ASYMCHEM

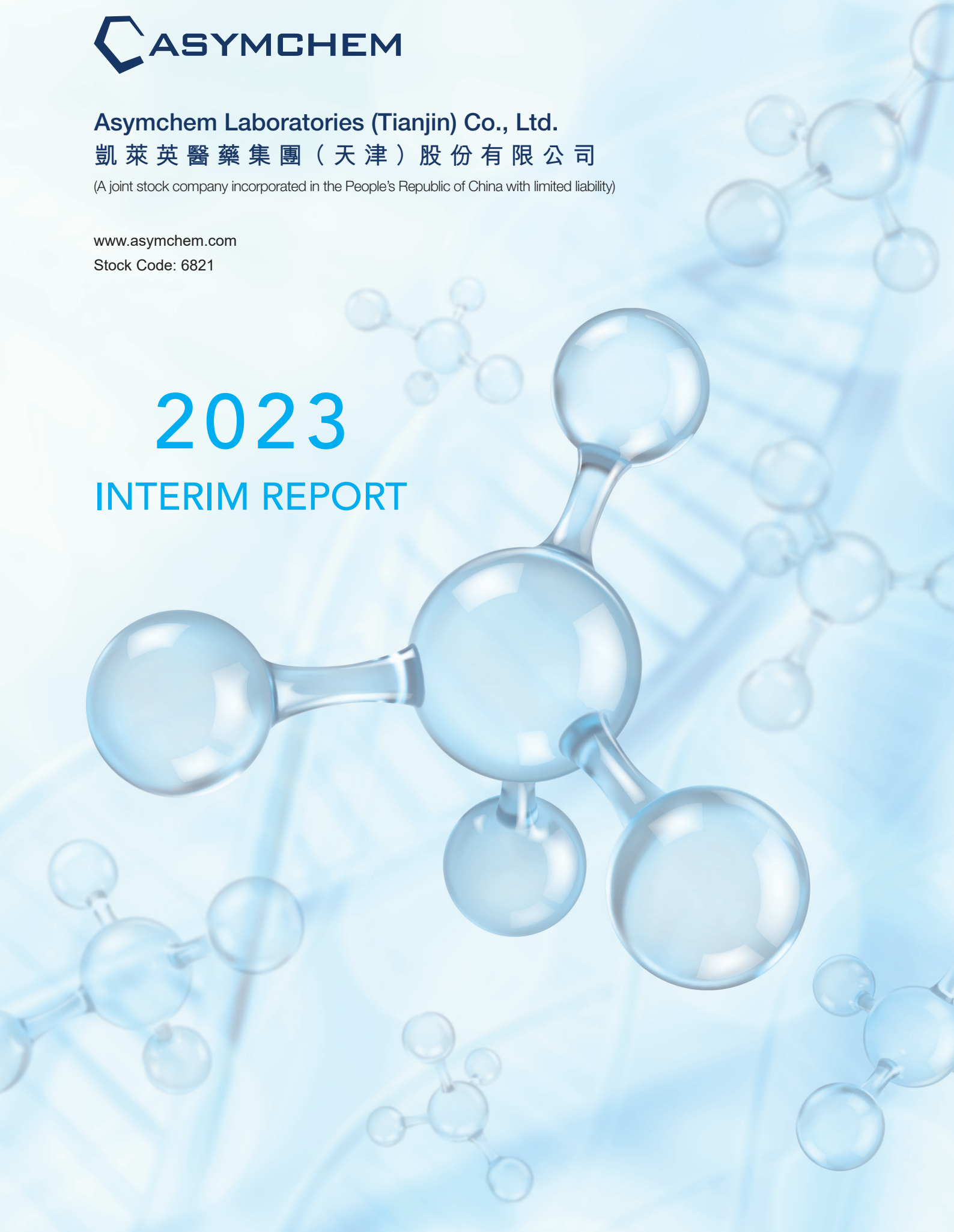
Asymchem Laboratories (Tianjin) Co., Ltd.

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)

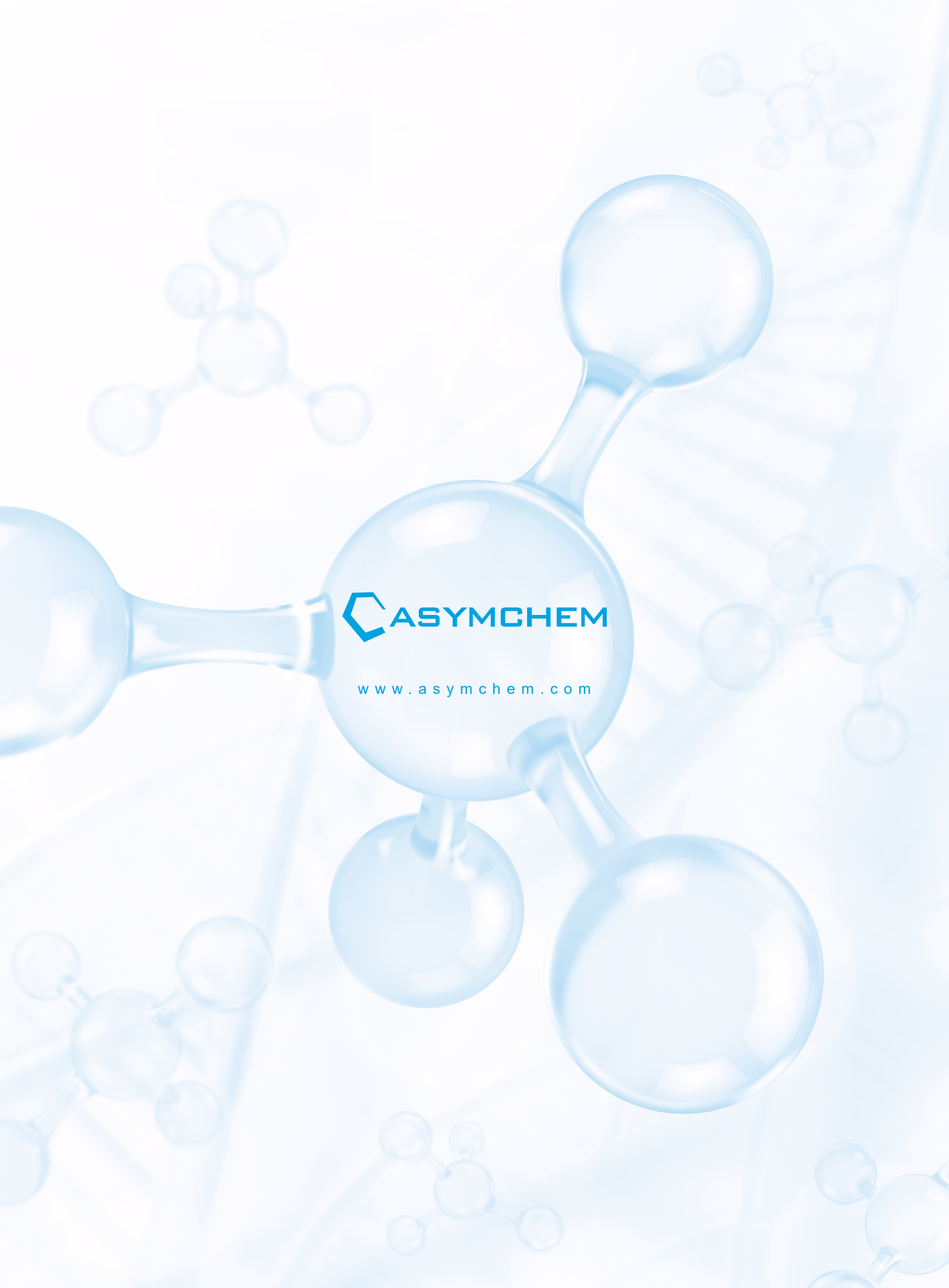
www.asymchem.com

Stock Code: 6821



2023

INTERIM REPORT


ASYMCHEM
www.asymchem.com

CONTENT

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

SUPERVISORY COMMITTEE

Ms. Zhi Xinxin
Ms. Hou Jingyi
Ms. Di Shanshan

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

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

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

PRINCIPAL BANKERS

Bank of China Dunhua Branch

No. 1218, Hanzhang Street
Dunhua
Jilin Province
PRC

SPD Bank Puxin Branch

No. 920, Tanggu Chunfeng Road
Binhai New District
Tianjin
PRC

SPD Bank Puhui Branch

No. 116, West Cuiheng Square
No. 39 Third Street
Economic – Technological
Development Area
Tianjin
PRC

COMPANY'S WEBSITE

www.asymchem.com

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2023 RMB'000 (except percentages)	For the six months ended 30 June 2022 RMB'000 (except percentages)	Change proportion %
Revenue	**4,595,708**	5,034,065	(8.71)
Gross profit	**2,426,685**	2,363,225	2.69
Gross profit margin	**52.8%**	46.9%	
Net profit attributable to shareholders of the listed company	**1,686,368**	1,740,095	(3.09)
Net profit margin attributable to shareholders of the listed company	**36.7%**	34.6%	
Non-IFRS Measures:			
Adjusted net profit attributable to shareholders of the listed company (note)	**1,636,426**	1,537,478	6.44
Adjusted net profit margin attributable to shareholders of the listed company (note)	**35.6%**	30.5%	
	RMB	RMB	
Earnings per share			
– Basic	**4.65**	4.75	(2.11)
– Diluted	**4.65**	4.74	(1.90)

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

CORPORATE PROFILE

Asymchem is a world-leading, technology-driven one-stop integrated CDMO service provider. It accelerates the clinical research and commercial application of innovative drugs by providing domestic and international pharmaceutical and biotech companies with one-stop services throughout the drug lifecycle, as well as efficient and high-quality R&D and manufacturing services. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers accumulated in over 20 years, the Company has become an integral part of the global industry chain for innovative drugs and a reliable partner of first choice for the global pharmaceutical industry. We have 20 years of experience in the small molecule CDMO field and are exploring and rolling out new business to shape a professional and comprehensive innovative medicine one-stop customized service platform.

SMALL MOLECULE CDMO SERVICE

At the stage of clinical research of drug research and development, 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 outsourcing services for the full lifecycle of small molecule drugs. Its main business focuses on the fields with high product grade, large product volume and strict regulatory requirements. The drugs the Company serves cater to many major diseases, such as antiviral, infection, tumor, cardiovascular, nervous system and diabetes.

EMERGING SERVICES

Based on the back of years of accumulation of pharmaceutical industry insight, technical advantages, mature R&D and production capacity, quality control operation management system and excellent reputation, the Company actively explores new business areas by extending the small-molecule CDMO service capability to more categories of new drugs such as polypeptide, oligonucleotide, monoclonal antibody (mAb), antibody-drug conjugates (ADC) and messenger RNA (mRNA), as well as other services, including chemical macromolecule CDMO, clinical CRO, pharmaceutical CDMO, biological macromolecules CDMO, synthetic biology technology and other emerging business segments, and has achieved remarkable achievements.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

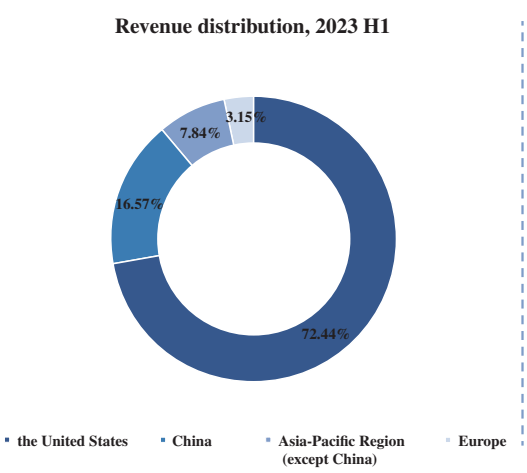
(I) Overall Performance

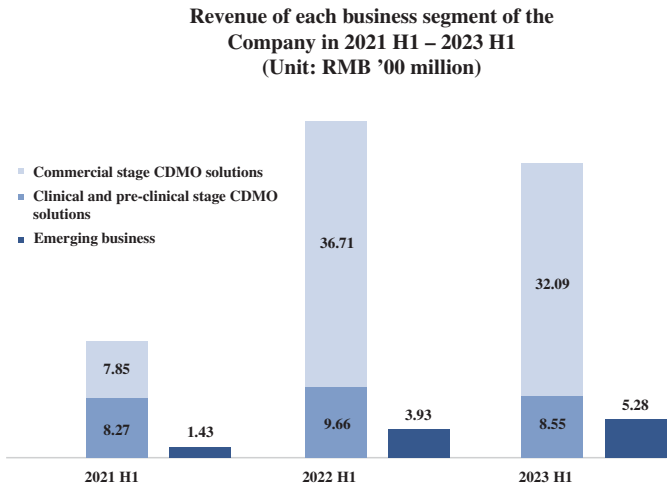
In 2023, adhering to the business guideline of "continuing to deepen the cooperation with large customers, expanding small and medium-sized customers, expanding markets in Europe and Japan, and improving cost control and efficiency", the Company upgraded the management and operation system to secure the order delivery capability, strengthened the leading power of head customers, and expanded the domestic and overseas markets proactively. We achieved business upgrade through iterative computation of technology and popularized the advantages of small molecule drug CDMO business to chemical macromolecule CDMO, clinical research service, drug product CDMO, biological macromolecules CDMO, synthetic biology technology and other strategic emerging segments at an accelerating rate in order to to further broaden the scope of development. As of 29 August 2023, the Company's total orders in hand reached US$910 million in addition to the recognized revenue orders during the Reporting Period.

During the Reporting Period, the Company recorded a total revenue of RMB4.596 billion, and if the large orders are excluded, the other revenue of RMB2.662 billion represented a period-on-period increase of 32.71%; among which, the small molecule CDMO business recorded a revenue of RMB4.064 billion, and if the large orders are excluded, the other revenue of RMB2.130 billion represented a period-on-period increase of 32.41%; while the emerging business recorded a revenue of RMB528 million, representing a period-on-period increase of 34.33%. During the second quarter of 2023, the Company recorded a revenue of RMB2.359 billion with a quarter-on-quarter increase of 5.49%, and the Company's business continues to maintain a positive trend.

	Amount of Revenue (RMB '00 million)	Period-on-period Change in Revenue	Gross Profit Margin	Period-on-period Change in Gross Profit Margin
Commercial stage CDMO solutions	32.09	(12.57%)	58.88%	10.76%
Clinical and pre-clinical stage CDMO solutions	8.55	(11.58%)	42.21%	(2.19%)
Emerging business	5.28	34.33%	33.37%	(9.32%)

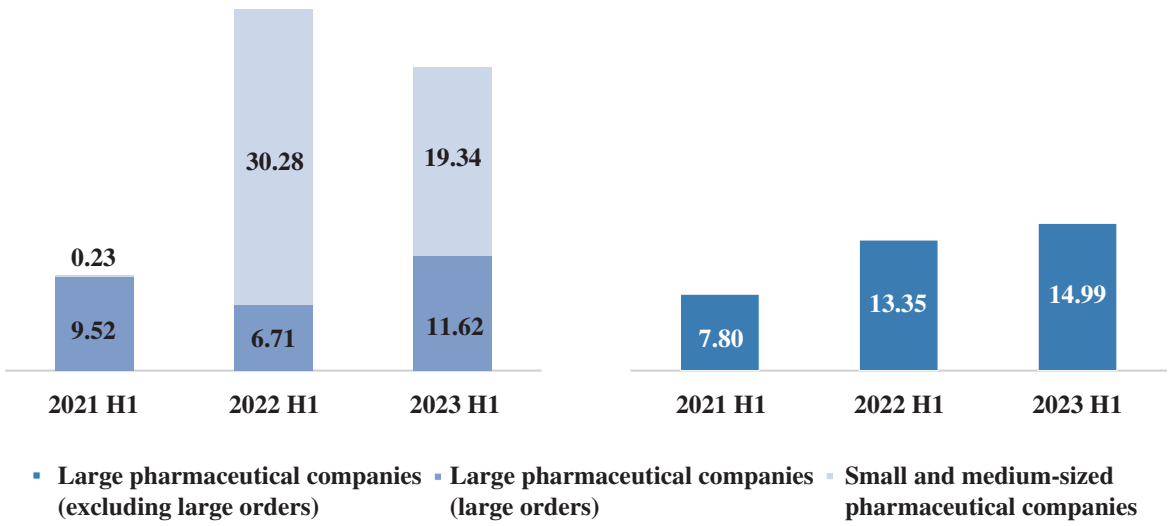
The market expansion is the focus of the Company's efforts, and market business has made positive progress. During the Reporting Period, revenue from American customers amounted to RMB3.329 billion. If the large orders are excluded, the other revenue of RMB1.396 billion represented a period-on-period increase of 44.17%. The revenue from Asia-Pacific (except China) customers represented a period-on-period increase of 47.94%. The revenue from domestic customers amounted to RMB762 million, representing a period-on-period increase of 9.69%.





The Company, on the one hand, insists on "deepening" its service to customers by continuously improving the stickiness of cooperation with and the depth of service to large pharmaceutical companies and gradually expanding its service chain. The Company recorded a total revenue of RMB3.096 billion from large pharmaceutical companies. If the specific large orders are excluded, the other revenue of RMB1.163 billion represented a period-on-period increase of 73.41%. On the other hand, against the continuing downturn in the domestic and international biopharmaceutical financing environment, the Company proceeds with expanding the customer base, with revenue from small and medium-sized pharmaceutical companies amounting to RMB1.499 billion, representing a period-on-period increase of 12.28%, and the number of order customers increased by 21.21%, with more than 1,100 active customers.

Revenue trends for large/small and medium-sized pharmaceutical companies in 2021 – 2023 H1
(Unit: RMB '00 million)



(II) Small Molecule CDMO Business

At present, the global small molecule CDMO business features a broad market with low industry concentration and a sustained increase in industry penetration. Based on over 20 years of accumulation, the Company has been able to take the leading position of "D" in the industry and built an evolving research and development ("R&D") platform and a first-class operation system, which enables the Company to continue to improve its competitiveness and seize market opportunities thereby continuously increasing its revenue scale and market share.

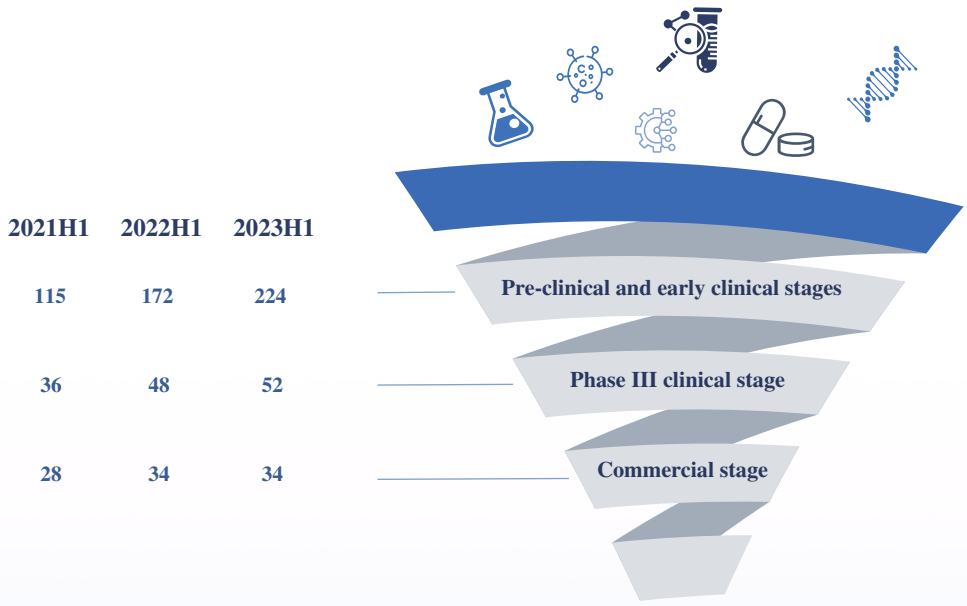
1. *Revenue from commercialization projects increases continuously*

During the Reporting Period, the Company had 34 commercialization projects for which the revenue has been recognized, achieving revenue of RMB3.209 billion, or RMB1.276 billion excluding large orders, representing a period-on-period increase of 60.50%. The Company's R&D, production, analysis, supply chain management, quality and other departments and teams achieved seamless cooperation and worked in coordination to fully satisfy the needs of customers for pharmaceutical supply, further enhancing the level of fine management and the advantages of the platform system. The Company continuously developed key processes and technologies for green pharmaceuticals and increased the use of new technologies and new intelligent equipment to continuously enhance the competitive advantage in the commercialization of small molecule CDMOs. Many industry-leading commercialization projects were continuously implemented, and the Company's good track record in delivery will further drive deeper collaboration with numerous domestic and international clients on commercial projects.

2. *Continuously increased reserves of clinical projects facilitate the long-term and stable growth in performance of the Company*

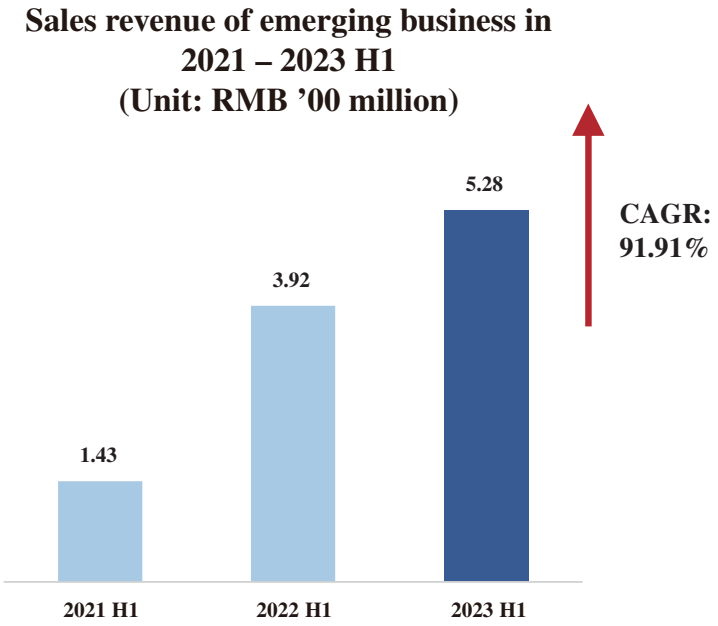
During the Reporting Period, the Company had a total of 276 clinical stage projects for which the revenue has been recognized, including 52 clinical Phase III projects, achieving revenue of RMB855 million, representing a period-on-period increase of 6.78% if the specific anti-virus projects are excluded. The Company has put more effort in its early-stage project development, laying the foundation for long-term growth. The Company strategically reserves potential bulk projects, and clinical Phase III projects served by the Company involved many popular targets or major drug targets, such as GLP-1, KRAS, JAK and TYK2, securing project reserves for the continued acquisition of commercial orders of bulk drugs.

Number of projects in each stage of the Company in 2021 – 2023 H1 (Unit: Number)



(III) Emerging Business

Leveraging our competitive advantages accumulated in the small molecule CDMO segment, the Company accelerated the construction of its talent team and capabilities, promoted the fast development of new business such as chemical macromolecule, clinical research services, drug product, biological macromolecules CDMO and synthetic biology technology and other strategic emerging segments. During the Reporting Period, the emerging business segments recorded a revenue of RMB528 million, representing a period-on-period increase of 34.33%.



1. Chemical macromolecule business segment

During the Reporting Period, the revenue from chemical macromolecule CDMO business represented a period-on-period increase of 29.04%. A total of approximately 40 new customers were developed, 45 new projects were undertaken, and a total of 24 projects were advanced to stages later than Phase II clinical stage. The Company prioritized the development of oligonucleotide CDMO business. During the Reporting Period, revenue from oligonucleotide business represented a period-on-period increase of over 76%, and the Company undertook over 17 new projects with two validation production projects in progress, and completed the GMP production for three vaccine CpG adjuvant projects. The Company promoted the development of peptide business with nine new projects undertaken in the first half of 2023 and the Company is making steady progress to the commencement of existing verification projects at the meantime. The Company also continuously promoted toxin-linker, pharmaceutical polymer, polymer-drug coupling and cationic lipid businesses, and during the Reporting Period, the Company undertook a total of 19 new projects with ten validation production projects in progress, and expanded several commercial lipid GMP stocks.

In terms of production capacity building, during the Reporting Period, the exclusive production workshop I for chemical macromolecule has been successfully put into operation. It includes the establishment of ten pilot-to-commercialization production lines for oligonucleotide, with an annual capacity of 500kg. The construction of peptide commercial production has been promoted in order to lay the foundation for continuous expansion of peptide commercial production outsourcing. It is estimated that by the first half of 2024, the Company will have a total capacity of over 10,000L for solid-phase synthesis, and will meet the demand for commercial production of hundred-kilogram-level solid-phase peptides. Liquid phase synthesis can rely on the existing small molecule reactor production capacity and can also meet the commercial production needs of liquid phase polypeptide.

In terms of R&D platforms, the Company continuously promoted the construction of technology platforms for each business segment of chemical macromolecules, reserving new technologies and consolidating the business foundation, including oligonucleotide liquid-phase, enzyme ligation technology, peptide, solid-phase and liquid-phase enzyme ligation technology and the development of novel linkers, adjuvants and cofactors.

2. Clinical research services

During the Reporting Period, the revenue from clinical research services represented a period-on-period increase of 26.07%, including revenue from clinical trial operation services, clinical trial on-site management, data management and statistical analysis, clinical trial digitization services, registration and filing, etc. The Company made more efforts to develop customers and projects, signing 151 new project contracts, of which the Company had 24 new projects in the fields of strength such as CGT, involving drugs for IPSC, MSC, CAR-NK, MAK, and gene therapy, etc., to treat major diseases such as cardiovascular diseases, endocrine and metabolic diseases, respiratory diseases, blood, neurology and digestive tumours.

In the first half of 2023, the clinical research services segment played a vital role in expediting the IND application submission for four first-class innovative drugs. Seamless coordination was achieved among CMC, non-clinical, and clinical medical technical aspects, enhancing R&D efficiency for customers while reducing R&D costs. Overseas business expansion efforts successfully assisted clients in obtaining three FDA IND implied licenses. The Company also facilitated the smooth transition of potent HIV treatment and prevention drugs into clinical stages, the capability for multi-center clinical trial services continued to improve, and significant progress was made in enrolling participants for important Phase II and III projects under research, with high-quality delivery of various clinical trial service projects. As of the end of the Reporting Period, the Company had 375 clinical trial projects in progress, of which 127 had entered into Phase II or later stages. The Company further strengthened the expansion of clinical trial institution resources, continuously deepened cooperation in the field of drug clinical trials and enhanced the research and innovation capabilities of domestic innovative drug companies for new drugs. The Company assisted clients in obtaining seven IND implied licenses for cell-based treatment of systemic sclerosis, knee osteoarthritis, liver failure, and acute respiratory distress syndrome, etc., and facilitated the smooth entry of China's first dental pulp stem cell product and the world's first clinically approved lung basal stem cell product into the phase II clinical stage. The Company received the "CGT Award Superior Clinical CRO of 2023". Adhering to the work principle of "compliance orientation" and placing high importance on quality management, the clinical research services segment has passed the audit of a number of key clients, with multiple projects successfully passing the inspection of the National Medical Products Administration. The continuous monitoring of the operation of the existing quality system, and the continuous optimization and enhancement further facilitated the high-quality delivery of projects.

3. Drug product business segment

In the first half of 2023, the revenue from drug product CDMO business represented a period-on-period increase of 34.07%. During the Reporting Period, there are 120 new drug product projects ongoing which include 21 NDA projects, and 43 projects have been successfully completed, which will effectively help customers achieve early launch of drugs.

In terms of business expansion, during the Reporting Period, the drug product business segment successfully passed the on-site inspection of PAI and dynamic GMP compliance by the National Medical Products Administration, demonstrating its service capability from clinical research to commercial production. Additionally, the drug product clinical supply chain was officially launched, which enables the provision of warehousing and distribution services for global clinical drugs, and the Company has undertaken multiple domestic and international orders.

In terms of technical and operational capacity building, the drug product segment has matured technological commercialization capabilities in spray drying for solid dispersion and hot melt extrusion. During the Reporting Period, the Company completed additions to the production license of topical drug products, further enhancing its R&D and production capabilities in this area, and multiple projects are moving forward smoothly. Additionally, the Company completed the batch production for the formula development and process confirmation of the first oral liquid project, and is advancing the commercialization of oral suspension projects in an orderly manner. Furthermore, the nasal spray and nebulized inhalation solution technology platform is also expanding, with multiple projects proceeding simultaneously. At present, there are plenty of drug product projects ongoing, of which many projects are progressing gradually from early stages to late stages. This lays a solid foundation for drug product business growth.

4. Biological macromolecules CDMO

In the first half of 2023, the revenue from biological macromolecules CDMO business of the Company represented a period-on-period increase of 159.77%. The number of projects increased continuously and the types of projects were diversified. At present, there are 43 orders in hand, including 14 IND projects and one BLA project. Based on the types of projects on hand, it is expected that the proportion of revenue from various conjugated drugs projects orders, including antibody-drug conjugates, will further increase in the future. During the Reporting Period, the biological macromolecules CDMO segment actively expanded the market, obtained rich orders and continued to improve market recognition. The Company has made breakthroughs in key overseas markets and middle to late-stage project areas. In the first half of 2023, the Company undertook three overseas IND project orders, obtained the first BLA project order for the integration service ADC program, and continued to deepen the integration business. The technology-driven model is the foundation for biological macromolecule CDMO business development. Shanghai Zhangjiang Base of the Center of Biological Technology and Innovation ("**CBTI**") was officially launched in May 2023 to continuously promote internal R&D projects, deepen the reserve of forward-looking capabilities and empower process development. The Company also optimized the process development cycle, steadily improving the quality and efficiency of delivery, with a number of patents and trademarks in the process of application. At the same time, the Company focused on the business development strategy and demand for orders, with the commercial production capacity renovation and expansion of Shanghai Jinshan base having been lunched and the construction of the commercial production base in Shanghai Fengxian in steady progress. Asymchem Biotechnology has been recognized by customers and the industry by empowering project execution through technological innovation, and has been awarded the honorable titles of the "Best CDMO for the CGT Industry Star of the Year", the "Most Promising CGT CDMO on the HY Research Ranking", the "CDMO for the Future Healthcare Value Sector Award", and the "Most Promising CGT CDMO on the CGCS", etc., in the first half of 2023.

5. The internal application and export of new technologies are increased to enhance economic benefits and efficiency and boost industrial upgrading

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. The Center of Flow & Continuous Technology ("**CFCT**") and Center of Synthetic Biology Technology ("**CSBT**") jointly completed the tonnage production and validation of several continuous immobilized-enzyme catalyzed reactions, and promoted the continuous technology development and pilot application of non-natural amino acid projects. During the Reporting Period, more than 40% of the middle and late-stage clinical projects and commercial stage projects of the Company applied key technologies for green pharmaceuticals, generating good economic benefits and efficiency.

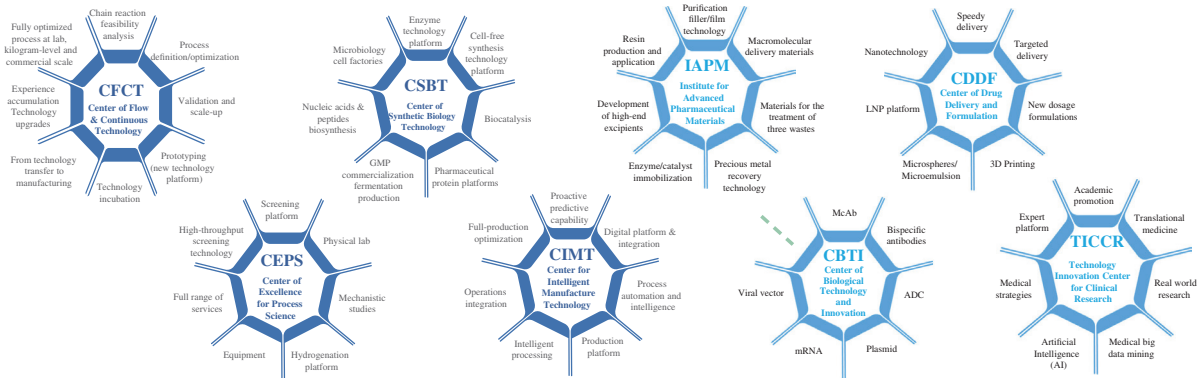
The Company accelerated the development of the export business of continuous reaction technology. During the Reporting Period, there were eight new projects with a contract value of more than RMB100 million. In terms of technology export business, we successfully overcame numerous high-risk and high-difficulty technological barriers and we used flexible and diverse business cooperation models in the field of fine chemicals. By utilizing the Company's technological advantages and continuous production experience, we entered into multiple commercialization contracts for technology export. This has enabled the implementation of fully continuous process packages for several thousand or even ten thousand-ton projects, improving the production safety capabilities of our partners, significantly enhancing their production efficiency and reducing their costs, promoting industrial upgrading, and facilitating the green, healthy, and efficient development of the industry.

6. Synthetic biology technology

During the Reporting Period, we completed the construction and filing of the BSL-2 laboratory, put 50L GMP Lab into production, and undertook the first IND filing project. During the Reporting Period, we won a total of more than 70 orders for synthetic biology technology business, contacted nearly 50 new customers, and obtained and completed the first order for enzyme evolution. The team's efficient collaboration and R&D capabilities were highly praised by the customers, which helped us secure a number of subsequent orders. An increasing number of partners are trying to replace traditional chemical routes with greener and lower-cost enzyme-catalysed synthetic routes. Drawing on the strong one-stop service system of the Company and driven by leading technology and R&D capabilities, the synthetic biology technology segment works to meet the diversified needs of customers and help change the traditional chemical synthesis process for the advent of the new era of green pharmaceutical industry.

(IV) R&D Platform Construction

As a company with "technology-driven" as its core competitiveness since its establishment, Asymchem has maintained active exploration and application of cutting-edge technologies, which is a key issue gaining attention in the CDMO industry. In the first half of 2023, the Company invested RMB323 million into R&D, representing a period-on-period increase of 22.84%. The Company continues to iteratively evolve on the basis of eight global leading and sustainably evolving R&D platforms.



The Center of Excellence for Process Science ("CEPS") aims to explore advanced technology platforms, develop and apply innovative technologies and strategies for pharmaceutical process development. It strives to achieve green chemistry, cost reduction and efficiency improvement on the premise of mitigating process risks and enhancing safety. Currently, it has seven major functions such as high-throughput screening, synthetic route innovation, flow chemistry, photochemistry and electrochemistry, kinetic and mechanistic studies, and pressure reactions. During the Reporting Period, our CEPS supported approximately 300 R&D projects, including 20 continuous hydrogenation development and application projects, and established cross-center cooperative development models such as CEPS & Chemical Engineering Department ("**CED**") & CFCT. Through technology promotion and demonstration, seven continuous hydrogenation projects are in operation. The precious metal recovery technology has been applied on the production side of projects, the scale-up validation of the liquid phase synthesis technology is underway, and the control strategy has been recognized by customers with corresponding quotation requests received. It has supported and participated in more than 50 offers, and designed more than 130 synthetic routes. Employing exploratory R&D means to support order execution, it has laid a sound technical foundation for securing subsequent orders.

The Center of Flow & Continuous Technology ("CFCT") continues optimizing its equipment upgrade and innovation team, filing 26 patent applications in the first half of 2023 and increasing the number of laser 3D printing devices and other devices. The CFCT upgrades and optimizes strong exothermic reactors, continuous gas-liquid reactors, continuous liquid-solid reactors and various types of continuous reaction equipment with the aid of supercomputers. Focusing on the integration and intelligent development of continuous reaction equipment for a casual trial, the CFCT has launched the laboratory-based intelligent continuous reaction platform, laying the foundation for the promotion and application of continuous reaction technology.

Relying on its strong R&D capability, the Center of Synthetic Biology Technology ("CSBT") possesses a mature capability of one-stop synthetic biology service starting from molecular biology (recombinant expression) after more than ten years of technology precipitation. During the Reporting Period, the Company further improved the core technology platform of enzyme evolution and continuous enzyme catalysis, completed the construction of non-natural amino acid full continuous synthesis platform, and achieved a number of tonnage continuous enzyme catalysis commercial production projects. At the same time, the Company built a cell synthesis technology platform, completed the construction of the Escherichia coli microbial cell factory technology platform and conducted feasibility verification of multiple biological-based small molecules. The construction of the polypeptide biosynthesis technology platform has been completed. It has been used for the high-efficiency synthesis testing of multiple polypeptide products, and the construction of production capacity has been completed simultaneously.

The Center for Intelligent Manufacture Technology ("CIMT") is committed to creating an intelligent manufacturing technology platform to propel intelligent upgrading of R&D and production and empower the Company's digital transformation. The center covers three major segments: intelligent manufacturing and advanced automation control research, intelligent laboratory application technology research, and digital factory promotion. Leveraging the completed pilot-scale experimental platform of intelligent PAT technology, the center validates the advanced automation and Batch process and applies the data acquisition and digital twin application platform. This further enhances unit operation automation and production management digitization. During the Reporting Period, the CIMT completed the construction of a pilot-scale experimental platform of intelligent PAT technology. The CIMT developed a modular solution for the application of soft measurement technology that integrates data acquisition and self-control based on the experimental platform. The CIMT also developed a modular solution for enhancing the automation of unit operations such as temperature control, pressure control, drop dosing, and pH control, which considerably improved the production efficiency and the flexibility of production process implementation. The CIMT supported advanced automation applications in factories, optimized batch technology in a commercial project, and fueled the efficient application of batch automation technology in the production of commercial projects, to move towards digital and intelligent manufacturing. In support of the automation upgrading and digital development of the Company's laboratory, the CIMT created a data acquisition and digital twin application platform, completed the automation upgrading of sets of continuous hydrogenation experimental units, and enhanced the control of continuous reactions. By making these efforts, the CIMT created conditions for the further iteration and promotion of continuous reaction technology.

The Institute for Advanced Pharmaceutical Materials ("IAPM") is dedicated to the R&D, production and promotion of advanced separation and purification materials, high-end excipients and other high-value-added green functional materials. IAPM serves as the important strategic initiative of Asymchem's business diversification. As an R&D center for new materials, IAPM provides key new materials needed for the R&D and production of traditional small-molecule pharmaceuticals and biomacromolecules. In addition to assisting and supporting CDMO business, IAPM also meets Asymchem's demand for special and new materials during R&D and production process, reduces production costs and ensures a stable supply chain. During the Reporting Period, IAPM set up a wealth of product pipelines on such fronts as medical and pharmaceutical polymer materials and green manufacturing materials, with product specification and performance testing completed. IAPM has been widely used by Asymchem in internal production.

The Center of Drug Delivery and Formulation ("CDDF") is committed to the R&D of innovative drug delivery technologies, platforms for new formulation technologies, and new dosage forms, in a bid to break through bottlenecks in drug production for our customers and provide them with more drug production options. With a technology-driven approach as our mission, CDDF aims at improving drug completeness, ensuring efficacy and reducing drug production cost. During the Reporting Period, CDDF carried out multiple projects, using high-end drug production and drug delivery technologies, including oral peptide, continuous drug production, new liposomes, LNP, drug 3D printing, nanoemulsion and exosome, etc. With the ability to provide full-process services from early R&D to production, the Company has won or been negotiating orders. In the second half of the year, we will continue the research on cutting-edge drug delivery and formulation technologies to cement the existing platform technologies. We will also improve the R&D, analysis and evaluation capabilities. In addition, we will further set up a professional, mature, and integrated technology team in conjunction with talent cultivation and echelon building, to march on iteratively and create new growth points.

The Center of Biological Technology and Innovation ("CBTI") is responsible for scientific development, process R&D, 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, which in turn provides endogenous power for the long-term development of the Company.

The Technology Innovation Center for Clinical Research ("TICCR"), with the functions of medical design, clinical system application and academic development, will accelerate the innovative application of clinical trials, which is an important part of the one-stop service. The 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.

The eight technology centers strive to reserve forward-looking technology and lead technical innovation to provide strong technical support for the Company's new layout and direction.

(V) Cultivation of Our Team of Talents

The Company, firmly grasping and adhering to the strategy of talent introduction, continues to strengthen the introduction and cultivation of talents by optimizing various employment mechanisms such as talent selection, talent training, talent utilization, talent evaluation, talent incentive and talent retention. Focusing on the development strategy, the Company established talent management systems for small molecule CDMO business and strategic emerging business, and accelerated the introduction of talents including business leaders and key technical positions in emerging business segments. During the Reporting Period, the Company introduced a total of 73 senior talents, including 32 doctors, ten senior executives and above, and 31 returnees and people with working backgrounds in overseas pharmaceutical companies. As of the end of the Reporting Period, the Company had a total of 9,145 employees, of which approximately 75% were undergraduates or above.

The Company adheres to the principle that "employees are the valuable wealth of the Company, and the Company serves as the platform for employees to show their talents and realize their values". Employees are encouraged to create value for our Company and customers while gaining a sense of accomplishment, giving full play to their strengths and advantages, and achieving their career development goals.

(VI) Social Responsibility

As a listed company with social responsibility, Asymchem stays committed to offering quality products and professional services to its partners. The Company, in strict accordance with the provisions of relevant laws and regulations and in light of its particular conditions, undertakes the responsibilities to Shareholders, partners, employees, the society and other stakeholders. The Company rewards the society through practical action and fosters a harmonious environment for development, to achieve the ultimate goal of sustainable development.

1. *Protecting the interests of investors, particularly small and medium-sized investors*

In accordance with the provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Guidelines for the Governance of Listed Companies and other laws, regulations and normative documents, the Company has kept improving its corporate governance structure, standardized its operation, and strictly fulfilled its information disclosure obligations to guarantee the legitimate rights and interests of all Shareholders. In respect of profit distribution, since its debut in the capital market, the Company has attached great importance to reasonable investment returns for investors and implemented proactive cash distribution plans without compromising its normal operation and sustainable development. At the same time, the Company communicates with investors by ways such as investor telephone, e-mail and investor interactive platform, which improves the transparency and integrity of the Company. During the Reporting Period, the Company organized a total of three performance presentation sessions through teleconferences and the "Investor Relations Interactive Platform" to show its operation and key works to the general investors. The sessions targeted more than 300 institutional investors and more than 600 participants, with 11,529 views.

2. *Serving customers and enhancing the suppliers to pursue common development*

The Company, in the principles of "mutual benefit and win-win", has attached great importance to the cooperation with customers and suppliers since its inception. It ensured product quality with technologies independently developed, and rapidly responded to customer needs. The Company's service attitude has received the plaudits of customers. The Company has always implemented all standards based on work specifications of high requirements, high standards and high quality, supported by extensive and continuous training. The Company has passed more than 40 official audits by major regulatory bodies such as FDA, NMPA, TGA, MFDS and PMDA since 2011, with a passing rate of 100%. At the same time, based on the comprehensive quality management system accumulated in the industry for years, Asymchem continues to regulate the suppliers, constructs the supply chain collaboration and cooperation mechanism, and helps the suppliers improve the quality control and lean management. All in all, the Company aims to build a stable, green and sustainable supply chain to realize the green upgrading and sustainable development of the industry as a whole.

3. Protecting the rights and interests of employees, and caring for employees

Employees are the Company's core valuable wealth. Upholding the "people-oriented" concept, the Company takes the talent strategy as the strategic focus of its development and has built a diversified, standardized, and transparent talent construction platform. The Company undertakes to observe and safeguard the basic rights and interests of its employees. To that end, the Company has established a standardized human resources management system to ensure that no one is discriminated against on the basis of race, religion, gender, age, marital status, disability, nationality or other factors. On the talent cultivation front, the Company has established the Asymchem Learning Center to cultivate talents and help the talents grow together with the Company. Paying attention to the safety and physical and mental health of the employees, the Company regularly organizes physical check-ups for the employees, and organizes and carries out colorful team activities, so as to let the employees feel warm within the enterprise. In addition, the Company has implemented equity incentives for years to fully mobilize the enthusiasm and creativity of employees, thereby promoting the sustained and steady growth of its business.

4. Green operation and environmental protection

The Company attaches the utmost importance to environmental protection plus energy conservation and emission reduction. As an innovation-driven company, the Company practices green operation and environmental protection through green technology R&D and achieves sustainable growth. The Company renews efforts to propel technological innovation and the comprehensive application of green technology, to boost industrial efficiency, cost reduction and low-carbon environmental protection. In the process of product development and production, the Company, by observing the relevant standards of the environmental management system, continuously improves production efficiency through the application of new technologies, and reduces the use of energy consumption and the generation of three wastes, so as to achieve the goal of creating the future through green chemistry.

5. Being warmhearted in promoting public welfare to boost development

Over the years, while ensuring its steady development, the Company has been committed to social welfare and charitable causes and relaying love and care, as part of its efforts to practice corporate social responsibilities. During the Reporting Period, the Company participated in the treatment of congenital heart disease, medical aid, assisting the coordinated development of the eastern and western regions, rural revitalization, and other charitable activities, to convey the "Asymchem Warmth" amid its efforts to practice corporate social responsibilities.

II. FINANCIAL REVIEW

In the first half of 2023, the Company realized revenue of RMB4,595.71 million. If the large orders are excluded, the other revenue of RMB2,662.03 million represented a period-on-period increase of 32.71%. The adjusted net profit attributable to shareholders of the listed company amounted to RMB1,636.43 million, representing an increase of 6.44% as compared with the first half of 2022. In the first half of 2023, the small molecule CDMO business realized revenue of RMB4,063.86 million. If the large orders are excluded, the other revenue of RMB2,130.18 million represented a period-on-period growth of 32.41%. In the first half of 2023, the emerging business realized revenue of RMB527.59 million, representing an increase of 34.33% as compared with the first half of 2022. Domestic revenue reached RMB761.65 million in the first half of 2023, representing an increase of 9.69% from the first half of 2022, with the proportion of domestic revenue increasing from 13.79% in the first half of 2022 to 16.57% in the first half of 2023. The Company continued to build the R&D platform, with an investment of RMB323.47 million in the first half of 2023, representing an increase of 22.84% as compared with the first half of 2022, accounting for 7.04% of the revenue.

(I) Revenue

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

	Six months ended 30 June		
	2023	2022	Change ratio
	RMB'000	RMB'000	%
Commercial stage CDMO solutions	**3,209,311**	3,670,602	(12)
Clinical and pre-clinical stage CDMO solutions	**854,544**	966,407	(12)
Emerging business	**527,592**	392,761	34
Total revenue from principal business	**4,591,447**	5,029,770	(9)
Revenue from other businesses	**4,261**	4,295	(1)
Total revenue	**4,595,708**	5,034,065	(9)

During the Reporting Period, the Company had 34 commercialization projects for which the revenue has been recognized, achieving revenue of RMB3,209.31 million, representing a period-on-period decrease of 12%. If the large orders are excluded, the other revenue of RMB1,275.63 million represented a period-on-period increase of 60.50%. The Company's R&D, production, analysis, supply chain management, quality and other departments and teams achieved seamless cooperation and worked in coordination to fully satisfy the needs of customers for pharmaceutical supply, further enhancing the level of fine management and the advantages of the platform system. The Company continuously developed key processes and technologies for green pharmaceuticals and increased the use of new technologies and new intelligent equipment to continuously enhance the competitive advantage in the commercialization of small molecule CDMOs. Many industry-leading commercialization projects were continuously implemented, and the Company's good track record in delivery will further drive deeper collaboration with numerous domestic and international clients on commercial projects.

During the Reporting Period, the Company had a total of 276 clinical stage projects for which the revenue has been recognized, including 52 clinical Phase III projects, achieving revenue of RMB855 million, representing a period-on-period decrease of 12%, or a period-on-period increase of 6.78% if the specific anti-virus projects are not taken into account. The Company has put more effort in its early-stage project development, laying the foundation for long-term growth. The Company strategically reserves potential bulk projects, and the clinical Phase III projects served by the Company involved many popular targets or major drug targets, such as GLP-1, KRAS, JAK and TYK2, securing project reserves for the continued acquisition of bulk commercial orders of drugs.

Leveraging our competitive advantages accumulated in the small molecule CDMO segment, the Company accelerated the construction of its talent team and capabilities, promoted the fast development of new business such as chemical macromolecule, clinical research services, drug product, biological macromolecules CDMO and synthetic biology technology and other strategic emerging segments. During the Reporting Period, the strategic emerging segments recorded revenue of RMB527.6 million, representing a period-on-period increase of 34.33%, including RMB437 million from domestic customers, representing a period-on-period increase of 41.9%. With the enhancement of service capacity in emerging business, some business segments achieved breakthroughs in overseas orders.

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

	Six months ended 30 June		
	2023	2022	Change ratio
	RMB'000	RMB'000	%
Domestic (China)	**757,385**	690,062	10
Foreign countries (including North America, Europe and Asia except China)	**3,834,062**	4,339,708	(12)
Total revenue from principal business	**4,591,447**	5,029,770	(8)
Revenue from other businesses	**4,261**	4,295	(1)
Total revenue	**4,595,708**	5,034,065	(9)

Our revenue in domestic (China) market increased by 10% from RMB690 million in the first half of 2022 to RMB757 million in the first half of 2023, mainly due to the entry of our domestic commercialization projects into the harvest period, the development of new domestic customers, and the increase in revenue from emerging business segments.

Our revenue in foreign countries (including North America, Europe and Asia except China) reached RMB3,834 million in the first half of 2023, representing a decrease of 12% from the same period of 2022, or a period-on-period increase of 44.90% after excluding large orders. The market development is the focus of the Company's efforts, and market business has made positive progress. During the Reporting Period, revenue from American customers amounted to RMB3,329 million, and if the large orders are excluded, the other revenue of RMB1,396 million represented a period-on-period increase of 44.17%; revenue from Asia Pacific (except China) customers amounted to RMB360 million, representing a period-on-period increase of 47.94%; revenue from European customers amounted to RMB144 million, representing a period-on-period increase of 44.6%.

(II) Cost of Sales and Services

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. In the first half of 2023, our cost of sales was RMB2,169 million, representing a decrease of 19% from the first half of 2022, mainly because revenue declined in the first half of the year compared to the same period last year, while cost of sales and services had a significant decrease compared to revenue, benefiting from exchange rate fluctuations, improved gross profit margins on commercialized projects and stringent cost control.

During the Reporting Period, the Company's cost by revenue type was as follows:

	Six months ended 30 June		
	2023	2022	Change ratio
	RMB'000	RMB'000	%
Commercial stage CDMO solutions	**1,319,523**	1,904,124	(31)
Clinical and pre-clinical stage CDMO solutions	**493,840**	537,312	(8)
Emerging business	**351,536**	225,104	(56)
Total cost of principal business	**2,164,899**	2,666,540	(19)
Other business costs	**4,124**	4,300	(4)
Total operating cost	**2,169,023**	2,670,840	(19)

(III) Gross Profit and Gross Profit Margin

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

	Six months ended 30 June		
	2023	2022	Change ratio
	%	%	%
Commercial stage CDMO solutions	**59**	48	11
Clinical and pre-clinical stage CDMO solutions	**42**	44	(2)
Emerging business	**33**	43	(10)
Total gross profit margin of principal business	**53**	47	6

During the Reporting Period, the Group's revenue decreased by 9% and the cost decreased by 19%, resulting in the increase of overall gross profit margin by 6 percentage points over the same period last year, mainly due to the following two reasons: first, the Group's overseas sales accounted for about 84% of the total business, and exchange rate fluctuations in the first half of 2023 had positive impacts; second, the gross profit margin of commercialized projects, especially large order projects had increased; third, the Company had strictly controlled various costs and expenses.

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

	Six months ended 30 June	
	2023	2022
	%	%
Domestic (China)	**33.51**	34.69
Foreign countries (including North America, Europe and Asia except China)	**56.67**	48.94
Total gross profit margin of principal business	**52.85**	46.98

Notes:

(1) Our gross profit margin from domestic (China) in the first half of 2023 was 33.51%, remained stable compared with the same period last year.

(2) Our gross profit margin from foreign countries (including North America, Europe and Asia except China) in the first half of 2023 was 56.67%, with an increase of 7.7 percentage points compared to the same period last year, mainly due to the higher gross profit margin of commercialization projects.

(IV) Other Income and Gains

Other income and gains decreased from RMB347 million in the first half of 2022 to RMB289 million in the first half of 2023, mainly due to the impact of volatility arising from the proceeds of wealth management products purchased by the Company and the foreign exchange settlement of funds raised.

(V) Selling and Marketing Expenses

In the first half of 2023, our sales expense was RMB82 million, representing an increase of 60% from the same period last year, mainly due to the increase in the number of sales staff of the Group in the current period compared to the same period last year, as the Group expanded in size. This year, the Company actively cultivated overseas markets and customers, while expanding emerging business sectors, and enhancing domestic and foreign influence and publicity efforts. Our overall sales activities increased compared with the same period last year.

(VI) Administrative Expenses

Our administrative expense in the first half of 2023 was RMB350.8 million, which remained stable compared with the RMB350.0 million for the same period last year.

(VII) R&D Expenses

Our R&D expense amounted to RMB323.5 million in the first half of 2023, with an increase of 23% or RMB60.2 million from that in the first half of 2022, mainly because the Company, adhered to the technology-driven as core principle, maintained the investment in technology innovation and independent research and development of core technologies, promoted eight innovation R&D platform, and enhanced the related R&D investment.

(VIII) Credit Impairment Loss

During the Reporting Period, the credit impairment loss of the Group amounted to RMB16.1 million, representing a decrease of approximately RMB36.7 million or 69% as compared with that of RMB52.7 million for the same period of 2022, mainly due to the recover of funds by the Group in the current period, which led to the decrease of original value of accounts receivable by RMB514 million compared with the same period last year, and the decrease in accounts receivable resulted in a decrease in the credit impairment loss of RMB36.7 million.

(IX) Net Profit and Net Profit Margin

Our net profit decreased by 3% from RMB1,740 million in the first half of 2022 to RMB1,682 million in the first half of 2023. In the first half of 2023, the net profit attributable to shareholders of the listed company amounted to RMB1,686 million, representing a decrease of 3.09% as compared with the RMB1,740 million for the first half of 2022. In the first half of 2023, the net profit margin attributable to shareholders of the listed company was 36.7%, representing an increase of 2% as compared with the 34.6% for the first half of 2022.

(X) Basic and Diluted Earnings per Share

Our basic earnings per share decreased from RMB4.75 in the first half of 2022 to RMB4.65 in the first half of 2023. Our diluted earnings per share decreased from RMB4.74 in the first half of 2022 to RMB4.65 in the first half of 2023. The decrease of basic and diluted earnings per share was mainly due to the decrease of net profit.

(XI) Cash and Bank Balances

The cash and bank balances of the Group as at 30 June 2023 increased by RMB1,752 million or 33% from 31 December 2022, mainly due to a net cash inflow of RMB2,253 million generated by the Group's operating activities and an additional cash inflow of RMB868 million resulting from the maturity of time deposits.

(XII) Prepaid Corporate Income Tax

The prepaid corporate income tax at the end of the period decreased by RMB17 million or 97% from the beginning of the period, mainly due to the period-on-period decrease of net profit in the current period, which led to the decrease of prepaid income tax.

(XIII) 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 RMB530 million (from January 2022 to June 2022: approximately RMB1,017 million).

(XIV) Capital Commitments

As at 30 June 2023, the Group had capital commitments of approximately RMB392 million (as at 31 December 2022: approximately RMB472.5 million), all of which were used for the purchase of property, plant and equipment.

(XV) Contingent Liabilities

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

(XVI) Gearing Ratio

As at 30 June 2023, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 12.5% (as at 31 December 2022: 13.9%).

(XVII) Analysis on Assets and Liabilities

	Six months ended 30 June			
	2023	2022	Change ratio	Reason
	RMB'000	RMB'000	%	
Assets				
Property, plant and equipment	**5,039,078**	4,829,924	4	Mainly due to the conversion of construction in progress into fixed assets in the current period.
Other non-current financial assets	**137,082**	113,076	21	Mainly due to the investment in Sany Zhongzhi Phase II (Tianjin) Venture Capital Center (L.P.) during the Reporting Period.
Prepayments, deposits and other receivables – long-term	**208,213**	237,124	(12)	Mainly due to the decrease in the balance of current accounts resulting from the recovery of equity consideration of certain external investment during the Reporting Period.
Deferred income tax assets	**190,743**	177,858	7	Mainly due to the increase in deferred income tax assets recognized for deductible losses and government grants.
Inventories	**788,023**	1,510,413	(48)	Mainly due to the fluctuations resulting from the delivery time of orders.
Trade receivables	**2,525,162**	2,451,148	3	Basically the same, with immaterial change from the beginning of the period.
Liabilities				
Trade payables	**413,874**	568,892	(27)	Mainly due to the decrease in the Group's payment for the purchase of raw materials at the end of the period.
Tax payable	**142,968**	67,422	112	Mainly due to the difference in the months of prepayment of income tax.
Other payables and accruals	**1,388,346**	1,511,198	(8)	Basically the same, with immaterial change from the beginning of the period.

(XVIII) Investment Analysis & Income Analysis of Long-term Equity Investment Under Equity Method

1. *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 wealth management products purchased from banks, investment in Sany Zhongzhi (Tianjin) Venture Capital Center (L.P.) and Sany Zhongzhi Phase II (Tianjin) Venture Capital Center (L.P.), and the purchase of convertible bonds of the joint venture, Yugen Medtech. The Group's financial assets at fair value through profit or loss among current and non-current assets decreased from RMB2,264.1 million as of 31 December 2022 to RMB1,997.5 million as of 30 June 2023, mainly due to the decrease in the purchase of short-term and low-risk wealth management products of the banks.

2. *Income from long-term equity investment under equity method*

The income from long-term equity investment under equity method as of 30 June 2023 was a loss of RMB3 million, as compared with an income of RMB9.55 million as of 30 June 2022, mainly due to the amount of change in net assets of Haihe Asymchem Fund and Yugen Medtech, two companies invested by the Company, multiplied by the shares enjoyed by the Company in accordance with the shareholding ratio during the Reporting Period.

The Group's major joint venture, Haihe Asymchem Fund, mainly invested in the commercialization project of the innovative field of biological medicine in clinical stage, which was calculated by using the equity method and strategically important to the Group's activities. The Group's other joint venture, Yugen Medtech, is a platform for scientific research CRO technology services, integrating innovative drug druggability research, pre-clinical and clinical stage systematic evaluation and registration services. It adopts the equity method for accounting. Such investment is strategic to the Group's activities.

(XIX) Adjusted 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 parent 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 parent and adjusted net profit margin attributable to shareholders of the parent.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(except percentage)	(except percentage)
Net profit attributable to the shareholders of the listed companies	**1,686,368**	1,740,095
Add: equity incentive amortization expense	**22,974**	35,524
Gain or loss on exchange rate fluctuations	**(81,730)**	(273,896)
Income tax effect	**8,814**	35,756
Adjusted net profit attributable to shareholders of the listed company	**1,636,426**	1,537,478
Adjusted net profit margin attributable to shareholders of the listed company	**35.61%**	30.54%

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 parent, and adjusted for the following matters:

(1) share-based compensation expense;

(2) 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;

(3) the calculation of the adjusted net profit margin attributable to shareholders of the parent is based on the above net profit attributable to shareholders of the parent.

(XX) 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 Renminbi, and our financial data is presented in Renminbi. 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 the foreign exchange risk.

(XXI) Cash Flows

During the Reporting Period, the Group's net cash flows from operating activities amounted to RMB2,253.18 million, representing an increase of RMB1,621.40 million as compared to the Corresponding Period of last year. The increase was mainly due to the large-scale purchase of raw materials by executing large orders in the same period last year.

During the Reporting Period, the Group's net cash flows used in investing activities amounted to RMB695.89 million, representing a decrease of RMB2,539.15 million as compared to the Corresponding Period of last year. The decrease was mainly due to the optimization of capital investment structure, the increase in wealth management income and the increase in the purchase amount and frequency of wealth management products during the Reporting Period.

During the Reporting Period, the Group's net cash flows used in financing activities amounted to RMB470.29 million, as compared to RMB282.75 million for the net cash flows from financing activities of the Corresponding Period of last year. The change was mainly due to the completion of cash dividend distribution of A shares for 2022 during the Reporting Period.

(XXII) Capital Structure

Total equity attributable to Shareholders amounted to approximately RMB16,791.97 million as at 30 June 2023, as compared to approximately RMB14,586.17 million as at 30 June 2022.

(XXIII) Pledge of Assets

As at 30 June 2023, the net book value of buildings, land and equipment pledged by the Group amounted to approximately RMB0 million (as at 30 June 2022: approximately RMB0 million), and the pledged deposits amounted to approximately RMB13.77 million (as at 30 June 2022: approximately RMB2.55 million).

(XXIV) Future Plans for Material Investments and Capital Assets

As of June 30, 2023, we did not have other plans for material investments and capital assets.

III. OUTLOOK AND PROSPECT

(I) Industry Dynamics and Emerging Trends

CDMOs play a crucial role and provide the core value in balancing the increasing demand for new drugs with the escalating R&D costs. As the pharmaceutical market continues to grow at a rapid pace, CDMOs rely on the accelerating trend of specialization and division of labor within the pharmaceutical R&D industry chain to effectively reduce the costs associated with developing and manufacturing new drugs. Several key factors contribute to the development of the CDMO industry, including the size of the global pharmaceutical market, the level of R&D investment, and the outsourcing penetration rate among pharmaceutical companies. These industry indicators significantly impact the overall growth and direction of the CDMO sector. By capitalizing on the opportunities presented by these industry trends, CDMOs can enhance their capabilities in research and development, as well as streamline production processes to provide cost-effective solutions. This allows them to meet the evolving needs and demands of pharmaceutical companies, ultimately driving innovation and facilitating the efficient delivery of high-quality drugs to the market.

The global pharmaceutical market is witnessing a robust surge in demand, driven by various factors such as increasing healthcare awareness, rising per capita disposable income, and an aging population. According to the Frost & Sullivan report, it is projected that the global pharmaceutical market will reach US$1,718.8 billion in 2025 and US$2,114.8 billion in 2030, with respective CAGR of 5.2% and 4.2%. Notably, innovative drugs hold a significant share in the market compared to generic drugs and biosimilars. In 2021, the market size of innovative drugs amounted to approximately US$967.0 billion, accounting for 69.0% of the total global pharmaceutical market. On the other hand, the market share of generic drugs and biosimilars was 31.0%. As global medical technology continues to advance, there will be further breakthroughs, leading to the emergence of more products in the field of innovative drugs. It is estimated that by 2025 and 2030, the market size for innovative drugs will reach US$1,222.7 billion and US$1,545.5 billion, respectively. The intensifying competition in the pharmaceutical industry has resulted in specialized, refined, and customized divisions within the pharmaceutical industry chain. Capitalizing on their technical advantages and production capacities, CDMOs play a vital role in assisting pharmaceutical companies throughout the entire product development process, from concept to large-scale production. Entrusting CDMOs has become a significant pathway for innovative research and development, empowering and driving the overall development of the pharmaceutical industry. Both large pharmaceutical companies or start-up biotech companies can benefit from the high-quality services provided by CDMOs. These CDMOs are actively monitoring the rapid changes in the healthcare industry, continually optimizing and upgrading their technological platforms, expanding their business scope, and extending their industrial reach to meet the actual demands of different customer segments.

With the continued expansion of the global pharmaceutical market, particularly the steady growth of innovative drug sector and the increasing prevalence of pharmaceutical outsourcing, the CDMO market has outpaced pharmaceutical sales in terms of growth rate. According to the Frost & Sullivan report, the global CDMO market for intermediates and APIs reached approximately US$83.0 billion in 2020, with around one third of this amount originating from the Asia-Pacific region. In comparison, the market size for CDMO drug products is approximately US$26.0 billion, with a smaller market size and penetration rate compared to intermediates and APIs.

Emerging markets, especially China, have witnessed a rapid growth in the pharmaceutical outsourcing industry. These markets have successfully entered the global cGMP supply chain system of innovative pharmaceutical enterprises, gradually occupying a significant share of the European and American CMO and/or CDMO market space. They are transitioning from being intermediate CDMOs to API CDMOs. As crucial partners in the new drug R&D industry, CDMO companies offer valuable support to pharmaceutical companies by focusing on R&D pipeline development, improving resource allocation efficiency, reducing new drug R&D cycles, and accelerating new drug launches. Moreover, they help lower commercial manufacturing costs and ensure supply chain stability. Platform-based CDMO companies differ from traditional product-based CDMOs, as they not only provide OEM services for capacity transfers but also possess highly stable high-value-added capabilities. The strategic positioning of platform-based CDMOs enables them to establish a synergy effect, maintain high technical barriers, generate substantial added value, and foster enduring cooperative relationships throughout the entire industry chain. This comprehensive industry chain layout creates ample room for further growth and performance improvements, with a higher level of certainty. The remarkable stability, profitability, and embedded cooperation associated with platform-based CDMOs, combined with their high entry barriers and added value, contribute to their strong positioning in the market.

In recent years, China has made significant strides in prioritizing innovative drug R&D. The country's pharmaceutical industry is undergoing a rapid transformation, shifting its focus from a quantity-based approach to a quality-driven strategy with consistency evaluation and the launch of innovative drugs as the main themes. To support this transition, a series of policies have been implemented to encourage new drug R&D, enhance the efficiency of drug reviews, and expedite the time to market for new drugs.

One notable development is the implementation of volume-based drug procurement, which has effectively reduced drug prices. This initiative has encouraged the generic drug industry to shift its focus towards innovation, freeing up more resources and funding for innovative drug R&D. As a result, the domestic market for innovative drugs is experiencing significant growth, and China is transitioning from being a "generic drug power" to an "innovative drug power."

With the rise of domestic innovative drugs, pharmaceutical companies in China are increasing their investments in innovative R&D programs. Since China joined the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use ("**ICH**") in 2017, interactions between Chinese pharmaceutical enterprises and the FDA have become more frequent. The number of certifications for orphan drugs, fast track status, breakthrough therapies, and others has significantly increased. In particular, after the FDA confirmed in 2019 that Chinese clinical data could be accepted in the marketing approval process, the pipelines of domestic pharmaceutical companies began to enter the FDA's clinical filing and reached the peak of market potential, contributing to greater opportunities for China's CDMO industry. Over time, domestic technology, quality systems, customer reputation, and environmental, health, and safety management in China align with international standards. Additionally, advantages such as intellectual property protection, infrastructure, and engineering expertise have become prominent. As a result, international CDMO companies have increasingly entered the Chinese market, and the overseas penetration rate of Chinese CDMO enterprises continues to grow. According to Evaluate Pharma, a total of 1,666 patents on drug compounds will expire globally between 2013 and 2030, with a notable increase in the number of patented drugs facing expiration between 2020 and 2024, with a combined market size of RMB159.0 billion. Effective management of the drug life cycle is crucial for innovative drug enterprises, and the impending patent cliff necessitates maintaining efficient R&D vitality. However, the costs of developing new drugs have significantly escalated in recent decades due to increased difficulties in identifying new targets, securing patents, and recruiting patients. In this context, pharmaceutical companies have demonstrated their ability to reduce costs by leveraging professional division of labor from suppliers.

Overall, various forward-looking indicators suggest that the CDMO industry in China is poised for significant growth. These indicators include global R&D investments in new drugs, sales of innovative drugs, China's own R&D investments in new drugs, the internationalization progress of domestic pharmaceutical companies, and the drug patent cliff. As the CDMO industry becomes increasingly challenging to enter, several factors will determine the profitability of enterprises. These factors include the structure of orders, the bargaining power of enterprises, the added value of R&D capabilities, and the ability to control costs. Collectively, these factors contribute to the overall competitiveness and profitability of CDMO enterprises. As the industry continues to mature, the barriers faced by CDMO enterprises in China are strengthening in various aspects such as customer relationships, brand recognition, production capacity, technological expertise, and access to capital. In a highly fragmented and competitive market, it is expected that the trend will favor established and powerful players who have successfully overcome these barriers.

(II) Development Strategy

As a leading global industry provider of integrated one-stop CDMO solutions, our Company is committed to the technological innovation and commercialization of global pharmaceutical processes. Since our establishment, we have adhered to a business development philosophy centered on "international standards, Chinese advantages, technical leadership, and environmental sustainability." Technological innovation has always been at the core of our operations, and we have successfully developed several internationally recognized patented technologies that have been applied to commercial manufacturing. This has positioned us as a renowned leader in outsourced integrated pharmaceutical services.

We firmly believe in the principle of being proactive and prepared, taking calculated risks, and leveraging our accumulated strength to achieve rapid growth. Our ongoing efforts focus on exploring cutting-edge technologies, implementing them effectively in large-scale production, enhancing target management approaches for research and production, and continually deepening customer cooperation. We are actively expanding our market presence among small and medium-sized innovative drug companies through various channels and optimizing our operational management system to better align with their unique characteristics. By doing so, we aim to broaden the scope of our services.

Building upon the competitive advantages of our small molecule business, we are also actively expanding into areas such as chemical macromolecules, clinical research services, drug product development, biological macromolecules CDMO, and synthetic biology. These initiatives not only foster new growth opportunities but also contribute to the establishment of a comprehensive closed-loop industrial chain.

(III) 2023 Business Plan

With over 20 years of operation, our Company has consistently showcased its capabilities and extensive experience in responding to emergencies. Our strong execution and reliable communication with global customers have further bolstered their trust in us. Looking ahead to 2023, our business plan centers around the following objectives: deepening cooperation with large customers, expanding our presence among small and medium-sized customers, tapping into European and Japanese markets, and improving cost control and efficiency.

We remain firmly committed to our technology-driven strategy, utilizing iterative computation of technology to achieve continuous business advancement. Our primary focus will be on driving sustained growth in our core small molecule CDMO business while also placing a strong emphasis on rapidly developing strategic emerging sectors. Through the continuous evolution of our R&D platform, we aim to enhance our overall competitiveness. Additionally, we will actively engage in new customer development, enhance management efficiency, and expand our production capacity to support our evolving business landscape.

By adhering to these objectives, we strive to strengthen our position in the market and solidify our reputation as a trusted partner for our valued customers. We are dedicated to meeting their diverse needs through sustainable innovation, efficient operations, and enhanced capabilities. With an unwavering commitment to excellence, we aim to drive the steady growth of our business while simultaneously embracing new opportunities for expansion and development.

1. *Fully committed to expanding market presence*

With a strong track record of delivering high-quality products for large orders, we are fully committed to expanding our market presence. We will further strengthen our cooperation with multinational pharmaceutical companies, aiming for breakthroughs in commercial API projects and increasing the penetration rate of our R&D pipelines. Building on our existing successes in the Japanese market, we will actively enhance our coverage and deepen collaborations with Japanese pharmaceutical companies.

In the European market, we are determined to leverage new technologies and achieve even greater breakthroughs. Our Boston R&D Centers and early-stage projects will serve as anchors in fully expanding our customer base among U.S. biotech companies. Furthermore, we will promote the utilization of multiple categories of drugs and service businesses by our existing multinational pharmaceutical partners.

By prioritizing market expansion, we seek to establish ourselves as a leading player in the global pharmaceutical industry. Through strategic partnerships and the continuous development of innovative solutions, we aim to meet the evolving needs of both our existing and potential customers, driving sustainable growth and solidifying our position in key markets.

2. *Continuously enhancing the competitiveness of the small molecule technology*

We are committed to optimizing our management methods to drive continuous improvements in R&D efficiency and production cost reduction. By leveraging technological breakthroughs, we will actively work towards reducing raw material costs and further enhancing automation levels within our operations.

In our pursuit of growth and expansion, we will spare no efforts in promoting the development of early-stage projects, extending our service chain, and expanding our project and customer reserves. Additionally, we will focus on advancing the commercialization of drug product business projects and intensifying our efforts in late-stage project development. This will be achieved through robust investments in the R&D of new technologies in drug product development and the establishment of clinical supply chain services for drug products. As part of our expansion strategy, we will prioritize the accelerated construction of our Boston R&D Centers. Furthermore, we will explore opportunities for acquiring overseas production facilities through mergers and acquisitions. These strategic moves will enable us to strengthen our research capabilities and expand our global presence, positioning us for long-term success in the pharmaceutical industry.

Through these measures, we aim to enhance our operational efficiency, drive innovation, and solidify our position as a leading player in the market. By continuously investing in research and development, optimizing our production processes, and expanding our capabilities, we are poised to meet the demands of an ever-changing industry landscape and deliver optimal value to our customers worldwide.

3. Accelerating the expansion of the new chemical business

We are committed to accelerating the growth of our small nucleic acid CDMO business, with a particular emphasis on expanding our presence in overseas markets. By doing so, we aim to significantly enhance our revenue scale, bolster our portfolio of new technologies, and continuously improve our competitiveness in the industry. Furthermore, we will prioritize the enhancement of our continuous reaction export business, actively exploring diversified cooperation models and expanding our application fields. Through these efforts, we strive to generate substantial revenue and establish a strong market presence. Additionally, we are dedicated to promoting the development of new material technologies for pharmaceutical and medical use. This will involve expanding our product catalog and initiating marketing and sales activities to effectively reach our target audience.

By accelerating the expansion of our new chemical business, we are poised to capture new growth opportunities and strengthen our position in the market. Through strategic investments, partnerships, and continuous innovation, we aim to deliver value to our customers, expand our global footprint, and drive sustainable growth in the pharmaceutical and medical sectors.

4. Accelerating the development of new businesses

We are dedicated to accelerating the development of new businesses, focusing on key strategies that will drive growth and expand our market presence. To begin with, we will vigorously propel the clinical research service business. Our aim is to complete a greater number of high-quality projects, which will enable us to build a strong industry reputation. By successfully undertaking more clinical research service orders, we will enhance the synergy between our clinical CRO and CDMO services. Additionally, we are committed to actively expanding our overseas presence, fostering a global perspective within our teams, and enhancing our industrial influence.

Furthermore, we will continue to enhance the competitiveness of our chemical macromolecule business through the utilization of CBTI technology-driven business support. By leveraging our accumulated customer resources and solid reputation, we will tap into the rapidly growing biopharmaceutical CDMO market both at home and abroad. To seize the opportunities presented by this thriving market, we will synergize our technical capabilities in the drug-linker field and advance the development of our ADC business.

In line with these objectives, we will expedite the construction of our production base in Fengxian District, Shanghai. This will facilitate the swift implementation of our late-stage projects and support our overall business growth.

5. Strengthening the development of the R&D platform

We are committed to strengthening the development of our R&D platform, leveraging its capabilities for persistent iterative calculations and driving cross-departmental cooperation in process, engineering, and equipment.

Relying on our R&D platform capable of persistent iterative calculations, we create cross-departmental cooperation models in process, engineering and equipment, by strengthening the design and optimization of process synthesis route, and using cutting-edge R&D methods to support order execution. We aim to promote the application of new technologies such as continuous reaction and bioenzyme catalysis in the production of small molecule clinical and commercialization projects. This will involve intensifying the construction and technology accumulation of our technology platform for continuous reaction process development. Furthermore, we will prioritize enhancing the design and manufacturing of continuous reaction equipment, vigorously promoting the application of continuous reaction technology across multiple fields. Additionally, we will strengthen collaboration models for exporting continuous reaction technology.

In line with our commitment to innovation, we will actively expand our presence in the field of synthetic biology. This includes building enzyme engineering and cell synthesis technology platforms to develop efficient chassis cells and promote the application of these platforms in various fields. By cultivating our capabilities in fermentation, separation, and purification, we aim to establish a technology platform for the synthesis of important drugs, such as proteins, peptides, and nucleic acids, through biotechnology. This will enable us to embrace a robust production capacity for synthetic biology products.

We also prioritize the research and development of intelligent technology and the construction of digital platforms. By utilizing advanced control methods, we will drive the advancement of intelligent manufacturing technology and promote intelligent production in our factories.

Furthermore, we focus on cultivating our capabilities in scientific development, process R&D, and technology platforms related to biomolecules and advanced therapies. Through optimizing our supply chains, we will accelerate the innovative application of one-stop services in critical clinical trial links. Additionally, we will undertake the responsibility of academic leadership and technical driving in the clinical trial field, aiming to improve the quality and efficiency of the clinical trial process.

Lastly, our eight technology centers are dedicated to accumulating forward-looking technologies and leading technological innovation. They serve as strong pillars, providing robust technical support for the Company's new layout and new directions.

6. Further improving the human resource management system

Upholding the concept of people-oriented approach, our Company aims to attract and retain domestic and international talents. We will establish robust mechanisms for talent selection, evaluation, and motivation, and expedite the development of a training system that fosters talent growth.

We will intensify our efforts to build a global talent platform, recognizing the importance of diverse perspectives and expertise. This platform will facilitate the exchange of knowledge and skills among employees from different backgrounds, enhancing our overall capabilities. Additionally, we will prioritize strengthening the construction of our corporate culture, fostering a sense of unity and cohesion among all employees.

We acknowledge that cultivating an excellent corporate culture and leveraging talent resources can provide us with a competitive advantage that is difficult to replicate. Consequently, we will continuously enhance our sustainable development capabilities. Our ultimate goal is to ensure that "the satisfaction of employees becomes the foundation for achieving customer satisfaction and delivering exceptional products". We firmly believe that nurturing and empowering our talented workforce is crucial for driving our business development.

By further improving our human resource management system, we aim to create an environment where employees can thrive, grow, and contribute to the success of the Company.

(IV) Potential Risk Factors and Solutions

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 services for drug development and manufacturing for large and medium-sized pharmaceutical and biotechnology companies at home and abroad. The following list of potential risk factors may be encountered but no indication that any these of risks will actually occur or be affected.

1. The risk of withdrawal or large-scale recall of major innovative drugs in service

Drug safety and quality control are directly related to human health and life safety. Any issues regarding the safety of drugs can lead to the withdrawal of products from the market, affecting both multinational pharmaceutical companies and biopharmaceutical companies. In light of this, our Company recognizes the criticality of enhancing our capabilities in identifying potential risks and early warning systems. We understand that proactive risk management is key to ensuring the safety and quality of our products. As part of our strategic planning, we are committed to minimizing potential impacts within our control.

2. *The risk of life cycle turnover and lower than expected market sales of major innovative drugs in service*

Even if the clients' developed drugs are approved by local regulatory authorities for launching, there are still uncertainties in the commercialization process, and the time and effect of commercialization performance may not be able to meet the expectation.

3. *The risk of failure to pass continuous review by international drug regulatory authorities*

With the changes in the domestic pharmaceutical regulatory policies, especially in the implementation of the Marketing Authorization System ("**MAH**"), the Generic Quality Consistency Evaluation ("**GQCE**"), the Volume Based Procurement ("**VBP**"), the associated review of application for registration of drug preparation, the cancellation of GMP certification and the increase of unannounced inspections, etc., the production of APIs has been profoundly affected, which may potentially lead to changes in market access and intensify market competition of products. With the rapid expansion of the Company's commercialization, the frequency of inspections will continue to enhance by local drug regulatory authorities. The products may fail to meet the review requirements of the drug regulatory authorities during the process caused by inferior project management capabilities, which may eventually encounter prohibition from entering the corresponding market.

4. *The risk of loss of core technical personnel*

The Company operates in a technology-intensive industry with complex and difficult technology. Therefore, R&D and technological innovation inevitably rely on professional talents, especially the core technical personnel. These core technical personnel are the key factors for the Company to maintain its competitive advantage in the market for continuous innovation. The Company believes that technical core personnel are the soul of the Company and the Company has formulated Employee Share Ownership Plan accordingly. In addition, the Company unifies holistic strategic development along with employees' career or own development, so that employees would fully recognize the corporate culture and values, and move forward together with the Company.

5. *The risk of environmental protection and safety production*

Due to the nature of the Company's production and the particularity of the industry, it is under greater management pressure in terms of safety and environmental protection. In this regard, the Company always attaches great importance to safe production, resolutely fulfills corporate social responsibility, focuses on establishing and improving the safety responsibility system, strengthens production equipment management, improves employees' awareness of compliance operations, and gradually reduces the risk of production from the root.

6. The risk of international trade friction

The Company's globalization operations and establishment of branch offices need to abide by the laws and regulations of the countries and regions where it is located, and to a certain extent, it needs to rely on raw material suppliers, customers and technical service providers to ensure orderly conduct of daily business operations. In this regard, the Company plans in advance and implements effective backup measures, so as to avoid or reduce the potential adverse effects caused by the expansion of global business.

7. The risk of exchange rate fluctuations

Our foreign currency exposure is mainly with respect to U.S. dollars. During the Reporting Period, a majority of our revenue was generated from overseas sales denominated in U.S. dollars and other foreign currencies. However, a majority of our cost of services and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. 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. The Company has created risk management strategic plan (such as utilizing hedging tools) to address our exposure to currency risk and may consider to enter into hedging transactions in the future.

8. The risk of vulnerability to unforeseen emergencies and force majeure events

Unforeseen emergencies and force majeure events encompass unforeseen and challenging circumstances such as natural disasters, global public health crises, social emergencies, and policy changes. These events present significant difficulties for companies to navigate, avoid, and overcome. Drawing on over 20 years of experience in effectively managing such force majeure events, our Company has successfully tackled numerous challenges in the past. We have established a comprehensive emergency plan that enables us to respond promptly and efficiently to unexpected situations. In addition to our emergency plan, we take proactive measures to mitigate risks and minimize losses through the adoption of relevant insurances. These insurance policies serve as a vital safeguard against potential financial impacts caused by unforeseen emergencies and force majeure events. Furthermore, our Company continuously strengthens its matured risk management system to enhance our overall preparedness. We prioritize early warning identification, prevention, and control measures, enabling us to proactively address potential risks before they escalate.

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 RMB2,120.29 million as of 30 June 2023.

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 30 June 2023:

Use of proceeds		Allocation of Net Proceeds (HKD million)	Allocation of Net Proceeds (RMB million)	Utilized amount during the Reporting Period (RMB million)	Utilized amount (as of 30 June 2023) (RMB million)	Unutilized amount (as of 30 June 2023) (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	0	298.89	896.93	
– 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	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	0	298.89	0.07	On or before December 2023
To strengthen our Emerging Services and expand our service offerings	35%	2,561.32	2,092.68	587.30	1,766.39	326.29	
– 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	536.53	1,182.49	13.33	On or before December 2025
– To improve our capabilities related to our biosynthesis solutions and drug products solutions	10%	731.81	597.91	50.77	583.90	14.01	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	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	143.80	1,195.61	0.21	
– To upgrade our flow and continuous technology platform	10%	731.81	597.91	11.82	597.91	0	N/A
– To fund the R&D initiatives led by our Center of Biosynthesis Technology (CBST)	10%	731.80	597.91	131.98	597.70	0.21	On or before December 2023[2]
To selectively pursue strategic investments and acquisitions	15%	1,097.71	896.86	0	0	896.86	On or before December 2023
For working capital and general corporate purposes	10%	731.81	597.91	479.13	597.91	0	N/A
	100%	7,318.06	5,979.09	1,210.23	3,858.80	2,120.29	

Notes:

(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 2 January 2022.

(2) In light of the substantial scale of our project, it has been impacted by external factors such as global public health events and the international trade environment during the construction process. Various aspects of the investment project, including the procurement of construction materials, logistics, and labor resources have been affected to varying degrees. Additionally, certain specialized equipment required for the biotechnology segment necessitates personalized customization, leading to extended delivery timelines of suppliers. As a result, the overall implementation timeline for the project has experienced delays compared to the original plan. In accordance with a prudent approach and considering the current progress and fund utilization status of the investment project, where the project's implementation entity, total investment amount, and use of proceeds remain unchanged, the Company has decided to postpone the investment project. The Board is of the view that the delay will not have any material adverse impact on the operations of the Company and is in the best interests of the Company and the Shareholders as a whole.

STATUTORY DISCLOSURE

RAISING FUNDS

During the Reporting Period, the Company did not conduct any fund raising activities.

CONVERTIBLE BONDS

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

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.

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

I. Repurchase and Cancellation of Certain Restricted A Shares Granted Under the 2020 A Share Incentive Scheme and 2021 A Share Incentive Scheme

As incentive recipients of the A Share Incentive Scheme resigned, on 26 September 2022, the Board considered and approved the repurchase and cancellation of 6,720 restricted A Shares granted under the 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB82.26 per A Share and the repurchase and cancellation of 60,900 restricted A Shares granted under the 2021 A Share Incentive Scheme at a repurchase price of RMB131.94 per A Share (taking into account the capitalization issue in July 2022), respectively. On 28 October 2022, the fourth extraordinary general meeting of 2022, the fourth A Shares class meeting of 2022 and the fourth H Shares class meeting of 2022 approved the above repurchase and cancellation. The above repurchase and cancellation will not have any material impact on the operating results or financial conditions of the Company. For further details, please refer to the relevant announcements and circulars of the Company dated 26 September 2022, 10 October 2022 and 28 October 2022.

The above repurchase and cancellation of restricted A Shares had been completed as of 8 February 2023. For further details, please refer to the relevant announcement of the Company dated 8 February 2023.

II. Cancellation of the Repurchased A Shares Pursuant to the Employee Share Ownership Plan

With the actual progress of the Employee Share Ownership Plan taken into account, on 1 June 2023, a total number of 261,464 A Shares of the repurchased A Shares were cancelled after approval and confirmation of Shenzhen Stock Exchange and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. For further details, please refer to the relevant announcement of the Company dated 2 June 2023.

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.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend to the Shareholders for the six months ended 30 June 2023.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Since the publication of the 2022 annual report and up to the date of this interim report, there were no other changes to the Directors', Supervisors' and chief executive's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 16 January 2017, 12 July 2018, 12 April 2019, 9 July 2020 and 5 July 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 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%
Forth 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 30 June 2023, a total of 3,327,450 restricted A Shares were granted to 414 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 sets forth the restricted A Shares held by relevant Participants under the A Share Incentive Schemes as of 30 June 2023:

Name	Position	Number of restricted A Shares granted as of 30 June 2023	Percentage to the total number of Shares in issue as of 30 June 2023 (%)
SENIOR MANAGEMENT			
Jiang Yingwei	Executive Vice President	75,600	0.02%
Members of senior or mid-level management (excluding senior management and key technical employees) of the Company		3,251,850	0.88%
Total		3,327,450	0.90%

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.

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

As at 30 June 2023, 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	14,268,699 (L)	4.17%	3.86%
	Interests of controlled corporation	A Shares	115,133,168 (L) [2]	33.65%	31.15%
Dr. Ye Song	Interests of spouse	A Shares	129,401,867 (L) [3]	37.83%	35.01%
Mr. Zhang Da	Beneficial owner	A Shares	252,000 (L)	0.07%	0.07%
Mr. Hong Liang	Interests of controlled corporation	A Shares	6,555,504 (L) [4]	1.92%	1.77%

Notes:

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

(2) Dr. Hao Hong directly holds 71.37% 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) 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 6,555,504 A Shares held by Tianjin Guorong Business Information Co., Ltd.

(5) As at 30 June 2023, the number of issued shares of the Company was 369,655,381, including 27,553,260 H Shares and 342,102,121 A Shares.

Interest in associated corporations

Name of Director and chief executive	Associated Corporations	Nature of interest	Number of Shares intereste[1]	Approximate percentage of shareholding interest
Dr. Hao Hong	Tianjin Yugen Medtech Co., Ltd. ("Yugen Medtech")	Interests of controlled corporation	3,418,800 (L) [2]	10.53%
	Shanghai Asymchem Biotechnology Development Co., Ltd. ("Asymchem Biotechnology Development")	Beneficial owner	2,289,157 (L) [3]	1.00%
Ms. Yang Rui	Asymchem Biotechnology Development	Interests of controlled corporation	13,734,940 (L) [3], [4]	6.00%
Mr. Zhang Da	Asymchem Biotechnology Development	Interests of controlled corporation	4,578,313 (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 Management Consulting Partnership (Limited Partnership) ("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) The Company holds 83.00% interest in Asymchem Biotechnology Development and therefore Asymchem Biotechnology Development is an associated corporation of the Company. The above number of shares represents only the equity shares attributable to the share capital of Asymchem Biotechnology Development.

(4) AsymCore (a controlled corporation of Ms. Yang Rui) and Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Haihe Asymchem Fund") (a controlled corporation of Ms. Yang Rui and Mr. Zhang Da) 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% by 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.

Interests in debentures of associated corporations

Name of Director and chief executive	Associated Corporations	Nature of interest	Principal amount of the relevant bonds held	Approximate percentage of the total principal amount of the relevant bonds issued
Dr. Hao Hong	Yugen Medtech[1]	Interests of controlled corporation	RMB7,920,783[2],[3]	15.84%
Ms. Yang Rui	Yugen Medtech[1]	Interests of controlled corporation	RMB20,198,135[2],[4],[5]	40.40%
Mr. Zhang Da	Yugen Medtech[1]	Interests of controlled corporation	RMB20,198,135[2],[4],[5]	40.40%

Notes:

(1) The Company holds 29.08% of the equity interest in Yugen Medtech, and therefore Yugen Medtech is an associated corporation of the Company.

(2) These bonds are convertible bonds which are not freely transferable but are convertible into shares of Yugen Medtech. The aggregate principal amount of the convertible bonds is RMB50,000,000, of which (i) RMB21,881,082 was subscribed by the Company, (ii) RMB12,198,135 was subscribed by Haihe Asymchem Fund, (iii) RMB8,000,000 was subscribed by Jihang Tianjin and (iv) RMB7,920,783 was subscribed by Tianjin Tianhao. For details of the convertible bonds, please refer to the announcement of the Company dated 11 April 2023.

(3) The principal amount of the convertible bonds of RMB7,920,783 is held by Tianjin Tianhao. Dr. Hao Hong is a limited partner of Tianjin Tianhao and holds 90.74% 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 bonds of Yugen Medtech held by Tianjin Tianhao.

(4) The principal amount of the convertible bonds of RMB12,198,135 is held by Haihe Asymchem Fund. 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% by Yunqi Management, and 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 and Mr. Zhang Da (through Haihe Asymchem Fund) are deemed to be interested in the bonds of Yugen Medtech.

(5) The principal amount of the convertible bonds of RMB8,000,000 is held by Jihang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership) ("Jihang Tianjin"). Ms. Yang Rui and Mr. Zhang Da are interested in 56.18% and 43.70% in Jihang Tianjin, respectively. By virtue of the SFO, Ms. Yang Rui and Mr. Zhang Da (through Jihang Tianjin) are deemed to be interested in the bonds of Yugen Medtech.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2023, 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 30 June 2023, 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	115,133,168 (L)	33.65%	31.15%
Fidelity Management & Research Company LLC	Beneficial owner	H Shares	2,328,185 (L)	8.45%	0.63%
	Interests of controlled corporation	H Shares	487,415 (L)	1.77%	0.13%
JPMorgan Chase & Co.	Interests of controlled corporation	H Shares	204,748 (L)	0.74%	0.06%
		H Shares	186,588 (S)	0.68%	0.05%
	Investment manager	H Shares	3,331,760 (L) [2]	12.09%	0.90%
	Security interest in shares	H Shares	2,680 (L)	0.01%	0.00%
	Approved lending agent	H Shares	45,093 (P)	0.16%	0.01%
JPMorgan Asset Management (Asia Pacific) Limited	Investment manager	H Shares	3,074,780 (L) [2]	11.16%	0.83%
HHLR Advisors, Ltd.	Investment manager	H Shares	3,948,000 (L)	14.33%	1.07%
HHLR Fund, L.P.	Beneficial owner	H Shares	3,790,500 (L)	13.76%	1.02%

Note:

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

(2) JPMorgan Asset Management (Asia Pacific) Limited is indirectly owned as to 99.99% 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.

(3) As at 30 June 2023, the number of issued shares of the Company was 369,655,381, including 27,553,260 H Shares and 342,102,121 A Shares.

STATUTORY DISCLOSURE

Save as disclosed above, to the best knowledge of the Company, as at 30 June 2023, 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.

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.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2023, the Group had 9,145 employees, whose salaries and allowances were determined based on their performance, experience and the prevailing market remuneration. 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 offer competitive salaries, packages and equity incentive plans to our employees, especially key employees.

Our employees' remuneration comprises salaries, bonuses, social security contributions and other welfare benefits. 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 also has adopted the A Share Incentive Schemes and A Share Employee Share Ownership Plan. For further details, please refer to the section headed "A Share Incentive Schemes" in Appendix VI to the Prospectus and the announcement of the Company dated 17 November 2022.

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

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, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any significant investments (including any investment in an investee company with a value of 5 percent or more of the Group's total assets as of 30 June 2023), acquisitions or disposals.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures.

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 public float required by the Listing Rules as at the date of this interim report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. During the Reporting Period, the Board is of the opinion that the Company has complied with all the code provisions in the CG Code except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of Chairperson and Chief Executive Officer of the Group are held by Dr. Hao Hong, who is the founder of the Group. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) a decision to be made by the Board requires approval by at least a majority of the Board members and that the Board comprises three independent non-executive Directors out of nine Directors, thus the Board believes that the checks and balances on the Board are sufficient; (ii) Dr. Hao Hong and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require them (among others) to act in the best interests of the Group and make decisions for the Group accordingly; and (iii) the balance of power and authority in the operation of the Board is ensured by the experienced and high caliber individuals and professionals making up the Board, who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategy and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. The Board believes that the combined role of Chairperson and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Furthermore, in view of Dr. Hao Hong's industry experience, professional background, personal profile and his crucial roles in the Company as mentioned above, and also due to his deep understanding of the Group for over 20 years, Dr. Hao Hong is the best person to identify strategic opportunities and act as the key figure of the Board. Finally, as Dr. Hao Hong is the founder of the Company, the Board believes that vesting the roles of both Chairperson and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning and communication with the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairperson and Chief Executive Officer is necessary.

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 and maintain a high standard of the best practices.

STATUTORY DISCLOSURE

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in 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 six months ended 30 June 2023. The Company's relevant employees, who are likely to be in possession of unpublished inside information of the Company, are also required to comply with the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

From 30 June 2023 and up to the date of this interim report, the Group did not have any other significant events.

REVIEW OF FINANCIAL STATEMENTS

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 the financial reporting process and internal control system of the Group, and provide advice and comments to the Board. As of the date of this interim report, the Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Ms. Zhang Kun, Ms. Zhang Ting, and Mr. Wang Qingsong. As of 16 January 2023, Ms. Zhang Kun, who holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules, has served as the chairperson of the Audit Committee for six consecutive years. Pursuant to the Rules for Independent Directors of Listed Companies of the CSRC and other relevant regulations, the consecutive term of an independent non-executive director serving in the same listed company shall not exceed six years. Ms. Zhang Kun has tendered to the Board her resignation from the positions of an independent non-executive Director of the fourth session of the Board, the chairperson of the Audit Committee, and a member of the Remuneration and Examination Committee. Given that the resignation of Ms. Zhang Kun will result in the Company not satisfying the requirements of Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules, the resignation of Ms. Zhang Kun will not take effect until the Company appoints an independent non-executive Director who meets the above requirements. The Board has resolved on 13 September 2023 to propose the appointment of Ms. Sun Xuejiao as an independent non-executive Director, who will also be the chairwoman of the Audit Committee and a member of the Remuneration and Examination Committee, all of which are effective from the date of approval of her appointment at the general meeting of the Company. For more details, please refer to the announcement dated 13 September 2023 and the circular dated 27 September 2023 of the Company. Prior to the appointment of the new independent non-executive Director, Ms. Zhang Kun will continue to perform her duties as an independent non-executive Director, the chairperson of the Audit Committee, and a member of the Remuneration and Examination Committee.

The Audit Committee has considered and reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 and the accounting principles and practices adopted by the Group, 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 results of the Group for the six months ended 30 June 2023 are in compliance with the relevant accounting standards, laws and regulations.

SCOPE OF WORK OF ERNST & YOUNG

The unaudited interim results of the Group for the six months ended 30 June 2023 have 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.
Chairman of the Board, Executive Director and Chief Executive Officer
Dr. Hao Hong

Tianjin, 29 August 2023

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 58 to 88, which comprises the condensed consolidated statement of financial position of Asymchem Laboratories (Tianjin) Co., Ltd. (the "Company") and its subsidiaries as at 30 June 2023 and the related condensed consolidated statements of income, 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
29 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	**4,595,708**	5,034,065
Cost of sales		**(2,169,023)**	(2,670,840)
Gross profit		**2,426,685**	2,363,225
Other income and gains	4	**289,183**	346,981
Selling and distribution expenses		**(82,031)**	(51,365)
Administrative expenses		**(350,841)**	(349,948)
Research and development expenses		**(323,471)**	(263,324)
Losses on impairment of financial and contract assets, net		**(16,104)**	(52,764)
Other expenses		**(9,134)**	(6,326)
Finance costs		**(2,778)**	(7,784)
Share of (losses)/profits of associates		**(3,030)**	9,555
PROFIT BEFORE TAX	5	**1,928,479**	1,988,250
Income tax expense	6	**(246,488)**	(248,155)
PROFIT FOR THE PERIOD		**1,681,991**	1,740,095
Attributable to:			
Owners of the parent		**1,686,368**	1,740,095
Non-controlling interests		**(4,377)**	–
		1,681,991	1,740,095
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB per share)	8	**RMB4.65**	RMB4.75
Diluted (expressed in RMB per share)	8	**RMB4.65**	RMB4.74

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	**1,681,991**	1,740,095
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**11,840**	13,722
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**11,840**	13,722
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,693,831**	1,753,817
Attributable to:		
Owners of the parent	**1,698,208**	1,753,817
Non-controlling interests	**(4,377)**	–
	1,693,831	1,753,817

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**5,039,078**	4,829,924
Right-of-use assets		**525,391**	539,716
Goodwill		**146,183**	146,183
Other intangible assets		**56,943**	57,679
Deferred tax assets		**190,743**	177,858
Investments in associates		**274,226**	277,256
Prepayments, deposits and other receivables		**208,213**	237,124
Financial assets at fair value through profit or loss		**137,082**	113,076
Total non-current assets		**6,577,859**	6,378,816
CURRENT ASSETS			
Inventories		**788,023**	1,510,413
Trade receivables	10	**2,525,162**	2,451,148
Contract assets		**77,859**	63,976
Prepayments, deposits and other receivables		**325,645**	376,398
Tax recoverable		**480**	17,866
Financial assets at fair value through profit or loss		**1,860,385**	2,151,062
Amounts due from related parties		**2**	–
Cash and bank balances		**7,041,483**	5,289,594
Total current assets		**12,619,039**	11,860,457
CURRENT LIABILITIES			
Trade payables	11	**413,874**	568,892
Other payables and accruals		**1,388,346**	1,511,198
Lease liabilities		**30,650**	28,487
Tax payable		**142,968**	67,422
Amounts due to related parties		**1,325**	1,096
Total current liabilities		**1,977,163**	2,177,095
NET CURRENT ASSETS		**10,641,876**	9,683,362
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,219,735**	16,062,178

continued/···

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**225,111**	168,121
Lease liabilities		**103,143**	109,859
Deferred tax liabilities		**99,510**	89,195
Total non-current liabilities		**427,764**	367,175
Net assets		**16,791,971**	15,695,003
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	**369,655**	369,917
Restricted shares under share-based payment		**(639,621)**	(1,246,560)
Other reserves		**17,018,739**	16,524,071
		16,748,773	15,647,428
Non-controlling interests		**43,198**	47,575
Total equity		**16,791,971**	15,695,003

The consolidated financial information was approved and authorised for issue by the Board of Directors of the Company on 29 August 2023 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 2023

	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 2023	369,917	(1,246,560)	10,143,535	208,970	16,558	6,155,008	15,647,428	47,575	15,695,003
Profit for the period	–	–	–	–	–	1,686,368	1,686,368	(4,377)	1,681,991
Exchange differences related to foreign operations	–	–	–	–	11,840	–	11,840	–	11,840
Total comprehensive income for the period	–	–	–	–	11,840	1,686,368	1,698,208	(4,377)	1,693,831
Final 2022 dividend declared and paid	–	–	–	–	–	(664,411)	(664,411)	–	(664,411)
Issue of employee stock option program	–	522,381	(522,381)	–	–	–	–	–	–
Vesting of restricted shares	–	44,574	–	–	–	–	44,574	–	44,574
Equity-settled share option arrangements	–	–	22,974	–	–	–	22,974	–	22,974
Cancellation of repurchased A Shares	(262)	39,984	(39,722)	–	–	–	–	–	–
At 30 June 2023 (Unaudited)	369,655	(639,621)	9,604,406	208,970	28,398	7,176,965	16,748,773	43,198	16,791,971

continued/···

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 transfer 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	**1,928,480**	1,988,250
Adjustments for:		
Finance costs	**2,778**	7,784
Share of losses/(profits) of associates	**3,030**	(9,555)
Interest income	**(25,438)**	(19,842)
Investment income	**(71,115)**	(35,543)
Fair value gain on financial assets/liabilities at fair value though profit or loss	**(42,484)**	(26,785)
Losses on disposal of items of property, plant and equipment	**558**	644
(Gains)/loss on disposal of right-of-use assets	**(25)**	142
Depreciation of property, plant and equipment	**213,195**	140,011
Depreciation of right-of-use assets	**21,935**	12,776
Amortisation of other intangible assets	**4,645**	4,308
Losses on impairment of trade receivables and contract assets, net	**16,104**	52,764
Equity-settled share option expense	**22,974**	35,524
	2,074,637	2,150,478
Decrease in pledged deposits	**2,379**	2,424
Decrease/(increase) in inventories	**722,390**	(504,434)
Increase in trade receivables	**(87,690)**	(1,339,948)
Increase in contract assets	**(14,854)**	(991)
Decrease in prepayments,deposits and other receivables	**30,072**	83,871
(Decrease)/increase in trade payables	**(154,789)**	321,326
(Decrease)/increase in other payables and accruals	**(162,837)**	53,494
Cash generated from operations	**2,409,308**	766,220
Tax paid	**(156,126)**	(134,438)
Net cash flows from operating activities	**2,253,182**	631,782

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	**25,438**	19,842
Purchases of items of property, plant and equipment and other intangible assets	**(530,439)**	(1,017,134)
Proceeds from disposal of items of property, plant and equipment	**10,012**	–
Acquisition of a subsidiary	**(10,000)**	(30,000)
Proceeds from disposal of items of a subsidiary	**71,458**	–
Purchases of investments at fair value through profit or loss	**(17,261,381)**	(1,483,196)
Proceeds from disposal of investments at fair value through profit or loss	**17,563,019**	981,118
Purchase of time deposits with original maturity of more than three months when acquired	**(1,432,343)**	(1,703,124)
Increase/(decrease) in pledged deposits	**868,347**	(2,550)
Net cash flows (used in) investing activities	**(695,889)**	(3,235,044)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
Proceeds from issue of H shares	**–**	387,729
Proceeds from issue of employee stock option program	**155,043**	–
Capital injections from non-controlling shareholders of subsidiaries	**–**	289,157
Share repurchase payment	**–**	(6,310)
Dividends paid to shareholders	**(610,396)**	–
Repayment of bank loans	**–**	(375,392)
Principal portion of lease payments	**(12,161)**	(4,651)
Interest paid	**(2,778)**	(7,780)
Net cash flows (used in)/from financing activities	**(470,292)**	282,753
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,087,001**	(2,320,509)
Cash and cash equivalents at beginning of period	**4,418,177**	6,232,033
Effect of foreign exchange rate changes, net	**46,951**	147,589
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,552,129**	4,059,113
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the statement of financial position	**7,041,483**	5,764,787
Term deposits with original maturity of more than three months	**(1,475,580)**	(1,703,124)
Pledged bank balances to secure bills payable	**(13,774)**	(2,550)
Cash and cash equivalents as stated in the statement of cash flows	**5,552,129**	4,059,113

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 (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 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

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

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

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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	**761,661**	694,357
Overseas	**3,834,047**	4,339,708
	4,595,708	5,034,065

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

(b) Non-current assets

	Six months ended	Year ended
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	**6,201,974**	6,055,433
United States	**48,060**	32,449
	6,250,034	6,087,882

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

3. OPERATING SEGMENT INFORMATION (Continued)

Information about a major customer

For six months ended 30 June 2023, revenue of approximately RMB2,225,728,303 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 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.

4. REVENUE, OTHER INCOME AND GAINS

Clinical and Pre-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 over time 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.

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Emerging Business:

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 business 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 business, 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 over time and at a point in time bases for services under CRO solutions and FFS arrangements, respectively.

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Transfer of goods and services	**4,591,447**	5,029,770
Others	**4,261**	4,295
	4,595,708	5,034,065

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Clinical and Pre-clinical Stage CDMO Solutions	**854,544**	966,407
Commercial Stage CDMO Solutions	**3,209,311**	3,670,602
Emerging Business	**527,592**	392,761
Others	**4,261**	4,295
Total revenue from contracts with customers	**4,595,708**	5,034,065
Geographical markets		
Mainland China	**761,646**	694,357
Overseas	**3,834,062**	4,339,708
Total revenue from contracts with customers	**4,595,708**	5,034,065
Timing of revenue recognition		
Goods transferred at a point in time	**4,445,480**	4,892,960
– Clinical and Pre-clinical Stage CDMO Solutions	**812,989**	924,777
– Commercial Stage CDMO Solutions	**3,209,311**	3,670,602
– Emerging Business	**418,919**	293,286
– Others	**4,261**	4,295
Services transferred over time	**150,228**	141,105
– Clinical and Pre-clinical Stage CDMO Solutions	**41,555**	41,629
– Emerging Business	**108,673**	99,476
Total revenue from contracts with customers	**4,595,708**	5,034,065

The following table shows the amounts of revenue recognised in the current reporting period that was 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**277,330**	131,046
	277,330	131,046

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Other income and gains

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and gains		
Government grants*	**28,760**	18,836
Bank interest income	**66,766**	19,842
Gain on wealth management products	**86,528**	35,543
Gain on disposal of a subsidiary	**32,556**	–
Foreign exchange gain	**74,565**	272,751
Others	**8**	9
	289,183	346,981

* Government grants of RMB18,836,000 and RMB28,760,000, respectively, were granted during the six months ended 30 June 2022 and 2023, as incentives to the development and research activities of the Group in the PRC, of which the amounts of government grants related to assets were RMB7,600,000 and RMB9,015,000, and the other government grants were 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	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of sales		**2,169,023**	2,670,840
Depreciation of property, plant and equipment	9	**213,195**	140,011
Depreciation of right-of-use assets		**21,935**	12,776
Amortisation of other intangible assets		**4,645**	4,308
Research and development costs:			
Current year expenditure		**323,471**	263,324
Lease payments not included in the measurement of lease liabilities		**1,432**	2,659
Auditor's remuneration		**800**	1,000
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**716,117**	666,382
Share-based payment expense		**22,974**	35,524
Pension scheme contributions		**284,815**	156,814
Foreign exchange differences, net		**(11,840)**	(13,722)
Bank interest income		**(66,766)**	(19,842)
Changes in fair value of derivative financial instruments		**(9,473)**	(1,377)
Fair value gain financial assets at fair value and other intangible assets		**(33,010)**	(27,213)
Losses on disposal of items of property, plant and equipment and other intangible assets		**12**	644
Losses on impairment of financial and contract assets, net		**16,104**	52,764

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 of 15% in 2023.

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 2023. 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**249,058**	239,282
Deferred	**(2,570)**	8,873
Total tax charge for the period	**246,488**	248,155

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**1,928,479**	1,988,250
Tax at the statutory tax rate – Mainland China	**284,904**	298,288
Tax at the statutory tax rate – overseas	**(1,061)**	(51)
Effect of different tax rates of subsidiaries	**(7,460)**	(6,216)
Adjustments in respect of current tax of previous periods	**(2,883)**	272
Deductible temporary differences and tax losses not recognised	**11,948**	(6,450)
Tax losses utilised from previous periods	**(588)**	(930)
Effect of research and development expenses that are additionally deducted	**(45,484)**	(39,152)
Profits and losses attributable to joint ventures and associates	**6,037**	(312)
Expenses not deductible for tax	**1,075**	2,706
Tax charge at the Group's effective rate	**246,488**	248,155

7. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends declared:		
RMB1.80 for the six months ended 30 June 2023 and RMB0.80 for the six months ended 30 June 2022 per ordinary share	**664,411**	211,420

On 9 June 2023, 2022 profit distribution plan ("2022 Profit Distribution Plan") of the Company was approved at the 2022 Annual General Meeting, 2022 first session of A Share Class Meeting and 2022 first session of H Share Class Meeting. Pursuant to the 2022 Profit Distribution Plan, a final dividend of RMB1.80 per share (inclusive of tax) based on the record date for determining the Shareholders' entitlement to 2021 Profit Distribution plan was declared to both holders of A Shares and H Shares. The aggregated dividends amounted to RMB664,411,282.20, including A Shares dividends of RMB614,815,414.20 and H Shares dividends of RMB49,595,868.00.

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 361,231,000 (Six months ended 30 June 2022: 365,859,000) 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,686,368**	1,740,095
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(5,989)***	(2,315)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,680,379**	1,737,780

* Because the high cash dividend distribution plan for this year, the restricted A Shares have an anti-diluting effect and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share and basic earnings per share are the same.

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**361,231**	365,859
Effect of dilution – weighted average number of ordinary shares: Restricted A Shares	**267**	1,550
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**361,498**	367,409

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2023 (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 2023:							
Cost	1,583,060	155,307	3,034,900	107,935	22,495	1,072,482	5,976,179
Accumulated depreciation and impairment	(301,827)	(20,240)	(738,160)	(68,193)	(17,835)	–	(1,146,255)
Net carrying amount	1,281,233	135,067	2,296,740	39,742	4,660	1,072,482	4,829,924
At 1 January 2023, net of accumulated depreciation and impairment	1,281,233	135,067	2,296,740	39,742	4,660	1,072,482	4,829,924
Additions	–	–	77,143	3,846	42	342,903	423,934
Disposals	–	–	(15,717)	(64)	–	–	(15,781)
Depreciation provided during the period	(48,434)	(11,002)	(143,247)	(9,290)	(1,222)	–	(213,195)
Reclassification	–	–	14,189	7	–	–	14,196
Transfer	463,923	10,054	25,079	481	–	(499,537)	–
At 30 June 2023, net of accumulated depreciation and impairment	1,696,722	134,119	2,254,187	34,722	3,480	915,848	5,039,078
At 30 June 2023:							
Cost	2,046,984	165,888	3,096,147	110,522	22,521	915,848	6,357,910
Accumulated depreciation and impairment	(350,262)	(31,769)	(841,960)	(75,800)	(19,041)	–	(1,318,832)
Net carrying amount	1,696,722	134,119	2,254,187	34,722	3,480	915,848	5,039,078

10. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	**2,641,648**	2,553,958
Impairment	**(116,486)**	(102,810)
	2,525,162	2,451,148

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	**2,490,015**	2,420,627
1 to 2 years	**24,370**	26,089
2 to 3 years	**10,777**	4,432
	2,525,162	2,451,148

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	**308,092**	492,029
1 to 2 years	**95,368**	61,911
Over 2 years	**10,414**	14,952
	413,874	568,892

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

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

12. SHARE CAPITAL

Shares

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid: Ordinary shares	**369,655**	369,917

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

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2023	369,916,845	369,917
Cancellation of A Shares	(261,464)	(262)
At 30 June 2023 (Unaudited)	369,655,381	369,655

13. CONTINGENT LIABILITIES

As at 30 June 2023, 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	**316,407**	165,862
Plant and machinery	**75,583**	306,611
Capital contributions payable to financial investment	**27,000**	54,000
	418,990	526,473

15. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties:

Names	**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

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

(i) Due from related party included in other receivables

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
AsymCore Management Consulting Partnership (Limited Partnership)	2	–

(ii) Due to related party included in other payables

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Yugen Medtech	1,325	1,096

(c) Transactions with related parties:

(i) Purchases from related parties

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Yugen Medtech	1,150	361
Shanghai Asymchem Technology	–	333
	1,150	694

15. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**14,647**	11,030
Pension scheme contributions	**4,764**	909
Equity-settled share incentive scheme	**1,109**	1,379
Total compensation paid to key management personnel	**20,520**	13,318

(e) Other related party transactions:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Capital injection by associates to a subsidiary of the Group		
Haihe Asymchem	**–**	169,074
Purchase of convertible bonds of associates		
Yugen Medtech	**21,881**	–
	21,881	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 2023 (Unaudited)

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	2,525,162	2,525,162
Financial assets included in prepayments, other receivables and other assets	–	81,473	81,473
Financial assets at fair value through profit or loss	1,997,467	–	1,997,467
Cash and cash balances	–	7,041,483	7,041,483
	1,997,467	9,648,118	11,645,585

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	413,874
Financial liabilities included in other payables and accruals	846,417
Lease liabilities	133,793
	1,394,084

16. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2022 (Audited)

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	2,451,148	2,451,148
Financial assets included in prepayments, other receivables and other assets	–	126,323	126,323
Financial assets at fair value through profit or loss	2,264,138	–	2,264,138
Cash and cash balances	–	5,289,594	5,289,594
	2,264,138	7,867,065	10,131,203

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	568,892
Financial liabilities included in other payables and accruals	835,045
Lease liabilities	138,346
	1,542,283

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	**1,860,385**	2,151,062	**1,860,385**	2,151,062
– An unlisted investment fund	**137,082**	113,076	**137,082**	113,076
	1,997,467	2,264,138	**1,997,467**	2,264,138

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 are 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 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 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 2023 (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	–	1,860,385	–	1,860,385
	–	–	137,082	137,082
	–	1,860,385	137,082	1,997,467

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

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2022 (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	–	2,151,062	–	2,151,062
– An unlisted investment fund	–	–	113,076	113,076
	–	2,151,062	113,076	2,264,138

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

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 (2022: Nil).

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Equity investments at fair value through profit or loss		
At 1 January	**113,076**	103,766
Changes in fair value	**24,006**	9,310
	137,082	113,076

18. EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period.

DEFINITIONS

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

"ADC"	the antibody-drug conjugate
"ALAB"	Asymchem Laboratories, Incorporated, a limited liability company incorporated in the United States on 27 November 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
"Annual General Meeting"	annual general meeting of the Company
"API"	Active Pharmaceutical Ingredient
"Asymchem Biotechnology"	Shanghai Asymchem Biotechnology Co., Ltd. (上海凱萊英生物技術有限公司) and its subsidiaries
"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"	AsymCore 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
"BLA"	Biologics License Application
"Board"	the board of directors of the Company
"BSL-2 Laboratory"	bio-safety level 2 laboratory
"CAR-NK"	CAR-NK Adoptive Cell Therapy (ACT) refers to the gene modification of a chimeric antigen receptor (CAR) that gives NK cells the ability to target and identify tumor cells and infuse them into human body after in vitro expansion to achieve the effect of tumor treatment

DEFINITIONS

"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
"CGT"	Cell and Gene Therapy
"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 "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Clin-nov Medical"	Tianjin Clin-nov Medical Technology Development Co., Ltd. (天津凱諾醫藥科技發展有限公司) (formerly known as Tianjin Asymchem Medical Technology Development Co., Ltd. (天津凱萊英醫藥科技有限公司) with the name changed in August 2020), a wholly-owned subsidiary of the Company
"CMC"	Chemical, Manufacturing and Control
"CMO"	Contract Manufacture Organization
"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 8 October 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 months ended 30 June 2022
"CpG"	cytosine-phosphorothioate-guanine
"Director(s)"	the director(s) of our Company
"Drug-linker"	drug-linker
"EHS"	integrated management of health, safety and environment
"Employee Share Ownership Plan"	the 2022 Employee Share Ownership Plan of the Company adopted at the fifth extraordinary general meeting of 2022
"FDA"	the United States Food and Drug Administration

"GLP-1"	glucagon-like peptide-1
"GMP"	Good Manufacturing Practice or current Good Manufacturing Practice
"Group", "our Group", "we", "us", or "our"	our Company and its subsidiaries
"Haihe Asymchem Fund"	Tianjin Haihe Asymchem Biomedical 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
"IND"	investigational new drug
"iPSC"	induced pluripotent stem cells
"Listing Date"	the date, namely 10 December 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
"LNP"	lipid nanoparticle
"MAK"	Maximum Allowable Concentration in the workplace
"MFDS"	Ministry of Food and Drug Safety in Korea
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration
"PAI"	pre-approval inspection
"pH"	pondus hydrogenii, which describes the cidity and alkalinity of water solution

"PMDA"	Pharmaceuticals and Medical Devices Agency, Japanese agency for drug and medical device technical review
"Prospectus"	the prospectus of the Company dated 30 November 2021
"Reporting Period"	for the six months ended 30 June 2023
"RMB" or "Renminbi"	the lawful currency of the PRC
"Shareholder(s)"	shareholder(s) of the Company
"Shenzhen Stock Exchange"	The Shenzhen Stock Exchange
"Supervisor(s)"	the supervisor(s) of the Company
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "U.S. dollar"	the lawful currency of the United States of America
"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.