Company was the fifth-largest innovative pharmaceutical API CDMO company in the world and the largest commercial stage chemical drug CDMO company in China. Leveraging our more than two decades of industry experience, we provide process development and manufacturing services for small molecule drugs across the entire industry chain and accelerate the clinical research and commercial application of innovative drugs by providing domestic and international pharmaceutical and biotech companies with one-stop CMC services throughout the drug lifecycle, as well as efficient and high-quality R&D and manufacturing services.



Emerging services

While continuing to consolidate our leading position in the small molecule CDMO market, we are also making great efforts in extending our service chain, exploring emerging business areas and consolidating the construction of an integrated ecosphere by virtue of our industry insights, technological advantages, quality control operation and management system and premium reputation accumulated over the years. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers, we have expanded our CDMO solutions to include other drug modalities, such as polypeptides, oligonucleotides, monoclonal antibodies (mAb), antibody-drug conjugates (ADC) and messenger RNA (mRNA), and broadened our service scope to include drug product solutions, biosynthesis solutions and clinical CRO solutions. All these efforts aim to create a professional one-stop customized service platform.

In accordance with the "two-wheel drive" strategy, the Company actively expanded the ability of CDMO to new business areas and promoted the development of emerging business segments such as chemical macromolecule, biomolecule CDMO, drug product, clinical CRO, etc. by continuously expanding our service chain and service areas and transmitting our competitive advantages, for the purpose of creating a professional one-stop customized service platform.



Business Summary

Business overview and analysis during the Reporting Period

In 2022, against the backdrop of the post-pandemic era and the challenging new global economic and geopolitical situation, the Company achieved rapid growth in operating revenue and net profit, and sustained improvement in profitability and core competitiveness as it made efforts to be a market leader by adhering to the business policy of "large order delivery, market enlargement, system upgrade, and technology advancement". Securing its normal delivery of large orders, the Company continues to consolidate its competitive advantages in the small molecule field. It also actively explores new markets, new businesses and new customers, to promote the rapid expansion of strategic emerging business segments. The Company expands its presence overseas by developing early stage project reserves, to continue empowering its sustainable growth in the future. In addition, the Company constantly facilitates technological innovation and the wide application of new technologies to help to improve the efficiency of the industry, reduce costs, and protect the environment. The Company ramps up to secure the development and supply of new drugs worldwide with its continuous development of innovative technologies, and to accelerate the listing of innovative drugs.

During the Reporting Period, the Company recorded a total revenue of RMB5.034 billion, representing an increase of 186.7% period-on-period. Revenue in the second quarter of 2022 was RMB2.972 billion, an increase of 203.8% period-on-period and 44.2% over the preceding quarter.

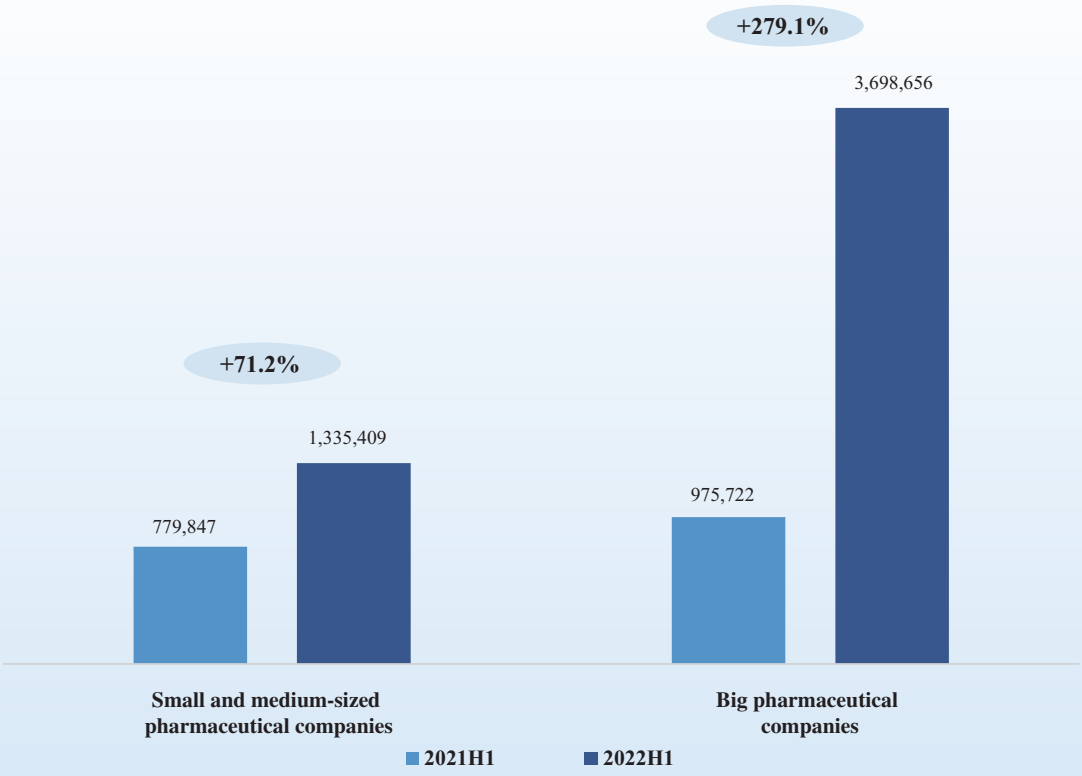
Revenues by business segments are as follows:

Category	**2022 first half year ("H1") revenue** (RMB'000)	**Period-on-period growth**	**Gross profit margin**
Clinical stage CDMO solutions	966,407	16.9%	44.4%
Commercial stage CDMO solutions	3,670,602	367.4%	48.1%
Emerging services	392,761	174.2%	42.7%
Other businesses	4,295	–	–
Total revenue	5,034,065	186.7%	46.9%

Net profit attributable to shareholders of the listed company was RMB1.740 billion, representing an increase of 305.3% period-on-period; adjusted net profit attributable to shareholders of the listed company (Note) was RMB1.537 billion, a period-on-period increase of 244.8%. Net profit attributable to the parent company for the second quarter of 2022 was RMB1.241 billion, representing an increase of 351.2% period-on-period and 148.4% over the preceding quarter. Despite some fluctuations in the domestic and international financing environment, benefiting from that the industry as a whole maintained the momentum of steady growth and the outsourcing penetration rate was steadily rising and the continuous improvement of the Company's comprehensive competitiveness, the Company's orders grew significantly. As of the date of this interim report, the Company's orders under execution amounted to US$1.47 billion.

The Company took the strategic opportunities brought by large orders and comprehensively explored new customers and new projects. During the Reporting Period, the Company achieved rapid growth in revenue from all types of customers, with revenue from small and medium-sized pharmaceutical companies of RMB1.335 billion, up 71.2% period-on-period, and revenue from big pharmaceutical companies of RMB3.699 billion, up 279.1% period-on-period; revenue from overseas customers amounted to RMB4.346 billion, up 177.0% period-on-period, and the domestic market ushered in the harvest period with revenue of RMB691 million, up 261.6% period-on-period.

Revenue Growth from Different Customer Types in the 2021 H1 to 2022 H1
(Unit: RMB in thousand)



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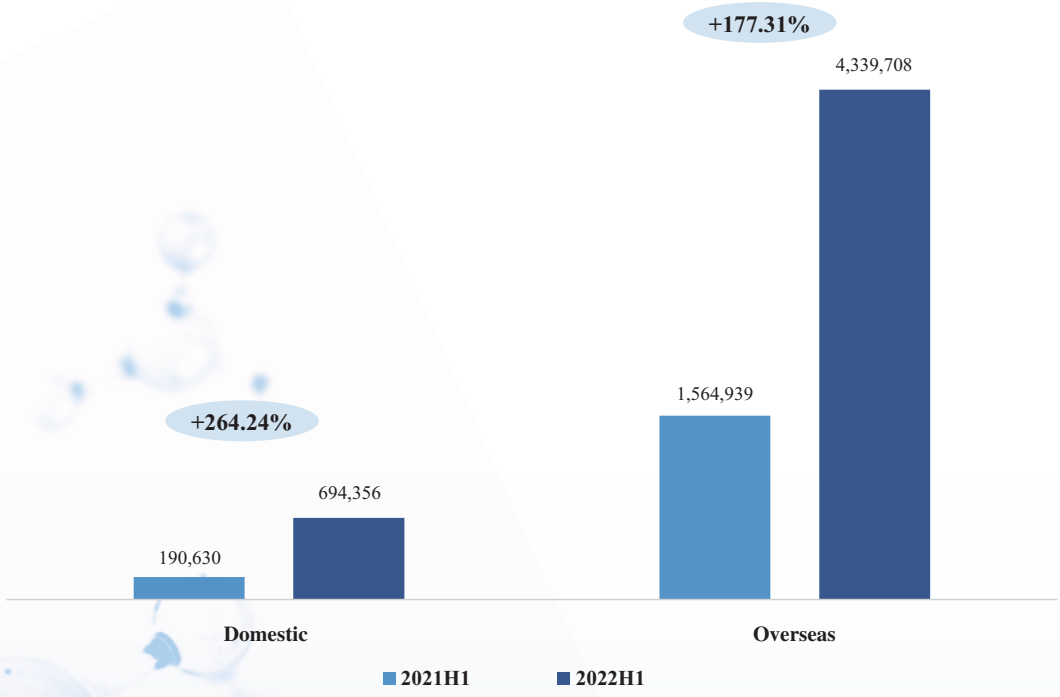
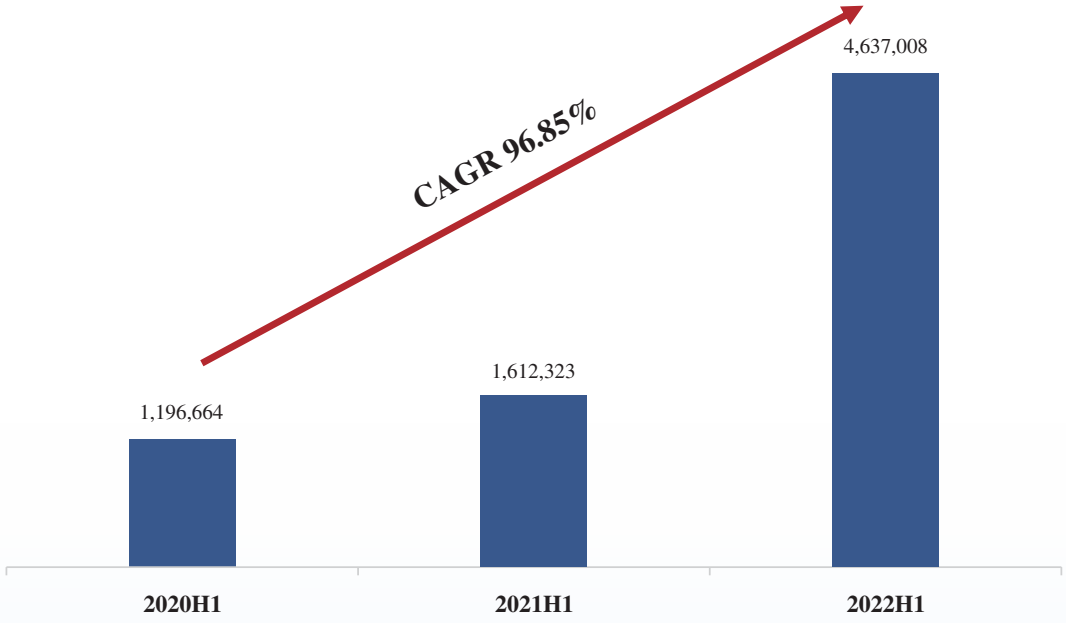
Revenue Growth from Domestic and Overseas Customers in the 2021 H1 to 2022 H1 (Unit: RMB in thousand)



Small molecule CDMO business

At present, the global small molecule CDMO business becomes a broader market with low industry concentration, and a sustained increase in industry penetration. Based on over 20 years of experience, the Company has been able to occupy the commanding heights of "D" in the industry and built an evolving R&D platform and a first-class operation system, which enables the Company to continue to improve its competitiveness and seize market opportunities thereby increasing its revenue scale and market share. In terms of serving customers, the Company, on the one hand, insists on "deepening" its service to customers by improving the stickiness of cooperation and the depth of service with strategic customers of large European and American pharmaceutical companies and small and medium-sized innovative drug companies, and gradually extending its service chain. On the other hand, the Company proceeds with "expanding" the customer base, especially small and medium-sized innovative drug companies. During the Reporting Period, the Company achieved revenue of RMB4.637 billion from small molecule CDMO business, an increase of 187.6% period-on-period, and as of the date of this interim report, the Company's orders under execution from small molecule CDMO business amounted to US$1.245 billion.

Revenue from Small Molecule CDMO Business in the 2020H1 to 2022H1
(Unit: RMB in thousand)

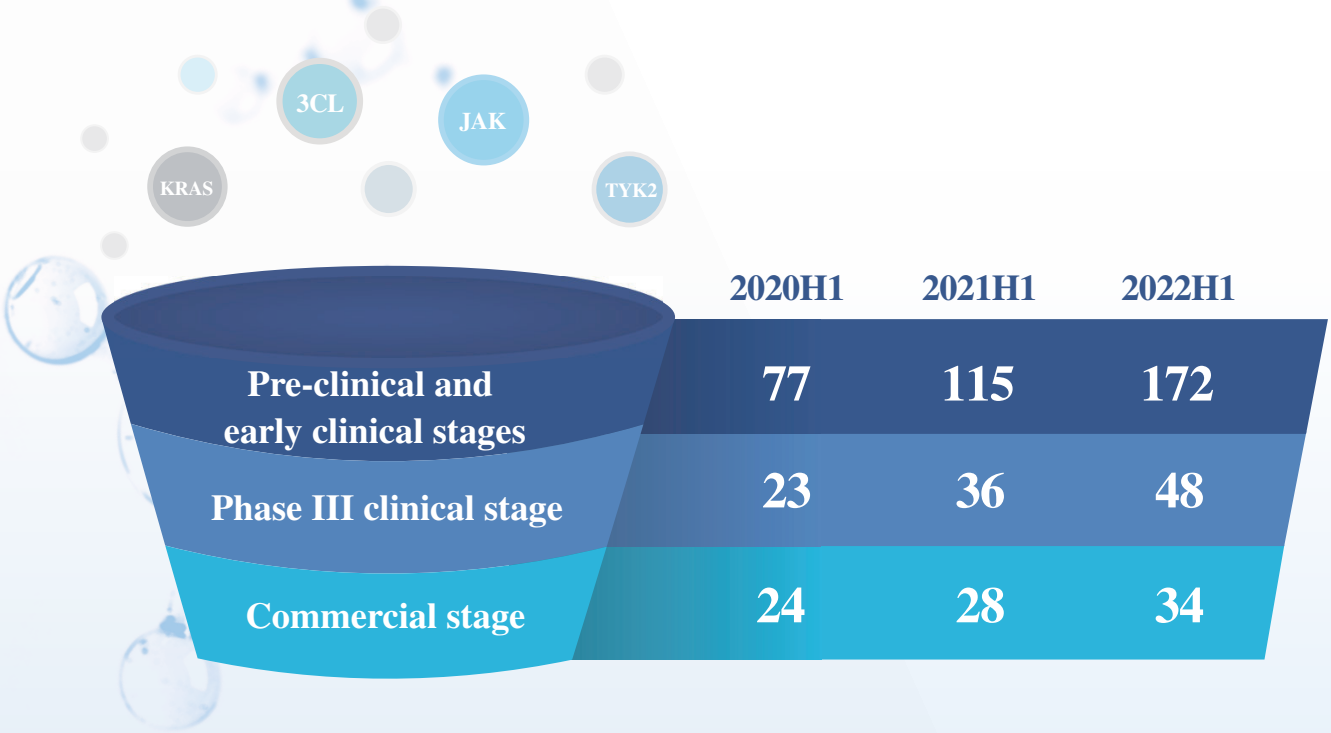


- **High-quality delivery of large orders evolves into a demonstration effect, giving rise to new business opportunities**

  In view of the urgent supply needs of customers with large orders, the Company has made great efforts in research and development, production, supply chain management and other aspects, and successfully completed the order tasks during the Reporting Period. Based on the mature quality management of commercialized products, we provided lean quality management for a commercial API product to secure its continuous and stable production, and thus the first pass yield and on-time delivery of the product. The high-quality delivery of large orders demonstrates the Company's ability to develop and supply large orders for small molecule drugs throughout their life cycle from clinical to commercialization and its leading competitive advantage on a global scale. The Company established the demonstration effect for the industry with its actual delivery capability, which strongly promoted the Company's cooperation with multinational pharmaceutical companies in commercial API projects.

- **Project volume and service pipelines continue to expand, with greater potential for mid- to late-stage and commercial projects**

  During the Reporting Period, the Company completed a total of 34 commercial stage projects and 220 clinical stage projects, including 48 clinical Phase III projects. The Company has made more efforts in its early-stage project development, with abundant project reserves and an enhanced project echelon, laying the foundation for long-term growth. The Company strategically reserves potential bulk projects. During the Reporting Period, the Company's service projects involved over 20 popular targets or major drug targets, such as KRAS, 3CL, JAK, TYK2, etc., with projects accounting for more than 60%, securing project reserves for the continued acquisition of commercial orders of bulk drugs.



- **Working more on new market expansion, witnessing strong revenue growth in all regions, with domestic and Asia Pacific markets accelerating the pace into the harvest period**

  During the Reporting Period, the Company increased its efforts in diversified, multi-regional and multi-stage market development by leveraging its market reputation and core competencies accumulated over the years in the small molecule CDMO market and seizing the strategic opportunity period of large orders. The Company actively explored overseas small and medium-sized pharmaceutical customers in various ways and cooperated deeply with cutting-edge biotech companies with advanced technology service capabilities, which helped the accumulation of the scale effect of knowledge and a sustainable increase in revenue from overseas small and medium-sized innovative drug companies. The Company has made positive progress in the European and Japanese markets, witnessing significant growth in orders under execution in the Japanese market.

  After assisting the Hutchison Whampoa with its Surufatinib project successfully launched in China, the Company continued to provide relevant services for its U.S. NDA project. The two new NDA projects we served successfully passed the on-site verification of NMPA. Based on the good service record and demonstration effect, the Company's domestic market business has made positive progress. During the Reporting Period, domestic customers of small molecule CDMO business confirmed revenue of RMB382 million, up 260.0% period-on-period; domestic orders in NDA stage in hand of more than 35. The Company had a number of mature projects efficiently completing dynamic verification, and plans to complete verification and promote the listing of innovative drugs therein in 2022, which will drive rapid growth of the Company's domestic revenue with gradual commercialization of the projects.

- **Increasing the application of new technologies and technology export to enhance economic efficiency and effectiveness**

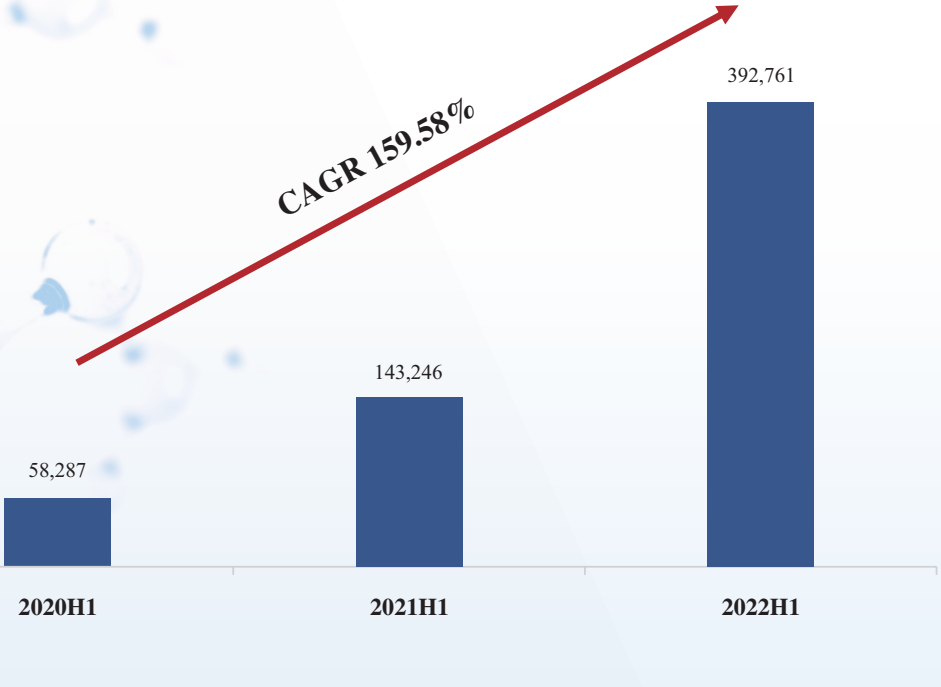
  Relying on the Company's global leading R&D capability in small molecule chemical processes and its sustainably evolutionary R&D platform, the Company further strengthened the application ratio of new technologies such as continuous reaction and biological enzyme catalytic technology in the production of small molecule clinical and commercialization projects. During the Reporting Period, more than 40% of the Phase II clinical stage or later clinical stage projects and commercial stage projects applied emerging technologies such as continuous reactions and bioenzyme technology, generating good economic benefits and efficiency.

  The Company strengthens the technology platform construction of continuous reaction process development, and vigorously promotes the cooperation model of continuous reaction technology export based on years of practical experience in projects. It practices the innovative asset-light business model with profound technology accumulation, realizes greater economic and social benefits of continuous reaction technology, and joins hands with customers to drive the green, healthy and high-quality development of innovative drug industry.

Emerging businesses

Leveraging our industry insights, customer reputation, operation system and R&D heritage accumulated in the small molecule segment, the Company promoted the development of new businesses such as drug product, chemical macromolecule, clinical research services, biological macromolecule and biosynthesis technology. The Company accelerated the construction of its talent team and capabilities and continued to expand its business. During the Reporting Period, we achieved revenue of RMB393 million, an increase of 174.2% period-on-period, and completed 476 projects in the emerging services category.

Revenue from Emerging Businesses in the 2020H1 to 2022H1
(Unit: RMB in thousand)



- **Chemical macromolecule business segment**

  During the Reporting Period, the revenue of chemical macromolecule business increased by 211.1% period-on-period; a total of over 10 new customers were developed, nearly 50 new projects were undertaken, and a total of 27 projects were advanced to Phase II among the early projects undertaken since the launch of this segment in 2019.

  Oligonucleotide CDMO is a key business segment for the Company. With the key breakthrough in delivery technology, small nucleic acid drugs have entered the fast track of development. The Company successfully stepped into this field with its production experience, technical background and operational advantages accumulated over the years, and has developed and built know-how to address the challenges of single technology, low efficiency, insufficient capacity, large amount of three wastes and high production cost faced by the industrialization of oligonucleotide drugs. During the Reporting Period, the Company made more efforts in the improvement of oligonucleotide technology platform and the development of domestic and overseas customers, achieving business revenue increase by more than 200% period-on-period and undertaking over 20 new projects, including 3 projects after Phase II; project types include antisense oligonucleotide (ASO), small interfering RNA (siRNA), CpG adjuvant, nucleic acid aptamer (Aptamer) and sgRNA, etc.

  Our technology capabilities in toxin-linker, solid-liquid peptide synthesis, peptide-drug coupling, pharmaceutical polymer, polymer-drug coupling and cationic lipid continued to improve. During the Reporting Period, we have undertaken over 20 new projects, including RDC precursors, PDC, lipids, dendrimers, etc.; completed 2 validation production projects, kept 6 validation production projects in progress, and expanded several commercial lipid GMP stocks; and added 3 new Isolators for OEB5 and cytotoxic production.

- **Drug product business segment**

  In 2022, the drug product segment achieved growth in both revenue and projects. During the Reporting Period, the segment saw a revenue increase of 79.6% period-on-period; it undertook about 100 new drug product projects, including more than ten NDA projects, covering customers in China, the United States and South Korea.

  The solid formulation segment helped customers to complete the production of NDA registration batches and process validation batches for two projects and initiate stability studies, of which a project adopted the hot melt extrusion process, rapidly improving the Company's capability in its later project delivery and the technical platform expansion. Sterile formulation projects grew rapidly, with revenue increasing 87.5% period-on-period, including strong growth in the accounting for small nucleic acid businesses, achieving a period-on-period increase of 376% and a large period-on-period increase in the number of orders under negotiation. The quality and growth rate of sterile formulation services improved, with projects gradually expanding from early to later stage. The Company successfully undertook 2 NDA type projects and made steady advancement, with a period-on-period increase of 100% in the number of overseas orders. In addition, the revenue of sterile eye drops business increased by 350% period-on-period, and the suspension eye drops project was successfully completed in Sino-US double report.

  During the Reporting Period, the Company focused on the research and development of cutting-edge drug delivery and high-end formulations by establishing the Center for Drug Delivery and Formulation (CDDF) with technology-driven development in order to provide technical support to domestic and global customers for the benefit of patients. The construction of the formulation platform has been continuously improved and upgraded, and high-end formulation projects such as liposomes, nano formulations and topical formulations have been steadily promoted. Considering the long-term sustainable development of formulations, we started to lay out for new production capacity, including the capacity construction of high-activity formulation workshop and the capacity expansion of solid formulation and sterile formulation, in order to secure the growing business demand.

- **Clinical research services**

During the Reporting Period, revenue from clinical research services saw an increase of 242.4% period-on-period. We signed more than 170 new project contracts, among which the contract amount of innovative drug projects accounted for more than 85%. In addition, we undertook more than 50 clinical research projects in advantageous areas such as oncology, immunity, and anti-infection & infectious diseases, and achieved a new breakthrough in undertaking IND filing and Phase I one-stop service for stem cells and immune lineage cells in the field of cell therapy drugs.

In terms of project execution, we successfully assisted China's first independently developed oral small molecule treatment drug for COVID-19 to be conditionally marketed. We initiate Phase III clinical study for multiple projects in major diseases area. We outstandingly assisted our key customers to obtain the IND implied license for a new indication of new long-acting antitumor drug and advance the project from Phase I to Phase II. In addition, we assisted our customers to obtain the IND implied license for cellular drug for ARDS and collaborated to successfully undertake the integration service project of Sino-US double report and Phase I clinical study. We collaborated with Yugen Medtech to advance the integration service project to pre-IND submission. As of the date of this interim report, the orders under execution for clinical research and site management services exceeded RMB450 million.

During the Reporting Period, Clin-nov Medical and Improve Quality quickly established good business collaboration after realizing team integration, continuously improved the stickiness of many customers, and consolidated the integrated service capability, constantly improving the quality and efficiency of the clinical research sector. Based on our overseas expansion plan, we established a subsidiary of Clin-nov in Boston, fully launched the construction of clinical operation capacity in the United States. In the clinical research sector, Clin-nov Medical and the CDMO team of the Company worked together and established an international, high-quality and high-level technical team. During the Reporting Period, they undertook a number of integrated service projects from CMC, pharmacodynamics, pharmacology and toxicology to pre-clinical IND registration and application and the Sino-US double report projects, realizing one-stop comprehensive services for the whole life cycle of innovative drugs, and continuously improving the depth and breadth of services to customers.

In the academic field, the Company has built and integrated a Board of Scientific Advisors comprised of many experts from home and abroad, and independently developed a number of clinical trial information systems. The Company participated in the data mining of national subjects and promoted its long-term development with expert think-tanks and technological innovation, with an aim to provide integrated and comprehensive clinical research services and solutions for global pharmaceutical innovation enterprises.

- **Biological macromolecules CDMO**

The Company further deployed the biological macromolecules CDMO services including advanced therapeutics. The CDMO services for biological macromolecules include Antibody (mAb), and recombinant protein and ADC one-stop CDMO service platform. The CDMO services for advanced therapeutics cover a wide range of business areas including the clinical development and commercial manufacturing stages of plasmids and non-viral vectors delivery system (such as mRNA) of the CMC related services. As of the date of this interim report, the orders under execution for biomacromolecule CDMO amounted to RMB260 million.

During the Reporting Period, the Company has completed the capacity construction of 2x2,000L disposable bioreactor antibody stock solution. The pilot plant for 100L ADC coupling stock solution has been put into operation, and 2x500L commercial ADC coupling stock solution will be put into operation at the end of September. Suzhou plasmid and mRNA business pilot capacity have been put into operation, with the service capacity of IND and clinical sample preparation. The Fengxian commercial base in Shanghai advanced in an orderly manner. The Company upgraded the team formation and capacity building of its biomolecule segment, significantly enhanced its project management capability and management mechanism, and completed the complete delivery of its first IND project. In addition, the Company joins hands with its strategic investor, Hillhouse Capital, to invest RMB2.5 billion to leverage the rapidly growing domestic and overseas biologics and advanced therapeutics CDMO markets with high-level one-stop specialized R&D and manufacturing services, relying on the resource advantages in their respective fields, with an aim to build itself as a leading company in this field.

- **Synthetic biology technology**

Since the establishment of the Center of Synthetic Biology Technology (CSBT) in 2021, the Company has a mature enzyme technology platform and fermentation production platform, and continues to explore the synthetic biotechnology field to significantly enhance the platform's technical capabilities. The technology center aims to promote the existing enzyme screening, development, evolution, immobilization, enzyme fermentation production and process amplification of the existing enzyme engineering integrated technology platform featuring bio-enzyme catalysis green synthesis for the efficient synthesis of small molecule drugs. The technology center has made further efforts in improving the construction of synthetic biology R&D technology platform, broadening the synthetic biotechnology field and pharmaceutical protein production capacity, and vigorously promoting the construction of the overall strategic layout of one-stop synthetic biology services starting from molecular biology (recombinant expression), for the purpose of providing technical support for the development of the Company's small molecule business department and strategic emerging business department.

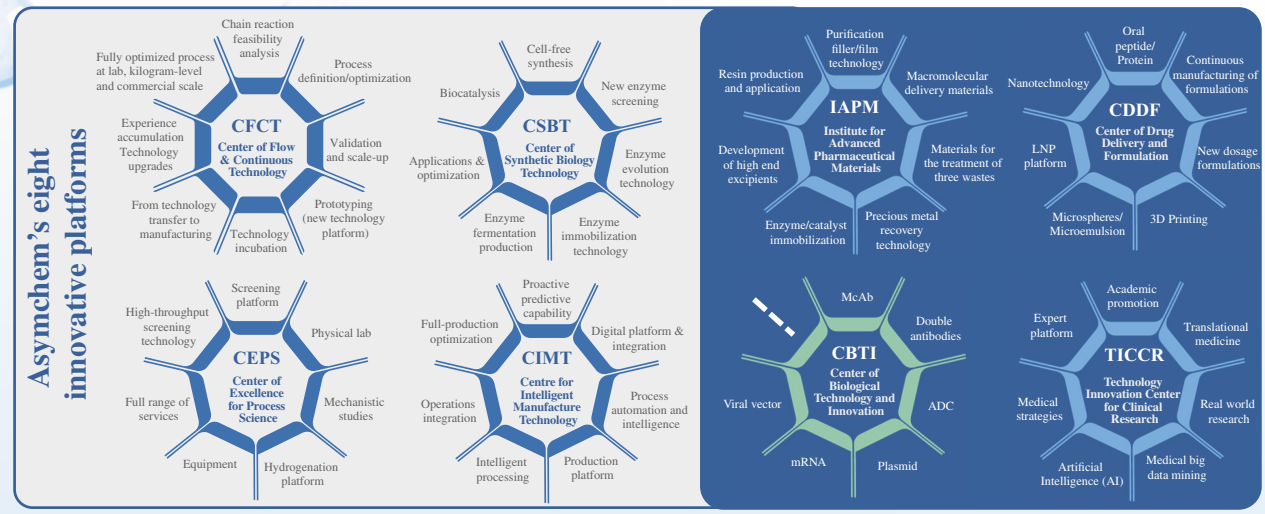
Based on the existing enzyme technology, the Synthetic Biotechnology R&D Center uses the AI to establish and further strengthen the high-throughput new enzyme screening and evolution platform. During the Reporting Period, the Company accelerated the construction of platform infrastructure technology, established and improved the automated high-throughput screening platform, with its automated and intelligent whole-cell and cell-free high-throughput screening technology fully achieving "simple" and "fast". The high-throughput new enzyme screening and evolution platform, which now has a sound recombinant protein expression platform, enzyme evolution platform, etc., will promote the Company's CDMO, especially the small nucleic acid business development, and break the technical barrier of long-chain small nucleic acid synthesis. To further broaden the application of enzyme technology, the Company has developed nearly 2,400 engineered enzyme libraries, over 800 of which are conferred with IP rights of the Company, covering more than 20 species. We have successfully developed 15 types of enzyme powder kits for customers to screen target enzymes with specific catalytic activity, which have received good feedback and evaluation.

The newly created technology platform for high-throughput screening and engineering modification of chassis microorganisms of the Company will promote the establishment of synthetic biology underlying technology capability and resource base based on the existing platform technology. The Company will also build an intelligent biology platform to further improve the ecology of Asymchem's synthetic biology technology, and will continue to explore and innovate the technological extension of the platform.

Pharmaceutical protein technology platform upgrades the means of therapeutic protein preparation by creating an efficient inclusion body protein preparation process, and is equipped with milligram-ton scale production capacity and complete facilities, which secures the therapeutic protein process development and GMP production. The platform enables faster Biologics License Applications (BLA) and Investigational New Drug (IND) with maximum flexibility, to meet customer needs in all phases of oral pharmaceutical protein products, including strain library construction, pre-clinical research, clinical sample preparation and commercial manufacturing. Since the cGMP upgrade of the 5,000L plant at the end of 2021, we have undertaken process characterization projects for Biologics License Applications (BLA), and the R&D and production project in the later clinical stage, and successfully completed the GMP production orders. Our efficient teamwork and product quality have been highly praised by our customers.

R&D platform construction

During the Reporting Period, the Company continued to invest in technological innovation and independent research and development of core technologies, applied for 24 patents and 22 patents granted, including 5 patents related to continuous reactions and 9 related to biosynthesis technologies; 5 articles have been published in international mainstream journals. As a company with "technology-driven" as its core competitiveness since its establishment, Asymchem invested RMB263 million in R&D in the first half of 2022, an increase of 60.67% period-on-period, which is at the forefront of the industry. Maintaining active exploration and application of cutting-edge technologies is a key issue gaining attention in the CDMO industry. The Company continues to iteratively evolve on the basis of four global leading and sustainably evolving R&D platforms. Following the Center of Excellence for Process Science (CEPS), Center of Flow & Continuous Technology (CFCT), Center of Synthetic Biology Technology (CSBT), and Centre for Intelligent Manufacture Technology (CIMT), the Company has formally established the Institute for Advanced Pharmaceutical Materials (IAPM), Center of Drug Delivery and Formulation (CDDF), Center of Biological Technology and Innovation (CBTI) and Technology Innovation Center for Clinical Research (TICCR). The eight technology centers complement each other while striving to develop cutting-edge and future-critical technologies in different directions. We reserve forward-looking technology and lead technical innovation to provide strong technical support for the Company's new layout and direction, and to create a new engine of GXP one-stop service of "GMP-GLP-GCP" in Asymchem.



Institute for Advanced Pharmaceutical Materials (IAPM): IAPM focuses on high-end excipients R&D, separation and purification materials and technologies, and other functional materials development. It will serve as an important strategic platform for combining polymer materials with traditional small molecule pharmaceutical and biomolecule technologies, so as to meet the Company's needs for specialty materials in its overall business.

Center of Drug Delivery and Formulation (CDDF): The industry keeps working on achieving controlled rate delivery, targeted delivery, improving drug efficacy and reducing drug costs. CDDF was established to develop cutting-edge delivery and formulation technology platforms for the R&D of high-end formulation and drug delivery technology. CDDF aims to lead the industry with technology-driven development for drugs getting through the "last mile" to approach patients, and to provide technical support to domestic and global biotech customers for the benefit of patients.

Center of Biological Technology and Innovation (CBTI): CBTI is responsible for scientific development, process research and development, technology platform building, and supply chain optimization related to biomolecules (antibodies, fusion proteins, etc.) and advanced therapeutics. It aims to provide better R&D and technical services to customers while meeting the internal development needs of Asymchem Biotechnology, which in turn provides endogenous power for the long-term development of the Company.

Technology Innovation Center for Clinical Research (TICCR): With the functions of medical design, clinical system application and academic development, TICCR will accelerate the innovative application of clinical trials, which is an important part of the one-stop service. TICCR will undertake the task of academic leadership and technology-driven innovation in clinical trials, aiming to improve the quality and efficiency of the clinical trial and provide strong technical support for Asymchem's one-stop service.

Investment and construction of fixed assets during the Reporting Period

The Company has now established a strategic structure in China with R&D centers in Tianjin, Shanghai and Suzhou, small molecule R&D and production bases and biomolecule bases in Fuxin, Liaoning, Dunhua, Jilin, Taixing, Jiangsu and Fengxian, Shanghai and other districts.

In the small molecule business segment, during the Reporting Period, Dunhua subsidiary put into use its new plant and completed the technical transformation and upgrade of the original workshop. It continued to promote the scale application of continuous reaction equipment, and further enhanced the reaction efficiency and yield, providing capacity guarantee for undertaking the integrated production from clinical to commercialization, from raw materials to cGMP intermediates and APIs for domestic and foreign customers. Meanwhile, Tianjin Asymchem Pharmaceuticals has completed the main construction of the new R&D center project and the installation and commissioning of R&D equipment. Some laboratories have been delivered to the user department for acceptance, and the installation of equipment has been started in an API plant. In terms of equipment selection, the Company promotes the wide application of automatic control equipment following the future development trend, seeking to improve the human efficiency. In the Yangtze River Delta region, the Company has started the overall planning and design of Suzhou R&D center and the approval process of Taixing small molecule production base, which are expected to be delivered in 2023. The construction of Suzhou R&D center and Taixing small molecule production base will take advantage of the location of Yangtze River Delta to meet the growing demand for orders, expand and deeply participate in the cooperation with domestic and foreign innovative drug companies, and strengthen the driving effect of leading customers. As of the end of the Reporting Period, the Company's conventional batch reactor volume was approximately 5,300 cubic meters. During the Reporting Period, the Company promoted the construction of small molecular capacity in an orderly manner, and gradually entered the steady production and project scheduling plan in combination with large orders to rationally arrange the pace of capacity release. At the same time, the level of automation and the application of new process devices were further improved. As of the end of the Reporting Period, the area of the continuous reaction workshop increased by more than 70% period-on-period, the number of continuous equipment increased by nearly 75% period-on-period, and the continuous reaction capacity increased by nearly 400% period-on-period. The continuous reaction is a major tool for capacity release, which will greatly improve the Company's production efficiency.

The chemical macromolecule and biosynthesis business, as priorities of the emerging business segment, witnessed the fixed asset investment and construction in the West District of Tianjin Development Zone since the second half of 2021. The chemical macromolecule project is expected to see the construction completion of the R&D center of approximately 12,000m^2 and the GMP production plant of approximately 9,500m^2 by the end of 2022. The main construction of the biosynthesis technology R&D center, production workshop and supporting auxiliary works is planned to be completed in the fourth quarter of 2022, so as to provide technical support and guarantee for the development of the Company's small molecule business and strategic emerging business.

The Company has further expanded biomacromolecule CDMO services including advanced therapeutics by establishing antibody and ADC drug R&D and production centers in Jinshan, Shanghai, and the plasmid and mRNA business R&D and pilot base in Suzhou. The Company also introduced a strategic investor, Hillhouse Capital, to jointly invest RMB2.5 billion to build a first-class biopharmaceutical CDMO company based on their respective resource advantages.

Overall layout of Asymchem Biotechnology

Cultivation of talent team

The Company, firmly grasping and adhering to the strategy of talent introduction, continues to strengthen the introduction and cultivation of talents by improving and optimizing various employment mechanisms such as talent selection, talent training, talent utilization, talent evaluation, talent incentive and talent retention. It proceeds to iterate talent team development to build a professional and high-quality talent team. As of June 30, 2022, the Company had 8,931 employees, including about 200 employees with work experience in overseas multinational companies; and more than 4,200 scientific researchers such as R&D and analysis employees.

Focusing on the "two-wheel drive" development strategy, during the Reporting Period, the Company set up organizational structures of business divisions and business groups, established talent management systems for small molecule business and strategic emerging business, and accelerated the introduction of talents including business leaders in emerging business segments, and process development, CMC and production management talents in small molecule segments. Such talents are introduced to take up management positions or key technical positions in multiple fields. In the first half of 2022, the Company introduced a total of 110 senior talents, including 53 doctors, 20 senior executives and above, and 37 returnees and people with working background in overseas pharmaceutical companies.

During the Reporting Period, the Company introduced core management staff, some of which are represented as follows:

Adhering to the principle of "employees are the valuable wealth of a company, and the company serves as the platform for employees to show their talents and realize their personal values", we fully recognize and appreciate the efforts of employees for the development and growth of Asymchem. This year, we have increased our investment in both material and spiritual care for our employees, and have always insisted that our employees grow with and share achievements with the Company. Employees are encouraged to create value for our Company and our customers while gaining a sense of accomplishment, giving full play to their individual strengths and advantages, and achieving their personal career development goals.

Core Competitiveness Analysis

The world-leading technology-driven CDMO company providing one-stop solutions

We are a world-leading technology-driven CDMO providing one-stop comprehensive solutions throughout the drug development and manufacturing process. According to Frost & Sullivan, we were the fifth largest innovative drug substance CDMO globally, with a market share of approximately 1.5% (company ranking first had a market share of about 2.9%), and the largest China-based commercial stage chemical drug CDMO, with a market share of approximately 22%, in each case as measured by revenue in 2020. We have serviced over 800 drug development and manufacturing projects since 2016. With our deep technical background, rich project experience, favorable customer reputation, and quality management in line with international standards, the Company is strategically supported by its "D" (Development) capability, which distinguishes it from traditional CMO companies providing contract manufacturing services, and is constantly improving its innovation capabilities. The Company continues to cultivate its mature chemical small molecule CDMO business, and has introduced its accumulated industry insight, innovation capability and outstanding reputation to other drug CDMO businesses, which has facilitated the rapid development of its growth businesses such as formulation, chemical macromolecule CDMO and biosynthesis technology, and the steady expansion of its strategic businesses such as clinical research services and biomolecule CDMO. All these efforts drive the improving one-stop service system, securing global drug development and production.

World-class, continuously evolving R&D platform with continuous innovation and breakthroughs

We are a technology leader in the CDMO industry, with strong technological capabilities to solve various complex technical problems and technical bottlenecks in small molecule drug development and manufacturing, bringing development efficiency and cost effectiveness to our customers. The Company is equipped with a state-of-the-art R&D platform staffed with over 4,000 researchers, serving as an engine of technological innovation and is committed to developing cutting-edge and future-critical technologies. The Center of Excellence for Process Science (CEPS) and Center of Flow & Continuous Technology (CFCT), combined with enzyme engineering technologies, have established our global leadership in the small molecule CDMO business, empowering us with significant competitive advantages. We implement strategic investments in biologics innovation and development through the Center of Synthetic Biology Technology (CSBT). The Center for Intelligent Manufacture Technology (CIMT) leads our digitalization strategy by empowering intelligent management and manufacturing through artificial intelligence (AI) and data science. We reserve forward-looking technologies with the Institute for Advanced Pharmaceutical Materials (IAPM), Center of Drug Delivery and Formulation (CDDF), Center of Biological Technology and Innovation (CBTI) and the Technology Innovation Center for Clinical Research (TICCR), to lead technological innovation and thus provide strong technical support for the Group's new layout and new direction of development. We are committed to creating Asymchem's "GMP-GLP-GCP" GXP one-stop service new engine, for the sake of enhancing our technology leadership in the global CDMO market.

Efficient operation system and quality system securing the Company development

Sound operation management and the design and construction of EHS and GMP quality systems have been the key support for Asymchem to make further progress. With years of experience in serving demanding multinational pharmaceutical companies, the Company has established an integrated operational system of first-class R&D, manufacturing, quality control and project management, a strict cGMP quality system, and a comprehensive EHS management and QA system in compliance with the highest global industry standards. During the Reporting Period, the Company has received a total of 10 online and offline EHS audits by domestic and international customers, including a flight audit of an API by the TGA of Australia, and no major safety or environmental hazards were found. EHS management capabilities have always been the cornerstone for the Company's overall competitiveness. Since 2011, the Company has passed 30 official audits by major regulatory agencies such as FDA, NMPA, TGA, MFDS and PMDA, with a 100% pass rate. The Company has been managing itself always in strict accordance with cGMP standards and is ready for audits by regulatory agencies and customers at any time. During the Reporting Period, we completed a written audit of an API by U.S. FDA, a remote audit of an API by Australia-based TGA, and an on-site audit by Jilin Medical Products Administration for an API exported to EU, which helped our customers to promote their products to global markets and secured our development.

Multi-level and high quality customer base builds the "reservoir" for project reserves

Since its establishment, the Company has been adhering to the concept of technology marketing and customer-centric services. We are more than a provider of outsourcing services to our customers, but also a trusted partner. We have partnered with 15 of the world's top 20 pharmaceutical companies ranked by 2020 sales, and have been serving 8 of them for more than 10 years. The Company effectively shortens the development cycle of new drugs by responding quickly to customer needs, optimizing the R&D process, and continuously developing and improving product solutions. We have won the lasting trust of and cooperation with a wide range of customers around the world by providing targeted services to customers while ensuring quality and service standards, under which circumstances we are also trying to reduce production costs. For the top five U.S.-based multinational pharmaceutical companies, the Company serves about 30% of their Phase II or Phase III clinical-stage small molecule candidates available from public data, with one reaching 50%. In the context of increasingly complex and difficult new drug development and diversified customer needs, the Company has been actively expanding small and medium-sized biotech customers at home and abroad and always responding to and meeting their needs rapidly. By matching each project with a professional team comprised of "process development lab + core chemistry team + production technical support", the Company quickly provides the best solution for customers, and is known for "meeting customer needs on time, with high quality and customization".

Stable core management team with strong execution and rich industry experience

The founding team, led by Dr. Hao Hong, has long experience and rich expertise in the pharmaceutical industry. The core management team has an average of 20 years of experience in the industry, and most of the team members have worked together for more than ten years, with rich experience, excellent leadership, vision and ambition in their expertise. As outstanding leaders are the soul of a company's rapid development, we have always been placed a high priority on talent and been staffed with a diverse talent pool, bringing together the global vision, advanced technical knowledge, strong execution and a sense of ownership. Driven by a culture of excellence and customer focus, the talent pipeline helps customers overcome their complex process development and production challenges through teamwork and collaboration.

In addition, the Company has a team of top domestic and foreign experts and consultants, and has assembled a "Board of Scientific Advisors (BSA)" and "Board of Development Strategy Advisors (BDSA)", comprised of Nobel Prize winners in chemistry, professors from famous research institutes, executives from multinational pharmaceutical companies, authoritative experts in related fields of the pharmaceutical industry at home and abroad, scholars, and industry leaders. The BSA aims to provide world-class technical guidance for the Company's development, participating in the evaluation and appraisal and acceptance of the Company's R&D projects, making recommendations on the research, development, promotion and application of advanced technologies, and organizing and guiding relevant technical personnel to make technological breakthroughs, hence to further promote the Company to the top of the international cutting-edge pharmaceutical technology. BDSA aims to give full play to the advantages of experts and scholars in the domestic market development, to form an intellectual synergy, and thus to improve the professional and scientific level of the Company's strategic decision-making.

FINANCIAL REVIEW

Revenue

Our revenue increased by 186.7% from RMB1,755.6 million in the first half of 2021 to RMB5,034.1 million in the first half of 2022, mainly due to: (i) the Company's small molecule business achieved high-quality delivery of major orders in the first half of 2022, and brought industry demonstration effect with its actual capability of delivery, and increased number of projects and service pipelines, which have strongly advanced the leapfrog growth of the Company's small molecule CDMO business, with small molecule CDMO business recording a period-on-period growth of 187.6% during the Reporting Period; (ii) during the Reporting Period, the Company strengthened efforts in the development and expansion of market in diversified, multi-region and multi-stage manners, with revenue from domestic market recording a period-on-period growth of 264.2%, and orders in hand from Japan market has seen a significant growth; (iii) the emerging businesses of the Company include drug product, chemical macromolecule, biosynthesis technology, biomacromolecule, clinical CRO and other segments, and revenue from which achieved a period-on-period growth of 174.2% in the first half of 2022, with multiple segments recording a revenue growth of over 200%. The Company vigorously expanded new customers and projects, and secured new sources of revenue growth.

During the Reporting Period, the Company increased the number of its small molecule commercialization projects from 28 to 34 and achieved high-quality delivery of major orders, with commercialization revenue recording a period-on-period growth of 367.4% to RMB3,670.6 million, which accounted for 72.9% of total revenue. Meanwhile, the Company continued to expand the development of small molecule clinical and preclinical projects, with revenue recording a period-on-period growth of 16.9% to RMB966.4 million, which accounted for 19.2% of total revenue. Our revenue from emerging businesses recorded a period-on-period growth of 174.2% to RMB392.8 million, which accounted for 7.8% of total revenue.

During the Reporting Period, the Company's revenue by product categories was as follows:

	Six months ended June 30				
	2022		2021		Change Ratio
	RMB'000	Proportion	RMB'000	Proportion	
Commercial stage CDMO solutions	**3,670,602**	**72.9%**	785,405	44.7%	367.4%
Clinical stage CDMO solutions	**966,407**	**19.2%**	826,918	47.1%	16.9%
Emerging services	**392,761**	**7.8%**	143,246	8.2%	174.2%
Total revenue from principal business	**5,029,770**	**99.9%**	1,755,569	100.0%	186.5%
Other businesses	**4,295**	**0.1%**	–	0.0%	–
Total revenue	**5,034,065**	**100.0%**	1,755,569	100.0%	186.7%

During the Reporting Period, the Company's revenue by countries where our customer operates was as follows:

	Six months ended June 30				
	2022		2021		Change Ratio
	RMB'000	Proportion	RMB'000	Proportion	
Domestic (Mainland China)	**694,357**	**13.8%**	190,630	10.9%	264.2%
Foreign countries (including North America, Europe and Asia except Mainland China)	**4,339,708**	**86.2%**	1,564,939	89.1%	177.3%
Total revenue	**5,034,065**	**100.0%**	1,755,569	100.0%	186.7%

Our domestic (Mainland China) revenue increased by 264.2% from RMB190.6 million in the first half of 2021 to RMB694.4 million in the first half of 2022, mainly due to Company's domestic commercialization projects developing into the harvest stage, expansion of domestic new customers and increase of revenue from new business segments.

Our revenue from foreign countries (including North America, Europe and Asia except Mainland China) amounted to RMB4,339.7 million in the first half of 2022, increased by approximately RMB2,774.8 million, or 177.3%, as compared with that in the first half of 2021. Such increase is mainly due to (i) the increase in commercialization revenue from foreign large pharmaceutical companies; (ii) the continuous expansion of new customers and projects from overseas small and medium-sized innovative drug companies; and (iii) the advancement of project stages in Japan market and orders acquired therefrom, which contributed to the revenue growth.

Costs of sales

Our costs of sales increased by 175.3% from RMB970.2 million in the first half of 2021 to RMB2,670.8 million in the first half of 2022, mainly due to the increase in the Group's revenue. Our costs of sales include costs of raw materials, direct personnel costs, manufacturing expenses and others. Costs of raw materials include direct and indirect materials required for production. Manufacturing expenses include depreciation of plant and equipment, energy, testing and release, etc. Others include transportation costs and insurance costs directly arising from sales, as well as related taxes and fees.

Gross profit and gross profit margin

Our gross profit increased by 201.5% from RMB785.4 million in the first half of 2021 to RMB2,363.2 million in the first half of 2022. Our gross profit margin from principal business increased from 44.7% in the first half of 2021 to 47.0% in the first half of 2022, mainly due to (i) the high level of production capacity utilization, the economies of scale of large-scale production and the Company utilized new technologies in improving costs management, which drive the increase of gross profit margin of small molecule CDMO business; and (ii) emerging business maintained stable gross profit margin while expanding rapidly.

Excluding the exchange rate impact, our gross profit margin in the first half of 2022 was 46.8%, increased approximately two percentage points as compared to that in the first half of 2021.

During the Reporting Period, the Company's gross profit margin from principal business by product categories was as follows:

	Six months ended June 30	
	2022	2021
Commercial stage CDMO solutions	**48.1%**	43.2%
Clinical stage CDMO solutions	**44.4%**	46.3%
Emerging services	**42.7%**	43.9%
Total gross profit margin from principal business	**47.0%**	44.7%

(i) The commercialization projects of the Company recorded a gross profit margin of 48.1% in the first half of 2022, increased 4.9 percentage points compared to the same period last year, mainly due to the high level of production capacity utilization of the Company's commercialization projects and the economies of scale of large-scale production.

(ii) The clinical and pre-clinical projects of the Company recorded a gross profit margin of 44.4% in the first half of 2022, decreased 1.9 percentage points compared to the same period last year, mainly due to the Company's vigorous development of early-stage clinical projects and more clinical projects delivered from domestic customers in the first half of 2022.

(iii) The emerging services of the Company recorded a gross profit margin of 42.7% in the first half of 2022, decreased 1.3 percentage points compared to the same period last year, mainly due to some businesses of the Company's emerging services are still in the stage of rapid market development.

During the Reporting Period, the Company's gross profit margin from principal business by countries where our customer operates was as follows:

	Six months ended June 30	
	2022	2021
Domestic (Mainland China)	**34.7%**	37.0%
Foreign countries (including North America, Europe and Asia except Mainland China)	**48.9%**	45.7%
Total gross profit margin from principal business	**47.0%**	44.7%

(i) The domestic (Mainland China) market of the Company recorded a gross profit margin of 34.7% in the first half of 2022, decreased approximately 2 percentage points compared to the same period last year, mainly due to expansion of early-stage clinical projects in domestic market.

(ii) The foreign countries (including North America, Europe and Asia except Mainland China) market of the Company recorded a gross profit margin of 48.9% in the first half of 2022, increased 3.3 percentage points compared to the same period last year, mainly due to increase of gross profit margin of commercialization projects.

Other income and gains

Our other income and gains increased by 251.2% from RMB98.8 million in the first half of 2021 to RMB347.0 million in the first half of 2022, mainly due to (i) foreign exchange gains of RMB272.7 million due to fluctuation of RMB against the U.S. dollar in the first half of 2022; (ii) the increase in gains from the purchase of short-term and low-risk bank financial products of RMB19.8 million in the first half of 2022.

Selling and distribution expenses

Our administrative expense on selling and distribution expenses increased by RMB11.8 million, or 29.8% to RMB51.4 million in the first half of 2022, as compared with that for the six months ended June 30, 2021, mainly due to the increase in personnel costs as a result of the increase in sales staff with the Company's increased market development efforts in China, Japan, Europe, US and other regions to boost market expansion of emerging businesses.

Administrative expense

Our administrative expense increased by RMB151.3 million, or 76.2% to RMB350.0 million in the first half of 2022, as compared with that for the six months ended June 30, 2021, mainly due to: (i) increase in personnel costs as a result of the increase in number of functional personnel with the development of the Company's businesses; (ii) rent and property fees arising from newly leased offices in Shanghai, Tianjin, Suzhou and other places; (iii) increase in repair and maintenance costs (including system upgrade/maintenance costs and in-plant repair costs); (iv) increase in intermediary service cost in respect of auditing, consultation and lawyers.

R&D expense

Our administrative expense on R&D expense increased by RMB99.4 million, or 60.7% to RMB263.3 million in the first half of 2022, as compared with that for the six months ended June 30, 2021, mainly due to the Company continued to maintain its investment in technological innovation and self-developed core technologies and promote its eight major innovation R&D platforms through continuous R&D investment.

Finance cost

Our finance cost mainly includes interest expenses on bank borrowings, and interest expenses on lease liabilities. Our administrative expense on finance cost increased by RMB7.0 million, or 935.1% to RMB7.8 million in the first half of 2022, as compared with that for the six months ended June 30, 2021, mainly due to (i) the increase in interest expenses on lease liabilities as the Company added new lease agreements to cope with the Company's business and commercial expansion; (ii) the increase of interest income generated from monetary funds held by the Company during the Reporting Period.

Income tax expense

Our administrative expense on income tax expense increased by RMB195.6 million, or 371.8% to RMB248.2 million in the first half of 2022, as compared with that for the six months ended June 30, 2021, which was in line with the growth trend of profits of the Company, and were mainly due to the increase of income tax expense as a result of revenue growth.

Net profit and net profit margin

As a result of the above, our net profit increased by 305.3% from RMB429.3 million in the first half of 2021 to RMB1,740.1 million in the first half of 2022. Our net profit margin was 34.6% in the first half of 2022 as compared with 24.5% in the first half of 2021. With the growth in revenue and foreign exchange gains during the period, our net profit has recorded a significant increase.

Our net profit attributable to the parent increased by 305.0% from RMB429.3 million in the first half of 2021 to RMB1,740.1 million in the first half of 2022. Our net profit margin attributable to the parent was 34.6% in the first half of 2022 as compared with 24.5% in the first half of 2021.

Basic and diluted earnings per share

Our basic earnings per share increased by 274.0% from RMB1.27 in the first half of 2021 to RMB4.75 in the first half of 2022. Our diluted earnings per share increased by 276.2% from RMB1.26 in the first half of 2021 to RMB4.74 in the first half of 2022. The increase in basic and diluted earnings per share is mainly due to the increase in net profit as a result of the strong growth of the Group's business as described above.

Property, plant and equipment

Our net value of property, plant and equipment increased by 21.8% from RMB3,336.9 million as of December 31, 2021 to RMB4,064.0 million as of June 30, 2022, mainly due to (i) the production capacity expansion of small molecule plants in Dunhua and Tianjin with additional plant, production and supporting equipment and environmental protection equipment; (ii) the additional production capacity construction of concentrates and biosynthesis in the business segment of biological macromolecules, and construction of laboratories; (iii) investments in laboratory and equipment for research and development platform.

Right-of-use assets

Our right-of-use assets increased by 33.3% from RMB362.6 million as of December 31, 2021 to RMB483.4 million as of June 30, 2022, mainly due to the increase of right-of-use assets through the Company's acquisition of land use rights in Tianjin, Suzhou, and Taixing, and the increase of office leases in Shanghai and Tianjin.

Goodwill

Our goodwill as at June 30, 2022 amounted to RMB146.2 million, remain flat at that level on December 31, 2021. The management of the Company has performed impairment assessment on goodwill, and no indication of impairment was found.

Deferred tax assets

Our deferred tax assets increased by 34.4% from RMB186.9 million as of December 31, 2021 to RMB251.2 million as of June 30, 2022, mainly due to the increase in deferred income tax assets recognized for the Company's compensable losses.

Prepayments and other receivables (current portion and non-current portion)

Our prepayments and other receivables decreased by 10.3% from RMB812.2 million as of December 31, 2021 to RMB728.3 million as of June 30, 2022, mainly due to the arrival of goods in respect of previously paid prepayment of equipment and raw materials, and such goods were transferred to construction in progress/fixed assets/put into production.

Financial assets at fair value through profit or loss (current portion and non-current portion)

Financial assets at fair value through profit or loss mainly consisted of short-term and low-risk financial products purchased from banks, and investment in Sany Zhongzhi (Tianjin) Venture Capital Center (L.P.) (三一眾志(天津)創業投資中心(有限合夥)) and Sany Zhongzhi Phase II (Tianjin) Venture Capital Center (L.P.) (三一眾志二期(天津)創業投資中心(有限合夥)). The Group's financial assets at fair value through profit or loss among current and non-current assets increased by 102.2% from RMB505.0 million as of December 31, 2021 to RMB1,020.9 million as of June 30, 2022, mainly due to the increase in the purchase of short-term and low-risk financial products from banks.

Inventory

Our inventory increased by 36.1% from RMB1,396.1 million as of December 31, 2021 to RMB1,900.5 million as of June 30, 2022, mainly due to (i) the increase in the number of products in process at the end of the period in line with the Company's business growth and the increase in revenue and orders; and (ii) the raw materials purchased based on the increase in orders.

Trade receivables

Our trade receivables increased by 70.9% from RMB1,816.2 million as of December 31, 2021 to RMB3,103.8 million as of June 30, 2022, mainly due to the increase in trade receivables with increase of revenue in the second quarter of 2022 as compared with that in the fourth quarter of 2021.

Cash and bank balances

Our cash and bank balances decreased by 7.5% from RMB6,234.5 million as of December 31, 2021 to RMB5,764.8 million as of June 30, 2022, mainly due to the purchase of financial assets at FVTPL with idle funds. Our cash and bank balances are primarily denominated in HK$, RMB and USD.

Trade payables

Our trade payables increased by 58.1% from RMB551.9 million as of December 31, 2021 to RMB872.8 million as of June 30, 2022, mainly due to the increase of amounts in respect of ordered raw materials according to plan for order production and shipment in the later period.

Other payables and accruals

Our other payables and accruals increased by 32.4% from RMB1,201.1 million as of December 31, 2021 to RMB1,590.7 million as of June 30, 2022, mainly due to other payables incurred by the outstanding transaction in relation to additional investment in Shanghai Asymchem Biotechnology Co., Ltd. by Hillhouse.

Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings decreased from RMB375.4 million as of December 31, 2021 to nil, mainly due to the Company has no bank borrowing as of June 30, 2022, and the interests of relevant borrowings have been paid.

Contingent liabilities and guarantees

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

Foreign exchange risk

The majority of our revenues are derived from sales denominated in U.S. dollar. However, the majority of our service and operating costs and expenses are denominated in RMB, and our financial data is presented in RMB. As a result, when the Renminbi appreciates against the U.S. dollar, our margins are pressured, and we may not be able to price our service contracts, in particular those with our U.S. customers, in currencies other than the U.S. dollar. During the Reporting Period, we entered into foreign exchange transactions, such as long-term or short-term forward and swap contracts, to manage our foreign exchange risk.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided adjusted net profit attributable to shareholders of the listed company and other data as additional financial measures, which are not required by, or presented in accordance with IFRS. The Group believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Group's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's core business. These non-IFRS financial measures, as the management of the Group believes, are widely accepted and adopted in the industry in which the Group is operating. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Shareholders of the Company and potential investors should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS. And these non-IFRS financial measures may not be comparable to the similarly-titled measures represented by other companies.

Additional data is provided below to reconcile adjusted net profit attributable to shareholders of the listed company and adjusted net profit margin attributable to shareholders of the listed company.

	Six months ended June 30	
	2022	2021
	RMB'000	RMB'000
	(except	(except
Item	**percentages)**	percentages)
Net profit attributable to shareholders of the listed company		
Add:	**1,740,095**	429,327
equity incentive amortization expense	**35,524**	15,428
gain or loss on exchange rate fluctuations	**(272,519)**	4,120
gains on forward settlement and sale of foreign currency	**(1,377)**	–
income tax effect	**35,755**	(2,932)
Adjusted net profit attributable to shareholders of the listed company	**1,537,478**	445,943
Adjusted net profit margin attributable to shareholders of the listed company	**30.5%**	25.4%

Notes:

In order to better reflect the key results of the Group's current business and operations, the adjusted net profit is based on the net profit attributable to shareholders of the listed company, and adjusted for the following matters:

(i) share-based compensation expense;

(ii) foreign exchange gains or losses, primarily generated from revaluation of the assets and liabilities denominated in foreign currencies and the fair value change of foreign currency forward contracts, which the management believes is irrelevant to the Group's core business;

(iii) The calculation of the adjusted net profit margin attributable to shareholders of the listed company is based on the above adjusted net profit attributable to shareholders of the listed company.

Cash Flows

During the Reporting Period, the Group's net cash flows from operating activities amounted to RMB631.78 million, representing an increase of RMB153.78 million as compared to the Corresponding Period of last year. The increase was mainly due to the increase in revenue, as well as the payment of materials for orders under execution and the timing difference caused by the revenue collection period at the end of the quarter.

During the Reporting Period, the Group's net cash flows used in investing activities amounted to RMB3,235.04 million, representing an increase of RMB1,252.54 million as compared to the Corresponding Period of last year. The increase was mainly due to the expansion of production capacity, investment in new technology and purchase of principal-guaranteed short-term bank wealth management products during the Reporting Period .

During the Reporting Period, the Group's net cash flows from financing activities amounted to RMB282.75 million, representing an increase of RMB275.09 million as compared to the Corresponding Period of last year. The increase was mainly due to the proceeds received from issuance of H shares.

Capital Structure

Total equity attributable to shareholders of the Group amounted to approximately RMB14,586.17 million as at June 30, 2022, as compared to approximately RMB6,287.10 million as at June 30, 2021.

Pledge of Assets

As at June 30, 2022, the net book value of buildings, land and equipment pledged by the Group amounted to approximately RMB0 million (as at December 31, 2021: approximately RMB35.24 million); the pledged deposits amounted to approximately RMB2.55 million (as at June 30, 2021: approximately RMB5.35 million).

Capital Expenditure

During the Reporting Period, the Group's capital expenditure on property, plant and equipment, land use rights and other intangible assets amounted to approximately RMB1,017.13 million (as at June 30, 2021: approximately RMB575.57 million).

Capital Commitments

As at June 30, 2022, the Group had capital commitments of approximately RMB965.83 million (as at June 30, 2021: approximately RMB442.86 million), all of which were used for the purchase of items of property, plant and equipment.

Gearing Ratio

As at June 30, 2022, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 18.2% (as at December 31, 2021: 16.8%).

OUTLOOK AND PROSPECT

Industry Pattern and Trend

The basic value of CDMOs is to tackle the incompatibility between the growing high demand for new drugs and the escalating R&D cost, and to leverage the trend of more refined and specialized division of labor in pharmaceutical R&D to achieve more rapid drug development. In terms of industry indicators, the growth of the innovative drug market, the R&D investment and outsourcing penetration rate of downstream customers are among the key factors affecting the development of the CDMO industry.

According to Evaluate Pharma's "World Preview 2018, Outlook to 2024" research report, the sales of global prescription drugs will grow from US$830.0 billion in 2018 to US$1,204.0 billion in 2024, with a CAGR of 6.4%, far above the CAGR of 1.2% from 2011 to 2017. The fast-growing pharmaceutical market has created a favorable opportunity for CDMO expansion. The global drug R&D investment rises year on year. According to the Frost & Sullivan report, global R&D investment in the pharmaceutical industry is estimated to grow from US$243.7 billion in 2022 to US$328.8 billion in 2026, representing a CAGR of approximately 7.8%. About 65% of the R&D investment and M&A investment of the top ten pharmaceutical companies in terms of the global ROI will be spent on R&D. With the influence of multiple factors such as economic development, aging population and increasing health awareness, global drug sales and global R&D expenditure have sustained growth momentum. Their corresponding penetration rates determine the market size of the global CDMO industry. According to the Frost & Sullivan report, the proportion of pharmaceutical R&D inputs outsourced in China is expected to increase from 42.6% in 2022 to 52.2% in 2026, and the proportion of global pharmaceutical R&D inputs outsourced is expected to increase from 46.5% in 2022 to 55.0% in 2026. The report also forecasts that the market for global outsourcing services (excluding large molecule CDMO) provided by Chinese pharmaceutical R&D service companies will grow from RMB131.2 billion in 2022 to RMB336.8 billion in 2026, representing an average annual growth rate of approximately 26.6%.

As an important partner in the new drug R&D industry, CDMO companies not only help pharmaceutical companies focus on R&D pipeline development, improve resource allocation efficiency, shorten the new drug R&D cycle and accelerate new drug launches, but also help bring down commercial manufacturing costs and ensure supply chain stability. The pharmaceutical CDMO business model trends toward long-term and stable. CDMO companies can not only share the order revenue growth brought by the long-term growth in the R&D investment of pharmaceutical companies, but also share the sales dividends from the launch of innovative drugs, thus having room for sustainable development. Compared with traditional product-based CDMO companies, which undertake OEM services for capacity transfer of pharmaceutical companies, platform-based CDMO companies have the stability of high barriers and profitability of high added value. Meanwhile, the synergy effect, high technical barriers, high added value and embedded cooperation stickiness formed by the layout of the whole industry chain will create greater growth space and performance elasticity with higher certainty.

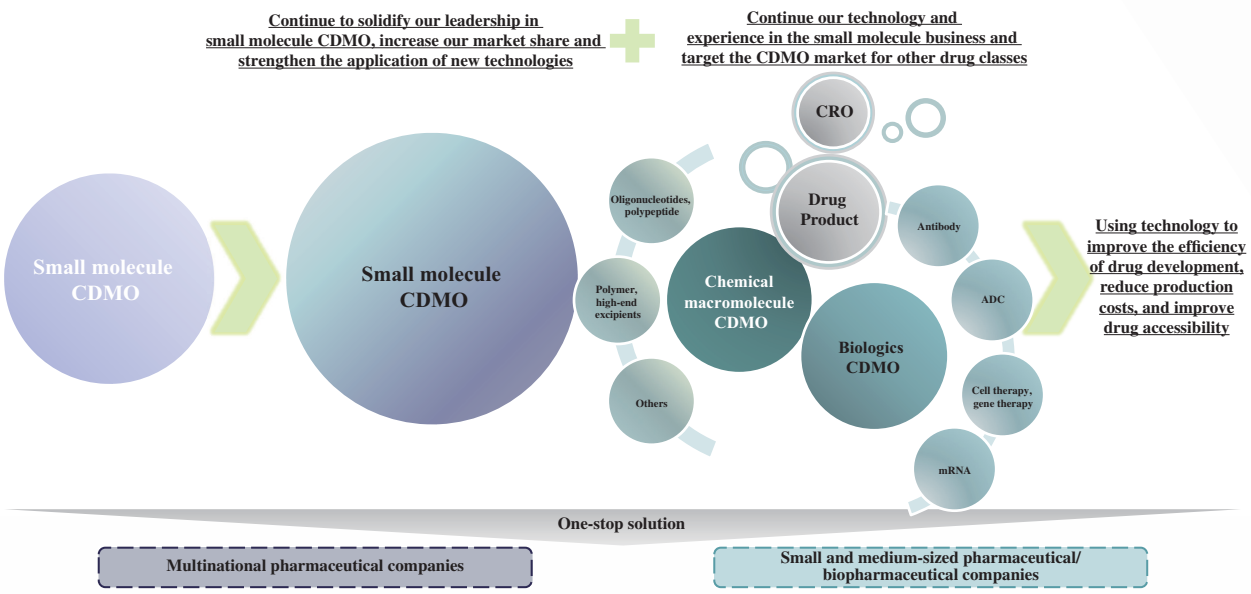
In recent years, China has placed more emphasis on innovative drug R&D, and China's pharmaceutical industry is rapidly transforming from the "increase in quantity" of medical insurances to "quality improvement" with consistency evaluation and innovative drugs listing as the main theme. At the end of 2021, eight authorities including the National Medical Products Administration jointly issued the "14th Five-Year Plan for National Drug Safety and Promotion of High-Quality Development", which provides the guidelines drug safety and promotion of high-quality development during the 14th Five-Year Plan period in China. Domestic innovative drugs are ushering in the harvest time. Continued robust demand for R&D has brought sustaining benefits to upstream related CROs and CDMOs. Domestic technology, quality system, customer reputation and EHS management are gradually in line with the international standard, and the advantages of IP protection, infrastructure and engineer bonus come to the fore. Given the above factors, the overseas CDMO industry continues setting foot in China, and the overseas penetration rate of Chinese CDMO enterprises continues to grow. The introduction of a string of favorable policies for the development of the CDMO industry, such as volume-based drug procurement, priority review and approval of innovative drugs, the Notice on Organizing and Implementing Special Construction of Biopharmaceutical Contract R&D and Production Services Platforms, and MAH written into the Drug Administration Law, further unleash the potential of explosive growth of CDMO business.

Overall, from the important forward-looking indicators such as global new drug R&D investment, innovative drug sales, China's new drug R&D investment and financing amount of small innovative drug companies, it is expected that China's CDMO industry will maintain a higher average growth rate than the global CDMO industry. As the barriers to enter the CDMO industry are becoming higher, factors such as order structure, enterprise bargaining power, R&D added value, and cost control ability together determine the profitability of enterprises. In addition to the traditional CDMO business, China's CDMO enterprises have started to explore the "VIC" model to get deeply involved in R&D, and are expected to enjoy the sustainable income from the launch of innovative drugs. Overall, with the gradual development of the industry, the five barriers of the leading CDMO enterprises in customer, brand, production capacity, technology and capital have been gradually strengthened. In the highly fragmented and competitive market, it will become the trend that the powerful will be always powerful.

Development Strategy and Future Prospect

With the mission of "securing global pharmaceutical R&D and production, continuous technological innovation, and providing customers with high-quality and efficient one-stop services", the Company is committed to becoming a partner in global pharmaceutical R&D and production, starting with "individual customers, products and services". The Company has adhered to the business development concept of "international standards, Chinese advantages, technical driver and green orientation," with particular emphasis on technological innovation as the core driving force. It has continuously developed a number of international leading patented technologies and applied them to commercial manufacturing, becoming an industry-recognized technology-leading company of global outsourced integrated pharmaceutical services (CDMO).

Our growth strategy



In the second half of 2022, the Company will firmly promote the "two-wheel drive" strategy to sustainably secure its leading position in small molecule CDMO, to expand market shares and to strengthen the application of new technologies adhering to the management strategy of "being prepared for danger in times of peace, treading on thin ice, and rising abruptly based on its accumulated strength". In continuation of our technology and experience accumulated in the small molecule business, we are pushing forward the new business segment expansion in full swing. At the same time, the Company will further explore cutting-edge technologies, and improve the R&D and production management model in a targeted manner to enhance the overall operational efficiency. The Company will focus on enhancing the depth and breadth of cooperation with customers and acquire customers through multiple channels, with an aim to boost its comprehensive competitiveness.

Taking advantage of the "large order" to extend the scope of services and expand new markets and businesses

Guided by the management policy of "delivering large orders, increasing the market share, upgrading the system, and leading in technology", the Company will take advantage of the historically important opportunity of this large order and rely on continuous technological innovation. That means, on the one hand, the Company improves its product service by leveraging the high standard quality management system and supply chain management, to ensure stable supply of large orders and manifest the social responsibility of pharmaceutical enterprises. On the other hand, the Company strives to seize the strategic opportunity period of large orders by intensifying its efforts in diversified, multi-regional and multi-stage market and business development, and carries out in-depth cooperation with frontier biotech companies with advanced technical service capability.

Pushing for the development of new business segments in full swing to inject strong momentum into the Company

In the second half of 2022, the Company will accelerate the expansion of the multiple advantages of small molecule drug CDMO business to strategic emerging segments such as chemical macromolecule, formulation, clinical CRO and biologics CDMO business by improving its own capabilities and strengthening the driving and demonstration effects of leading customers. With accumulating project experience and technical capabilities, we will accelerate the promotion of small nucleic acid CDMO business and undertake more service projects taking advantage of the development opportunities in small nucleic acid drugs. In addition, we will synergize the technical capabilities in the field of drug-linker and the production capacity of novel antibodies, to advance the ADC business. We will also accelerate the development of formulation business, strengthen the research and development of new technologies in formulation, and strive to obtain more orders for overseas and domestic projects with the breakthrough of official audits triggered by overseas customers' products. We will also promote the development of clinical research service business, and with good industry reputation, we will undertake more clinical research service orders and improve the synergy of clinical CRO service and CDMO service. Meanwhile, we will expand presence overseas and establish an international team to provide international customers with integrated and comprehensive clinical research services and solutions that meet international standards. We are strongly developing our biological CDMO business and aims to build Asymchem into a global leader in the field of Contract Development Manufacturing Organization (CDMO) for biologics and advanced therapeutics. The rapid development of the strategic emerging business group helps enhance the Company's one-stop service capability and accelerate the implementation of the Company's "two-wheel drive" development strategy.

Making more efforts to promote the application of new technologies, and leading technological innovation based on the eight technology centers

Relying on its sustainably evolving R&D platform, the Company further enlarges the application of new technologies such as continuous reactions and bioenzyme catalysis in small molecule clinical and the production of commercial projects. By strengthening the technology platform construction and technology accumulation for continuous reaction process development, the Company further increases the localization of continuous reaction equipment and high-end equipment, and it also ramps up the cooperation model of continuous reaction technology export while exploring the construction of a technology platform for the synthesis of important drug areas such as proteins, peptides and nucleic acids through biotechnology. Taking a large commercial project as the core and base point, the Company will try its utmost to fully extend the self-control results achieved on this project to other projects by leveraging automation construction.

Continuously upgrading the management system and steadily improving profitability

According to the changes in the Company's customer and project structure, we will continue to optimize the organizational structure and management mode, and improve the human efficiency on the basis of the division. We will further improve the operational efficiency of R&D and production, and enlarge the application of intelligent and internationally leading ERP systems. By improving the efficiency of R&D and production and the supply chain control system, we are further reducing production costs. The overall profitability will be steadily enhanced in the second half of 2022 with the combination of improved operational efficiency, widespread application of new technologies, further accentuation of economies of scale, and the gradual growth in new markets and new businesses.

Comprehensively enhancing the talent strategy and creating a multi-dimensional talent cultivation system

The Company continues to strengthen the introduction and training of talents, optimize the talent structure, and vigorously build a global talent platform. It fortifies the leadership of management personnel and strengthens the construction of the Company's corporate culture to enhance the cohesiveness and combat effectiveness of all employees. By optimizing the career development platform of employees, the Company aims to achieve the common growth with employees. The continuously optimizing employee equity incentive plans in line with the actual situation will help the Company to effectively attract and retain high-quality talents and reinforce its "two-wheel drive" development strategy.

In summary, in the second half of 2022, against the backdrop of a protracted COVID-19 pandemic, the Company will continue promoting the steady growth of its core small molecule CDMO business and increasing its global market share. The Company endeavors to enhance its comprehensive competitiveness through strengthening new customer development in strategic emerging businesses and improving management efficiency.

Potential Risk

The Company is a global industry-leading CDMO company, focusing on the technological innovation and commercialization of global pharmaceutical processes. It is also a provider of one-stop CMC services for drug development and manufacturing for large and medium sized pharmaceutical and biotechnology companies at home and abroad. The risks that the Company may face include those in withdrawal or large-scale recall of major innovative drugs in service, project operation in the clinical stage, life cycle turnover and lower than expected market sales of major innovative drugs in service, failure to pass continuous review by international drug regulatory authorities, loss of core technical personnel, environmental protection and safety production, international trade friction and exchange rate fluctuations.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend to the Shareholders for the six months ended June 30, 2022.

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

As the incentive recipients of the A Share Incentive Scheme resigned, on January 19, 2022 and April 20, 2022, the Board considered and approved the repurchase and cancellation of a total of 34,400 restricted A Shares granted at a repurchase price of RMB115.97 per restricted A Share (for the restricted A shares granted under the 2020 Restricted A Share Incentive Scheme) and RMB185.52 per restricted A Share (for the restricted A shares granted under the 2021 Restricted A Share Incentive Scheme), respectively. For details, please refer to the announcements of the Company published on January 19, 2022 and April 20, 2022, respectively.

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

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the global offering by the Company (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB5,979.09 million[(1)], and the balance of unutilized net proceeds of approximately RMB4,461.17 million as at June 30, 2022.

The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022:

Use of proceeds		Allocation of Net Proceeds (HKD million)	Allocation of Net Proceeds (RMB million)	Utilized amount (as at June 30, 2022) (RMB million)	Unutilized amount (as at June 30, 2022) (RMB million)	Expected timetable for utilizing the unutilized net proceeds
To further enhance the manufacturing capacity and capabilities of our small molecule CDMO solutions	20%	1,463.61	1,195.82	188.96	1,006.86	
– To construct phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang, and purchase relevant equipment and machinery	15%	1,097.71	896.86	0	896.86	On or before January 2024
– To upgrade the equipment and machinery and expand the capacity of our existing manufacturing sites in Tianjin and Dunhua	5%	365.90	298.96	188.96	110.00	On or before December 2023
To strengthen our Emerging Services and expand our service offerings	35%	2,561.32	2,092.68	324.59	1,768.09	
– To construct a R&D and manufacturing facility for oligonucleotides and polypeptides in Tianjin and invest in R&D and manufacturing facilities for recombinant DNA products (including mAb) and ADC	20%	1,463.61	1,195.82	267.30	928.52	On or before December 2025
– To improve our capabilities related to our biosynthesis solutions and drug products solutions	10%	731.81	597.91	57.29	540.62	On or before December 2023
– To build up our capabilities related to advanced therapy medicinal products (ATMPs), including cell therapy and gene therapy	5%	365.90	298.95	0	298.95	On or before December 2023
To invest in R&D initiatives and maintain our technology leadership	20%	1,463.61	1,195.82	912.25	283.57	
– To upgrade our flow and continuous technology platform	10%	731.81	597.91	501.83	96.08	On or before December 2022
– To fund the R&D initiatives led by our Center of Biosynthesis Technology (CBST)	10%	731.80	597.91	410.42	187.49	On or before December 2022
To selectively pursue strategic investments and acquisitions	15%	1,097.71	896.86	0	896.86	On or before December 2023
For working capital and general corporate purposes	10%	731.81	597.91	92.12	505.79	On or before December 2023
	100%	7,318.06	5,979.09	1,517.92	4,461.17	

Note:

(1) The total proceeds included approximately RMB5,591.36 million from the Global Offering in December 2021 and RMB387.73 million from the partial exercise of over-allotment option in January 2022 as disclosed in the announcement of the Company dated January 2, 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Since the publication of the 2021 annual report and up to the date of this interim report, changes in information of the Directors, supervisors and chief executives which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Ms. Yang Rui serves as the co-chief executive officer of the Company since January 19, 2022.

Save as disclosed above, there are no other changes in information of Directors, Supervisors or chief executives required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at June 30, 2022, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or Underlying Shares of our Company

Name of Director and chief executive	Nature of interest	Class of shares	Number of Shares interested [1]	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued shares
Dr. Hao Hong	Beneficial owner	A Shares	10,191,928 (L)	4.17%	3.86%
	Interests of controlled corporation	A Shares	87,215,520 (L) [2]	35.65%	32.99%
Dr. Ye Song	Interests of spouse	A Shares	97,407,448 (L) [3]	39.81%	36.85%
Mr. Zhang Da	Beneficial owner	A Shares	180,000 (L) [4]	0.07%	0.07%
Mr. Hong Liang	Interests of controlled corporation	A Shares	4,743,360 (L) [5]	1.94%	1.79%

Notes:

(1) (L) represents long position and (S) represents short position.

(2) Dr. Hao Hong directly holds 71.19% equity interest in ALAB. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the Shares held by ALAB.

(3) Dr. Ye Song is the spouse of Dr. Hao Hong. By virtue of the SFO, Dr. Ye Song is deemed to be interested in the same parcel of Shares in which Dr. Hao Hong is interested.

(4) 54,000 of which are interests in restricted A Shares granted under the A Share Incentive Scheme.

(5) Mr. Hong Liang directly holds 43.46% equity interest in Tianjin Guorong Business Information Co., Ltd. Therefore, Mr. Hong Liang is deemed to be interested in the 4,743,360 A Shares held by Tianjin Guorong Business Information Co., Ltd.

(6) As at June 30, 2022, the number of issued shares of the Company was 264,342,018, including 19,680,900 H Shares and 244,661,118 A Shares.

Interest in associated corporations

Name of Director and chief executive	Associated Corporations	Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding interest
Dr. Hao Hong	Yugen Medtech	Interests of controlled corporation	3,418,800 (L)[2]	10.53%
	Asymchem Biotechnology Development	Beneficial owner	100,000 (L)[3]	1.00%
Ms. Yang Rui	Asymchem Biotechnology Development	Interests of controlled corporation	600,000 (L)[3], [4]	6.00%
Mr. Zhang Da	Asymchem Biotechnology Development	Interests of controlled corporation	200,000 (L)[3], [4]	2.00%

Notes:

(1) (L) denotes long position and (S) denotes short position.

(2) The Company holds 29.08% of the equity interest in Yugen Medtech, and therefore Yugen Medtech is an associated corporation of the Company. Dr. Hao Hong is a limited partner of Tianjin Tianhao and holds 90.7% of the limited partnership interest in Tianjin Tianhao. Yugen Medtech is a limited liability company established in the PRC with a registered capital of RMB32,478,600, of which Tianjin Tianhao contributed RMB3,418,800, representing approximately 10.53% of the registered capital of Yugen Medtech. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the limited partnership interest in Yugen Medtech held by Tianjin Tianhao.

(3) Asymchem Biotechnology Development is a subsidiary of the Company, and therefore is an associated corporation of the Company. On March 25, 2022, the Company entered into a Capital Increase Agreement with Dr. Hao Hong, AsymCore (a controlled corporation of Ms. Yang Rui), Haihe Asymchem Fund (a controlled corporation of Ms. Yang Rui and Mr. Zhang Da) and other investors. Pursuant to the agreement, the Company, Dr. Hao Hong, AsymCore, Haihe Asymchem Fund and other investors agreed to contribute additional capital to the equity of Asymchem Biotechnology Development, a wholly-owned subsidiary of the Company. Following the capital increase, Dr. Hao Hong, Ms. Yang Rui and Mr. Zhang Da would hold or be deemed to hold 1.00%, 6.00% and 2.00% interests in Asymchem Biotechnology Development, respectively. The above number of shares represented only the shares in which Dr. Hao Hong, Ms. Yang Rui and Mr. Zhang Da were deemed to be interested in the share capital of Asymchem Biotechnology Development prior to the capital increase. For further details, please refer to the Company's announcement dated March 25, 2022. As of June 30, 2022, the formalities of the capital increase have not been completed.

(4) AsymCore and Haihe Asymchem Fund hold 4% and 2% of the equity interest in Asymchem Biotechnology Development, respectively. Ms. Yang Rui is the general partner of AsymCore and holds a 99% interest in it. Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is the general partner of Haihe Asymchem Fund, and Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is owned as to approximately 44.38% and 49.94% by Haiying Chuang (Tianjin) Corporate Management Advisory Partnership (Limited Partnership) (海英創(天津)企業管理諮詢合夥企業(有限合夥)) and Yunqi (Tianjin) Corporate Management Advisory Partnership (Limited Partnership) ("Yunqi Management") (雲起(天津)企業管理諮詢合夥企業(有限合夥)("雲起管理")), respectively. Yunqi Management is owned as to 60% and 40% by Ms. Yang Rui and Mr. Zhang Da, respectively. By virtue of the SFO, Ms. Yang Rui (through AsymCore and Haihe Asymchem Fund) and Mr. Zhang Da (through Haihe Asymchem Fund) are deemed to be interested in Asymchem Biotechnology Development.

Save as disclosed above, to the best knowledge of the Directors, as at June 30, 2022, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2022, so far as it was known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of interest	Class of shares	Number of Shares interested [1]	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued shares
ALAB	Beneficial owner	A Shares	87,215,520(L)	35.65%	32.99%
FMR LLC	Interests of controlled corporation	H Shares	1,137,648(L) [2]	5.78%	0.43%
Fidelity Management & Research Company LLC	Beneficial owner	H Shares	2,328,185 (L) [2]	11.83%	0.88%
	Interests of controlled corporation	H Shares	487,415 (L)	2.48%	0.18%
JPMorgan Chase & Co.	Interests of controlled corporation	H Shares	274,379 (L)	1.39%	0.10%
		H Shares	242,879 (S)	1.23%	0.09%
	Investment manager	H Shares	3,119,700 (L) [3]	15.85%	1.18%
	Security interest in shares	H Shares	27,800 (L)	0.14%	0.01%
	Approved lending agent	H Shares	53,295(P)	0.27%	0.02%
JPMorgan Asset Management (Asia Pacific) Limited	Investment manager	H Shares	3,184,300 (L) [3]	16.18%	1.20%
HHLR Advisors, Ltd.	Investment manager	H Shares	2,820,000 (L)	14.33%	1.07%
HHLR Fund, L.P.	Beneficial owner	H Shares	2,707,500 (L)	13.76%	1.02%
Springhill Fund Asset Management (HK) Company Limited	Investment manager	H Shares	1,189,400 (L)	6.04%	0.45%
Springhill Global Feeder Fund Limited	Interests of controlled corporation	H Shares	1,189,400 (L) [4]	6.04%	0.45%
Springhill Fund Limited	Interests of controlled corporation	H Shares	1,189,400 (L) [4]	6.04%	0.45%
Springhill Master Fund Limited	Beneficial owner	H Shares	1,189,400 (L) [4]	6.04%	0.45%

Notes:

(1) (L) represents long position, (S) represents short position, and (P) represents lending pool.

(2) Fidelity Management & Research Company LLC is wholly-owned by FMR LLC. By virtue of the SFO, FMR LLC is deemed to be interested in the Shares held by Fidelity Management & Research Company LLC.

(3) JPMorgan Asset Management (Asia Pacific) Limited is indirectly owned as to 99.9% by JPMorgan Chase & Co.. By virtue of the SFO, JPMorgan Chase & Co. is deemed to be interested in the Shares held by JPMorgan Asset Management (Asia Pacific) Limited.

(4) Springhill Master Fund Limited is a controlled corporation of Springhill Global Feeder Fund Limited and Springhill Fund Limited. By virtue of the SFO, Springhill Global Feeder Fund Limited and Springhill Fund Limited are deemed to be interested in the Shares held by Springhill Master Fund Limited.

(5) As at June 30, 2022, the number of issued shares of the Company was 264,342,018, including 19,680,900 H Shares and 244,661,118 A Shares.

Save as disclosed above, to the best knowledge of the Company, as at June 30, 2022, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in the respective types of capital in issue of the Company.

A SHARE INCENTIVE SCHEMES

Pursuant to Administrative Measures for the Equity Incentives of Listed Companies《上市公司股權激勵管理辦法》issued by the CSRC, as amended and supplemented from time to time, the Company may adopt various equity incentive schemes at the same time provided that the aggregate number of A Shares involved in equity incentive schemes within any validity period shall not exceed 10% of the Company's total share capital.

The 2016 Share Option and Restricted A Share Incentive Scheme, the 2018 Restricted A Share Incentive Scheme, the 2019 Restricted A Share Incentive Scheme, the 2020 Restricted A Share Incentive Scheme and the 2021 Restricted A Share Incentive Scheme (collectively, the "**A Share Incentive Schemes**") were adopted and approved by the Shareholders' meetings held on January 16, 2017, July 12, 2018, April 12, 2019, July 9, 2020 and July 5, 2021, respectively.

The options granted under the 2016 Share Option and Restricted A Share Incentive Scheme have all been canceled. As such, the terms of the A Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of options by our Company to subscribe for new Shares after the Listing.

Terms of each of the A Share Incentive Schemes

The terms of each of the A Share Incentive Schemes are substantially similar and are summarized below.

Purpose

The purpose of the A Share Incentive Schemes is to establish the long-term incentive mechanism of the Company, attract and retain talents, mobilize the enthusiasm of the directors, senior management and key technical employees of the Company, foster shared interests among the shareholders, the Company and operators, thereby promoting sustained, long-term and healthy growth of the Company.

Types of Awards

The A Share Incentive Schemes provides for awards of options (only under 2016 Share Option and Restricted A Share Incentive Scheme) and restricted A Shares (the "**Awards**").

Administration

The Shareholders' meeting is the highest authority of the A Share Incentive Schemes. The Board is the managing authority of the A Share Incentive Schemes. The board of Supervisors and independent non-executive Directors are the supervising authorities of the A Share Incentive Schemes.

Scope of Participants

The Directors, senior or mid-level management and key technical employees of the Company (excluding independent non-executive Directors, Supervisors, Shareholders that hold more than 5% of the Company's shares and the Controlling Shareholders and their spouses, parents, and children) (the "**Participants**").

Source of Shares

The Shares underlying the A Share Incentive Schemes shall be ordinary A Shares.

Maximum Number of Shares

The maximum number of shares involved with the Awards to be granted to an eligible employee under all effective A Share Incentive Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of shares involved with all effective A Share Incentive Schemes shall not exceed 10% of the total outstanding share capital of the Company.

Validity Period of the A Share Incentive Schemes

Subject to the termination provisions under the A Share Incentive Schemes, the A Share Incentive Schemes shall be valid and effective commencing on the date that the Awards are granted (the "**Initial Grant**") to when such Awards are no longer under any lock-ups, fully exercised or cancelled. The term of validity underlying the A Share Incentive Schemes of 2016, 2018, 2020 and 2021 shall not exceed 60 months. The term of validity underlying the 2019 Restricted A Share Incentive Scheme shall not exceed 48 months.

Date of Grant

The date on which the Awards are granted shall be determined by the Board, subject to approval of the A Share Incentive Schemes by the shareholders' meeting, which shall be a trading day. The Awards shall be granted, registered and announced within 60 days after the approval of the A Share Incentive Schemes by the shareholders' meeting. Otherwise, the A Share Incentive Schemes shall be terminated, and the Awards thereunder that have not been granted shall become invalid.

Lock-up Period

The lock-up periods for the Awards underlying the A Share Incentive Schemes (other than the special Awards granted under the 2021 Restricted A Share Incentive Scheme) are 12 months, 24 months and 36 months, respectively, and the lock-up periods for the special Awards granted under the 2021 Restricted A Share Incentive Scheme are 12 months, 24 months, 36 months and 48 months, respectively. All the above-mentioned lock-up periods commence from the date on which the Awards were registered (the "**Registration Date**"). During the lock-up period, the Awards shall not be transferred, used as guarantee or repayment of debt.

The unlocking periods (each, an "**Unlocking Period**") in relation to the Restricted A Shares granted under the Initial Grant are set out below.

Unlocking Period of the A Share Incentive Schemes (other than the special Awards granted under the 2021 Restricted A Share Incentive Scheme):

	Unlocking Period	Proportion of unlocking
First Unlocking Period	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	40%
Second Unlocking Period	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	30%
Third Unlocking Period	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	30%

Unlocking Period of the special Awards granted under the 2021 Restricted A Share Incentive Scheme:

	Unlocking Period	Proportion of unlocking
First Unlocking Period	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	30%
Second Unlocking Period	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	20%
Third Unlocking Period	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	20%
Fourth Unlocking Period	From the first trading day after 48 months from the Registration Date to the last trading day within 60 months from the Registration Date	30%

Grant and Exercise of Awards

On and subject to certain terms of the A Share Incentive Schemes, Awards can be granted to or exercised by any eligible employee, i.e., linking the grant and exercise of the Awards to the attainment or performance of milestones by the Company and the grantee. If the performance of the Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the Awards shall be repurchased or cancelled by the Company.

Amendment or Termination of the A Share Incentive Schemes

Any amendment or termination of the A Share Incentive Schemes shall be submitted to the Board and shareholders for consideration. The independent Directors and Supervisory Committee shall express their relevant views and the Company's legal adviser shall provide professional advice to the Board whether such adjustment is fair and reasonable and in compliance with the A Share Incentive Schemes and the relevant laws and regulations. Any amendment that results in early exercise or unlocking or lowers the exercise price or grant price is prohibited.

Restricted A Shares Granted

The options granted under the 2016 Share Option and Restricted A Share Incentive Scheme have all been canceled. As of the date of the interim report, a total of 421 restricted A Shares were granted to 3,782,100 eligible Participants under A Share Incentive Schemes other than certain restricted A Shares repurchased and canceled by the Company due to resignation of certain Participants. The following table set forth the restricted A Shares held by relevant Participants under the A Share Incentive Schemes as of the date of the interim report:

Name	Position	Number of restricted A Shares granted as of the date of the interim report	Percentage to the total number of Shares in issue as of the date of the interim report (%)
Senior management			
Jiang Yingwei	Executive Vice President	151,200	0.04%
Members of senior or mid-level management (excluding senior management and key technical employees) of the Company		3,630,900	0.98%
Total		3,782,100	1.02%

Note:

(1) None of the Participants is independent non-executive Director, Supervisor, Shareholder that hold more than 5% of the Company's shares and the controlling Shareholder and their spouses, parents, and children.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "—A Share Incentive Schemes" in this interim report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

CONVERTIBLE BONDS

During the Reporting Period, the Group did not issue any convertible bonds.

MATERIAL LITIGATION

During the Reporting Period, the Company was not engaged in any material litigation or arbitration of material importance, or the Directors were not aware of any material litigation or claim pending or threatened against the Group.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Reporting Period, the Group did not make any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at June 30, 2022), or plan authorized by the Board for other significant investments or additions of capital assets.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not make any material acquisitions or disposal of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION POLICY

As of June 30, 2022, the Group had 8,931 employees, whose salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, projects and equity incentive plans to our employees, especially key employees.

Our employees' remuneration comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. The Company has also adopted the A Share Incentive Schemes.

During the Reporting Period, the Group did not experience any significant labor disputes or any difficulty in recruiting employees.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the prescribed public float under the Listing Rules as at the date of this interim report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and has complied with the code provisions in the CG Code during the Reporting Period, except for code provision C.2.1 of the CG Code. Pursuant to code provision C.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Hao Hong is currently serving as the Chairman as well as the chief executive officer of the Company. As Dr. Hao Hong is the founder of the Group and has been managing the Group's business and overall strategic planning since its establishment, the Directors consider that vesting the roles of Chairman and chief executive officer in Dr. Hao Hong is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that the Group implemented upon Listing, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company has not segregated the roles of the Chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code under Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

A Share Repurchase

On August 3, 2022, the Board approved a resolution in relation to the repurchase of the A Shares with its self-owned funds through centralized price bidding which will be subsequently used to implement the A Share Incentive Scheme and to be cancelled for reduction of the registered capital of the Company. The repurchase price will not exceed RMB290.00 per share. The total amount of fund for the repurchase will be no less than RMB400 million and no more than RMB800 million. The repurchase is subject to the Shareholders' approval in a general meeting of the Company. Please refer to the announcement of the Company dated August 3, 2022.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system, and provide advice and comments to the Board. The Audit Committee comprises three members, Ms. Zhang Kun, Ms. Zhang Ting and Mr. Wang Qingsong, with Ms. Zhang Kun (being our independent non-executive Director with the appropriate professional qualifications) as chairwoman of the Audit Committee.

The Audit Committee has considered and reviewed the unaudited interim financial information for the six months ended June 30, 2022 and the accounting principles and practices adopted by the Group as set out in this interim report, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the unaudited interim financial information of the Group for the six months ended June 30, 2022 are in compliance with the relevant accounting standards, laws and regulations.

The unaudited interim financial information of the Group for the six months ended June 30, 2022 has been reviewed by the Company's auditor, Ernst & Young, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
Asymchem Laboratories (Tianjin) Co., Ltd.
Dr. Hao Hong
Chairman of the Board, Executive Director and Chief Executive Officer

Tianjin, August 25, 2022

INDEPENDENT REVIEW REPORT

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

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the board of directors of Asymchem Laboratories (Tianjin) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 62 to 90, which comprises the condensed consolidated statement of financial position of Asymchem Laboratories (Tianjin) Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
25 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
REVENUE	4	**5,034,065**	1,755,569
Cost of sales		**(2,670,840)**	(970,182)
Gross profit		**2,363,225**	785,387
Other income and gains	4	**346,981**	98,760
Selling and distribution expenses		**(51,365)**	(39,564)
Administrative expenses		**(349,948)**	(198,654)
Research and development expenses		**(263,324)**	(163,895)
(Losses on)/reversal of impairment of financial and contract assets, net		**(52,764)**	8,167
Other expenses		**(6,326)**	(6,586)
Finance costs		**(7,784)**	(752)
Share of profits/(losses) of Associates		**9,555**	(939)
PROFIT BEFORE TAX	5	**1,988,250**	481,924
Income tax expense	6	**(248,155)**	(52,600)
PROFIT FOR THE PERIOD		**1,740,095**	429,324
Attributable to:			
Owners of the parent		**1,740,095**	429,327
Non-controlling interests		**–**	(3)
		1,740,095	429,324
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB per share)	8	**RMB4.75**	RMB1.27
Diluted (expressed in RMB per share)	8	**RMB4.74**	RMB1.26

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
PROFIT FOR THE PERIOD	**1,740,095**	429,324
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**13,722**	(1,823)
OTHER COMPREHENSIVE INCOME/(LOSS)FOR THE PERIOD, NET OF TAX	**13,722**	(1,823)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,753,817**	427,501
Attributable to:		
Owners of the parent	**1,753,817**	427,504
Non-controlling interests	**–**	(3)
	1,753,817	427,501

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**4,063,962**	3,336,854
Right-of-use assets		**483,424**	362,649
Goodwill		**146,183**	146,183
Other intangible assets		**64,250**	62,960
Deferred tax assets		**251,173**	186,930
Investments in associates		**301,403**	291,848
Prepayments, deposits and other receivables		**317,336**	354,709
Financial assets at fair value through profit or loss		**101,926**	103,766
Total non-current assets		**5,729,657**	4,845,899
CURRENT ASSETS			
Inventories		**1,900,549**	1,396,115
Trade receivables	10	**3,103,775**	1,816,201
Contract assets		**1,648**	742
Prepayments, deposits and other receivables		**410,919**	457,514
Tax recoverable		**3,718**	4,171
Financial assets at fair value through profit or loss		**918,977**	401,198
Cash and bank balances		**5,764,787**	6,234,457
Total current assets		**12,104,373**	10,310,398
CURRENT LIABILITIES			
Trade payables	11	**872,826**	551,866
Other payables and accruals		**1,590,670**	1,201,140
Interest-bearing bank and other borrowings		**–**	375,392
Lease liabilities		**11,932**	13,217
Tax payable		**186,162**	63,190
Amounts due to related parties		**169,440**	–
Total current liabilities		**2,831,030**	2,204,805
NET CURRENT ASSETS		**9,273,343**	8,105,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,003,000**	12,951,492

continued/···

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		**174,813**	179,049
Lease liabilities		**52,328**	45,877
Deferred tax liabilities		**189,688**	116,554
Total non-current liabilities		**416,829**	341,480
Net assets		**14,586,171**	12,610,012
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	**369,984**	263,044
Restricted shares under share-based payment		**(466,855)**	(481,820)
Other reserves		**14,683,042**	12,828,788
		14,586,171	12,610,012
Non-controlling interests		**–**	–
Total equity		**14,586,171**	12,610,012

The consolidated financial information was approved and authorised for issue by the board of directors of the Company on 25 August 2022 and was signed on its behalf by:

Hao Hong
Executive Director

Da Zhang
Executive Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent								
	Share capital RMB'000 (note 12)	Restricted shares under share-based payment RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	263,044	(481,820)	9,564,304	103,351	(9,132)	3,170,265	12,610,012	–	12,610,012
Profit for the period	–	–	–	–	–	1,740,095	1,740,095	–	1,740,095
Exchange differences related to foreign operations	–	–	–	–	13,722	–	13,722	–	13,722
Total comprehensive income for the period	–	–	–	–	13,722	1,740,095	1,753,817	–	1,753,817
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–
Final 2021 dividend declared and paid	–	–	–	–	–	(211,314)	(211,314)	–	(211,314)
Issue of H Shares under the over-allotment option	1,265	–	386,466	–	–	–	387,731	–	387,731
Cancellation of restricted shares	(34)	4,456	(4,530)	–	–	–	(108)	–	(108)
Vesting of restricted shares	–	10,509	–	–	–	–	10,509	–	10,509
Equity-settled share option arrangements	–	–	35,524	–	–	–	35,524	–	35,524
Share premium transferred to share capital	105,709	–	(105,709)	–	–	–	–	–	–
At 30 June 2022 (Unaudited)	369,984	(466,855)	9,876,055	103,351	4,590	4,699,046	14,586,171	–	14,586,171

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent								
	Share capital RMB'000 (note 12)	Restricted shares under share-based payment RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750
Profit for the period	–	–	–	–	–	429,327	429,327	(3)	429,324
Exchange differences related to foreign operations	–	–	–	–	(1,823)	–	(1,823)	–	(1,823)
Total comprehensive income for the period	–	–	–	–	(1,823)	429,327	427,504	(3)	427,501
Final 2020 dividend declared and paid	–	–	–	–	–	(145,576)	(145,576)	–	(145,576)
Issue of restricted shares	176	(26,379)	26,203	–	–	–	–	–	–
Equity-settled share option arrangements	–	–	15,428	–	–	–	15,428	–	15,428
At 30 June 2021 (Audited)	242,627	(163,737)	3,580,425	68,151	(5,823)	2,565,502	6,287,145	(42)	6,287,103

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	**1,988,250**	481,924
Adjustments for:		
Finance costs	**7,784**	752
Share of (profits)/losses of associates	**(9,555)**	939
Interest income	**–**	(7,321)
Investment income	**(35,543)**	(16,390)
Fair value gain on financial assets/liabilities at fair value though profit or loss	**(26,785)**	–
Losses/(gains) on disposal of items of property, plant and equipment	**644**	(9)
Loss on derecognition of right-of-use assets	**142**	–
Depreciation of property, plant and equipment	**140,011**	93,351
Depreciation of right-of-use assets	**12,776**	6,311
Amortisation of other intangible assets	**4,308**	1,955
Losses on impairment of trade receivables and contract assets, net	**52,764**	(8,167)
Equity-settled share option expense	**35,524**	15,428
	2,170,320	568,773
Decrease/(increase) in pledged deposits	**2,424**	(2,294)
Increase in inventories	**(504,434)**	(152,602)
(Increase)/decrease in trade receivables	**(1,339,948)**	156,633
Increase in contract assets	**(991)**	(4,767)
Decrease/(increase) in prepayments, deposits and other receivables	**83,871**	(73,041)
Increase/(decrease) in trade payables	**321,326**	(37,255)
Increase in other payables and accruals	**33,652**	90,798
Cash generated from operations	**766,220**	546,245
Tax paid	**(134,438)**	(68,240)
Net cash flows from operating activities	**631,782**	478,005

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**–**	7,321
Purchases of items of property, plant and equipment and other intangible assets	**(1,017,134)**	(575,569)
Proceeds from disposal of items of property, plant and equipment	**–**	12
Acquisition of a subsidiary	**(30,000)**	(10,000)
Purchases of investments at fair value through profit or loss	**(1,483,196)**	(2,615,000)
Proceeds from disposal of investments at fair value through profit or loss	**981,118**	1,210,727
Purchase of time deposits with original maturity of more than three months when acquired	**(1,703,124)**	–
Increase in pledged deposits	**(2,550)**	–
Net cash flows used in investing activities	**(3,235,044)**	(1,982,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from H issue of shares	**387,729**	–
Capital injections from non-controlling shareholders of subsidiaries	**289,157**	–
Proceeds from issue of restricted shares	**–**	26,379
Share repurchase payment	**(6,310)**	(5,716)
Repayment of bank loans	**(375,392)**	(10,034)
Principal portion of lease payments	**(4,651)**	(2,209)
Interest paid	**(7,780)**	(752)
Net cash flows from financing activities	**282,753**	7,668
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,320,509)**	(1,496,836)
Cash and cash equivalents at beginning of period	**6,232,033**	2,121,559
Effect of foreign exchange rate changes, net	**147,589**	(2,488)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,059,113**	622,235
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances at end of the Period	**5,764,787**	627,585
Less: Term deposits with original maturity of more than three months	**(1,703,124)**	–
Pledged bank balances to secure bills payable	**(2,550)**	(5,350)
Cash and cash equivalents at end of the Period	**4,059,113**	622,235

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 (the "reporting period") has been prepared in accordance with 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 consolidated financial statements for the year ended 31 December 2021.

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES (continued)

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

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after January 1, 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*: permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs. This amendment also applies to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is not applicable to the Group's interim condensed consolidated financial information.

2. CHANGES IN ACCOUNTING POLICIES (continued)

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

(d) (continued)

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 1, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

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

- IAS 41 *Agriculture*: removes the requirement to exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. The amendment is not applicable to the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Operating segments are identified on the basis of internal reporting about components of the Group that are regularly reviewed by the Group's executive committee and the Company's board of directors for the purpose of resource allocation and performance assessment.

Operating segment

During the reporting period, there is only one operating segment as the Group's operations relate to contract development and manufacturing which focus on innovation and commercial application of global pharmaceutical technology.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	**694,357**	190,630
Overseas	**4,339,708**	1,564,939
	5,034,065	1,755,569

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

(b) Non-current assets

	Six months ended 30 June	Year ended 31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	**5,376,139**	4,554,818
United States	**419**	385
	5,376,558	4,555,203

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

For six months ended 30 June 2022, revenue of approximately RMB3,212,304,000 was derived from a single customer, including a group of entities which are known to be under common control with that customer.

For six months ended 30 June 2021, revenue of approximately RMB326,012,000 was derived from a single customer, including a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

Clinical stage CDMO solutions:

The Group provides process development and optimization, analytical services and scale-up services for small molecule drug products throughout the pre-clinical and clinical stage. The revenue generated from clinical stage CDMO solutions is derived from the transfer of goods and the provision of services under Full-time-equivalent (or "FTE") and Fee-for-service (or "FFS") arrangements. The Group recognises revenue on overtime and at a point in time bases for services under FTE and FFS arrangements, respectively.

Commercial stage CDMO solutions:

The Group provides ton-scale manufacturing services for registered starting materials (RSMs), advanced intermediates, and active pharmaceutical ingredients (APIs) with high quality. All of the revenue generated from commercial stage CDMO solutions are derived from the transfer of goods and services, which is recognised at a point in time.

Emerging services:

The Group provides services including (i) pre-formulation and formulation development, (ii) Chemical Macromolecule CDMO solutions for polypeptides, oligonucleotides, glycans, toxins-linkers and other macromolecules, (iii) biosynthesis solutions, (iv) biologics CDMO solutions for monoclonal antibodies (mAbs) and antibody-drug conjugates (ADCs), (v) Contract Research Organization (or "CRO") solutions and (vi) messenger RNA (mRNA) solutions. The revenue generated from emerging service is mainly derived from the transfer of goods and services like the rendering of services settled at FFS and CRO solutions. Under CRO solutions, the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date, and the Group recognises revenue over time. While for other revenue from emerging services, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis if the contracts have multiple deliverable units, except for the allocation of discounts and variable consideration, and the Group recognises revenue at a point since it did not meet the conditions of the revenue recognition over time. Therefore, the Group recognises revenue on overtime and at a point in time bases for services under CRO solutions and FFS arrangements, respectively.

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Others:

Others mainly include the sales of raw materials and sales of scrap materials.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue from contracts with customers		
Transfer of goods and services	**5,029,770**	1,755,569
Others	**4,295**	–
	5,034,065	1,755,569

Revenue from contracts with customers

(a) Disaggregated revenue information

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Types of goods or services		
Clinical Stage CDMO Solutions	**966,407**	826,918
Commercial Stage CDMO Solutions	**3,670,602**	785,405
Emerging Services	**392,761**	143,246
Others	**4,295**	–
Total revenue from contracts with customers	**5,034,065**	1,755,569
Geographical markets		
Mainland China	**694,357**	190,630
Overseas	**4,339,708**	1,564,939
Total revenue from contracts with customers	**5,034,065**	1,755,569
Timing of revenue recognition		
Goods transferred at a point in time	**4,892,960**	1,692,273
– Clinical Stage CDMO Solutions	**924,777**	792,671
– Commercial Stage CDMO Solutions	**3,670,602**	785,405
– Emerging Services	**293,286**	114,197
– Others	**4,295**	–
Services transferred over time	**141,105**	63,296
– Clinical Stage CDMO Solutions	**41,629**	34,247
Total revenue from contracts with customers	**5,034,065**	1,755,569

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**131,046**	61,564
	131,046	61,564

Other income and gains

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other income and gains		
Government grants*	**18,836**	74,776
Bank interest income	**19,842**	7,321
Gain on derivative financial instruments	**1,377**	–
Gain on wealth management products	**34,166**	16,390
Foreign exchange gain	**272,751**	–
Others	**9**	273
	346,981	98,760

* Government grants of RMB74,776,000 and RMB18,836,000 were granted during the six months ended 30 June 2021 and 2022, as incentives to the development and research activities of the Group in the PRC, of which the amounts of government grants related to assets are RMB6,193 and RMB7,600, and the other government grants are related to income. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

5. PROFIT BEFORE TAX

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

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Cost of sales		**2,670,840**	970,182
Depreciation of property, plant and equipment	9	**140,011**	93,351
Depreciation of right-of-use assets		**12,776**	6,311
Amortisation of other intangible assets		**4,308**	1,955
Research and development costs:			
Current year expenditure		**263,324**	163,895
Lease payments not included in the measurement of lease liabilities		**2,659**	1,248
Auditor's remuneration		**1,000**	–
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**666,382**	417,957
Share-based payment expense		**35,524**	15,428
Pension scheme contributions		**156,814**	85,806
Foreign exchange differences, net		**(13,722)**	1,823
Bank interest income		**(19,842)**	(7,321)
Changes in fair value of derivative financial instruments		**(1,377)**	–
Fair value gain on financial assets at fair value and other intangible assets		**(27,213)**	–
Losses/(gains) on disposal of items of property, plant and equipment and other intangible assets		**644**	(9)
(Losses on)/reversal of impairment of financial and contract assets, net		**52,764**	(8,167)

6. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, that were accredited as "High and New Technology Enterprises" and entitled to a preferential rate is 15% in 2022.

6. INCOME TAX (Continued)

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Asymchem Inc., a subsidiary of the Group incorporated in the United States, is based on the federal tax rate of 21% in 2022. The provision for current income tax of Asymchem Limited, a subsidiary of the Group incorporated in the United Kingdom, is based on a rate of 19%.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current – Mainland China		
Charge for the period	**239,282**	65,700
Deferred	**8,873**	(13,100)
Total tax charge for the period	**248,155**	52,600

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit before tax	**1,988,250**	481,924
Tax at the statutory tax rate – Mainland China	**298,288**	53,692
Tax at the statutory tax rate – overseas	**(51)**	18,597
Effect of different tax rates of subsidiaries	**(6,216)**	2,866
Adjustments in respect of current tax of previous periods	**272**	(307)
Deductible temporary differences and tax losses not recognised	**(6,450)**	1,016
Tax losses utilised from previous periods	**(930)**	(126)
Effect of research and development expenses that are additionally deducted	**(39,152)**	(23,892)
Profits and losses attributable to joint ventures and associates	**(312)**	–
Expenses not deductible for tax	**2,706**	754
Tax charge at the Group's effective rate	**248,155**	52,600

7. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Dividends declared:		
RMB0.80 for the six months ended 30 June 2021 and RMB0.60 for the six months ended 30 June 2020 per ordinary share	**211,420**	145,576

On 9 June 2022, 2021 profit distribution plan ("2021 Profit Distribution Plan") of the Company was approved at the 2021 annual general meeting, 2021 first session of A Share Class Meeting and 2021 first session of H Share Class Meeting. Pursuant to the 2021 Profit Distribution Plan, a final dividend of RMB0.80 per share (inclusive of tax) based on the record date for determining the shareholders' entitlement to 2020 Profit Distribution plan was declared to both holders of A Shares and H Shares. The aggregated dividends amounted to RMB211,420,000, including A shares dividends of RMB195,675,000 and H shares dividends of RMB15,745,000.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 365,859,000 (Six months ended 30 June 2021: 337,314,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of restricted ordinary shares with contingent non-market performance condition assumed to have been released upon vesting of all dilutive potential ordinary shares.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,740,095**	429,324
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(2,315)**	(2,582)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,737,780**	427,906

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**365,859**	337,314
Effect of dilution – weighted average number of ordinary shares:		
Restricted A shares	**1,550**	2,322
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**367,409**	339,636

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2022 (Unaudited)	Buildings RMB'000	Leasehold improvements RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:							
Cost	1,148,489	48,179	1,853,675	81,383	23,700	1,047,258	4,202,684
Accumulated depreciation and impairment	(230,825)	(2,418)	(563,991)	(52,046)	(16,550)	-	(865,830)
Net carrying amount	917,664	45,761	1,289,684	29,337	7,150	1,047,258	3,336,854
At 1 January 2022, net of accumulated depreciation and impairment	917,664	45,761	1,289,684	29,337	7,150	1,047,258	3,336,854
Additions	2,187	5,742	134,318	11,371	1,112	801,660	956,390
Disposals	–	–	(36,079)	(319)	(44)	–	(36,442)
Depreciation provided during the period	(29,911)	(4,725)	(97,298)	(6,806)	(1,271)	–	(140,011)
Transfer	278,747	–	313,229	–	–	(644,805)	(52,829)
At 30 June 2022, net of accumulated depreciation and impairment	1,168,687	46,778	1,603,854	33,583	6,947	1,204,113	4,063,962
At 30 June 2022:							
Cost	1,429,423	53,921	2,265,143	92,435	24,768	1,204,113	5,069,803
Accumulated depreciation and impairment	(260,736)	(7,143)	(661,289)	(58,852)	(17,821)	–	(1,005,841)
Net carrying amount	1,168,687	46,778	1,603,854	33,583	6,947	1,204,113	4,063,962

10. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	**3,237,953**	1,898,005
Impairment	**(134,178)**	(81,804)
	3,103,775	1,816,201

10. TRADE RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	**3,079,522**	1,777,657
1 to 2 years	**19,947**	34,631
2 to 3 years	**4,306**	3,913
	3,103,775	1,816,201

11. TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	**844,839**	536,914
1 to 2 years	**19,368**	9,561
Over 2 years	**8,619**	5,391
	872,826	551,866

The trade payables are non-interest-bearing and are normally settled on 15 to 90 day terms.

The trade payables are measured at amortised cost, and the carrying amounts are reasonably approximate to fair values.

12. SHARE CAPITAL

Shares

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued and fully paid: ordinary shares	**369,984**	263,044

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2022	263,043,518	263,044
Issue of H shares under the over-allotment option (Note (a))	1,265,500	1,265
Share premium transferred to share capital (Note (b))	105,709,847	105,709
Cancellation of restricted A shares (Note (c))	(34,400)	(34)
At 30 June 2022 (Unaudited)	369,984,465	369,984

Notes:

(a) In December 2021, the Company completed the global public offering.On 5 January 2022, the Company issued 1,265,500 H Shares under the over-allotment option. The net proceeds received from the issuance amounted to RMB387,731,000. Part of the net proceeds amounting to RMB1,265,500 was credited as share capital, and RMB386,466,000 was credited to share premium.

(b) Pursuant to the resolutions of the shareholders of the Company on 9 June, 2022, the Company issued 4 new shares for each 10 existing shares of the Company to all shareholders, and transferred RMB105,709,000 (six months ended June 30, 2021:#Nil) from share premium to share capital.

(c) During the six months ended 30 June 2022, a few of the Company's original incentive recipients resigned and lost their right to receive the incentives, therefore, the Company repurchased and cancelled the restricted A-shares previously held by the incentive recipients with a deduction from the restricted A-shares under share-based payments.

13. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities.

14. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	**220,755**	290,625
Plant and machinery	**735,074**	560,862
Capital contributions payable to joint ventures	**10,000**	40,000
	965,829	891,467

15. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties:

Name	Relationship
上海凱萊英檢測技術有限公司 Shanghai Asymchem Laboratories Testing Technology Co., Ltd ("Shanghai Asymchem Technology")	Subsidiary of an associate of the Group
天津有濟醫藥科技發展有限公司 Yugen Medtech	Associate
天津海河凱萊英生物醫藥產業創新投資基金(有限合夥) Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Haihe Asymchem")	Associate
凱萊同心(天津)企業管理諮詢合夥企業(有限合夥) AsymCore Management Consulting Partnership (Limited Partnership)	Enterprises controlled by the executive director
HAO HONG	Executive Director

(b) Outstanding balances with related parties:

(i) Due from related parties included in other receivables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Shanghai Asymchem Technology	**–**	1,900

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties: (Continued)

(ii) Due to related parties included in other payables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Yugen Medtech	**301**	–
Shanghai Asymchem Technology	**65**	–
Haihe Asymchem	**169,074**	–
	169,440	–

(c) Transactions with related parties:

(i) Purchases from related parties

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Yugen Medtech	**361**	402
Shanghai Asymchem Technology	**333**	–
	694	402

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

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Year ended 31 December 2021 RMB'000 (Audited)
Short-term employee benefits	**11,030**	32,550
Pension scheme contributions	**909**	1,923
Equity-settled share incentive scheme	**1,379**	5,486
Total compensation paid to key management personnel	**13,318**	39,959

(e) Other related party transactions:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Capital injection by associates to a subsidiary of the Group		
Haihe Asymchem	**169,074**	–

16. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2022 (Unaudited)

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	–	3,103,776	3,103,776
Financial assets included in prepayments, other receivables and other assets	–	–	56,675	56,675
Financial assets at fair value through profit or loss	–	1,020,903	–	1,020,903
Cash and bank balances	–	–	5,764,787	5,764,787
	–	1,020,903	8,925,238	9,946,141

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	–	872,826	872,826
Financial liabilities included in other payables and accruals	–	–	1,186,029	1,186,029
Lease liabilities	–	–	64,260	64,260
Amounts due to related parties	–	–	169,440	169,440
	–	–	2,292,555	2,292,555

16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2021(Audited)

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	–	1,816,201	1,816,201
Financial assets included in prepayments, other receivables and other assets	–	–	23,116	23,116
Financial assets at fair value through profit or loss	–	504,964	–	504,964
Cash and bank balances	–	–	6,234,457	6,234,457
	–	504,964	8,073,774	8,578,738

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	–	551,866	551,866
Financial liabilities included in other payables and accruals	–	–	851,204	851,204
Lease liabilities	–	–	59,094	59,094
Interest-bearing bank and other borrowings	–	–	375,392	375,392
	–	–	1,837,556	1,837,556

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	**30 June 2022 RMB'000 (Unaudited)**	31 December 2021 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	**918,977**	401,198	**918,977**	401,198
– An unlisted investment fund	**101,926**	103,766	**101,926**	103,766
	1,020,903	504,964	**1,020,903**	504,964
Financial liabilities				
Interest-bearing bank borrowings	**–**	375,392	**–**	375,392
	–	375,392	**–**	375,392

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

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

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

For the unlisted investment fund measured at fair value through profit or loss, management assessed the fair value based on the net asset value of the investment fund. Since the underlying unlisted equity portfolio was diversified and each underlying equity investment was immaterial to the Group, no fair value disclosure has been made for the underlying equity investments in the investment fund. Management has estimated the potential effect of using reasonably possible alternatives to be immaterial.

The carrying amounts of all the Group's financial instruments are equal to or reasonably approximate to their fair values.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2022 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss				
– An unlisted investment fund	**–**	**918,977**	**–**	**918,977**
	–	**–**	**101,926**	**101,926**
	–	**918,977**	**101,926**	**1,020,903**

As at 31 December 2021(Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– An unlisted investment fund	–	401,198	–	401,198
	–	–	103,766	103,766
	–	401,198	103,766	504,964

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Equity investments at fair value through profit or loss		
At 1 January	**103,766**	35,000
Changes in fair value	**(1,840)**	17,766
Purchases	**–**	51,000
	101,926	103,766

18. EVENTS AFTER THE REPORTING PERIOD

A Share Repurchase

On 3 August 2022, the Board of Directors of the Company approved a resolution which announces that the Company intends to repurchase certain portion of the A shares of itself with its own fund. The repurchase price will be determined through centralized price bidding and shall not exceed RMB290.00 per share. The total amount of the A Share Repurchase fund will be limited to the range between RMB400 million and RMB800 million. The A Share Repurchase plan has not been approved by the shareholders and the quantity of the shares to be repurchased remains undetermined.