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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)

(Stock Code: 6821)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the "**Board**") of directors (the "**Directors**") of Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司) (the "**Company**" or "**Asymchem**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**", "**we**", or "**us**") for the year ended December 31, 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2021 (the "**Corresponding Period**"). The consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee and audited by the Company's auditors, Ernst & Young. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings ascribed thereto in the prospectus of the Company dated November 30, 2021 (the "**Prospectus**").

Certain amount and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

	2022 ***RMB'000*** **(except percentages)**	2021 *RMB'000* (except percentages)	Change proportion
Revenue	**10,230,186**	4,632,121	120.9%
Gross profit	**4,832,588**	2,049,725	135.8%
Gross profit margin	**47.2%**	44.3%	
Net profit attributable to shareholders of the parent	**3,301,635**	1,069,274	208.8%
Net profit margin attributable to shareholders of the parent	**32.3%**	23.1%	
Adjusted non-IFRS measures:			
Adjusted net profit attributable to shareholders of the parent *(note)*	**2,998,806**	1,122,997	167.0%
Adjusted net profit margin attributable to shareholders of the parent *(note)*	**29.3%**	24.2%	
	RMB	*RMB*	
Earnings per share			
– Basic	**9.02**	3.15	186.3%
– Diluted	**9.00**	3.13	187.5%

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000* (Restated)
REVENUE	*4*	**10,230,186**	4,632,121
Cost of sales		**(5,397,598)**	(2,582,396)
Gross profit		**4,832,588**	2,049,725
Other income and gains	*4*	**653,942**	173,817
Selling and distribution expenses		**(150,190)**	(99,559)
Administrative expenses		**(837,687)**	(494,775)
Research and development expenses		**(708,891)**	(387,478)
Impairment losses on financial and contract assets, net		**(25,789)**	(22,380)
Other expenses		**(61,551)**	(15,232)
Finance costs	*6*	**(10,529)**	(7,328)
Share of profits/(losses) of associates		**33,052**	(3,840)
PROFIT BEFORE TAX	*5*	**3,724,945**	1,192,950
Income tax expense	*7*	**(430,314)**	(123,694)
PROFIT FOR THE YEAR		**3,294,631**	1,069,256
Attributable to:			
Owners of the parent		**3,301,635**	1,069,274
Non-controlling interests		**(7,004)**	(18)
		3,294,631	1,069,256
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB per share)	*9*	**9.02**	3.15
Diluted (expressed in RMB per share)	*9*	**9.00**	3.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,294,631**	1,069,256
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**25,690**	(5,132)
OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR, NET OF TAX	**25,690**	(5,132)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,320,321**	1,064,124
Attributable to:		
Owners of the parent	**3,327,325**	1,064,142
Non-controlling interests	**(7,004)**	(18)
	3,320,321	1,064,124

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,829,924**	3,336,854
Right-of-use assets		**539,716**	362,649
Goodwill		**146,183**	146,183
Other intangible assets		**57,679**	62,960
Deferred tax assets		**177,858**	186,930
Investments in associates		**277,256**	291,848
Prepayments, deposits and other receivables		**237,124**	354,709
Financial assets at fair value through profit or loss		**113,076**	103,766
Total non-current assets		**6,378,816**	4,845,899
CURRENT ASSETS			
Inventories		**1,510,413**	1,396,115
Trade receivables	*10*	**2,451,148**	1,816,201
Contract assets		**63,976**	742
Prepayments, deposits and other receivables		**376,398**	457,514
Tax recoverable		**17,866**	4,171
Financial assets at fair value through profit or loss		**2,151,062**	401,198
Cash and bank balances		**5,289,594**	6,234,457
Total current assets		**11,860,457**	10,310,398
CURRENT LIABILITIES			
Trade payables	*11*	**568,892**	551,866
Other payables and accruals		**1,511,198**	1,201,140
Interest-bearing bank borrowings		**–**	375,392
Lease liabilities		**28,487**	13,217
Amounts due to related party		**1,096**	–
Tax payable		**67,422**	63,190
Total current liabilities		**2,177,095**	2,204,805
NET CURRENT ASSETS		**9,683,362**	8,105,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,062,178**	12,951,492

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income		**168,121**	179,049
Lease liabilities		**109,859**	45,877
Deferred tax liabilities		**89,195**	116,554
Total non-current liabilities		**367,175**	341,480
Net assets		**15,695,003**	12,610,012
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**369,917**	263,044
Restricted shares under share-based payment		**(1,246,560)**	(481,820)
Other reserves		**16,524,071**	12,828,788
		15,647,428	12,610,012
Non-controlling interests		**47,575**	–
Total equity		**15,695,003**	12,610,012

1. CORPORATE AND GROUP INFORMATION

Asymchem Laboratories (Tianjin) Co., Ltd. is a limited liability company incorporated in Tianjin, the People's Republic of China (the "PRC"). The registered office of the Company is located at No. 6 Dongting 3rd Street, Economic-Technological Development Area, Tianjin, the PRC.

The Group is a world-leading, technology-driven provider of one-stop Contract Development Manufacture Organization (hereinafter referred to as "CDMO") solutions throughout the drug development and manufacturing process. The Group provides clinical stage CDMO solutions, commercial stage CDMO solutions and emerging services.

The Company's H-shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2021.

The directors of the Company consider the controlling shareholders of the Company are Asymchem Laboratories, Incorporated ("ALAB"), Dr. Hao Hong and Dr. Ye Song, who are spouses and also control ALAB. Through ALAB and their direct holdings, they held and controlled 36.66% of the equity shares of the Company.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, wealth management products and equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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 year, 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

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**1,560,199**	640,346
Overseas	**8,669,987**	3,991,775
	10,230,186	4,632,121

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

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**6,055,433**	4,554,818
United States	**32,449**	385
	6,087,882	4,555,203

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

Information about a major customer

In 2022, revenue of approximately RMB6,359,922,000 (2021: RMB1,764,914,000) 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

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Transfer of goods and services	**10,223,928**	4,629,138
Others	**6,258**	2,983
	10,230,186	4,632,121

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Commercial stage CDMO solutions	**7,568,209**	2,511,307
Clinical stage CDMO solutions	**1,662,241**	1,720,871
Emerging services	**993,478**	396,960
Others	**6,258**	2,983
Total revenue from contracts with customers	**10,230,186**	4,632,121
Geographical markets		
Mainland China	**1,560,199**	640,346
Overseas	**8,669,987**	3,991,775
Total revenue from contracts with customers	**10,230,186**	4,632,121
Timing of revenue recognition		
Goods transferred at a point in time	**9,783,333**	4,478,190
– Commercial stage CDMO solutions	**7,568,209**	2,511,307
– Clinical stage CDMO solutions	**1,479,073**	1,654,502
– Emerging services	**729,793**	309,398
– Others	**6,258**	2,983
Services transferred over time	**446,853**	153,931
– Clinical stage CDMO solutions	**183,168**	66,369
– Emerging services	**263,685**	87,562
Total revenue from contracts with customers	**10,230,186**	4,632,121

4. REVENUE, OTHER INCOME AND GAINS *(CONTINUED)*

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

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**131,046**	91,552
	131,046	91,552

	2022	2021
	RMB'000	*RMB'000*
Other income		
Government grants	**35,638**	107,233
Bank interest income	**76,625**	12,992
Foreign exchange gain	**433,605**	1,285
Others	**1,179**	2,340
	547,047	123,850

	2022	2021
	RMB'000	*RMB'000*
Other gains		
Gain on wealth management products	**97,585**	32,201
Gains on financial assets at fair value through profit or loss	**9,310**	17,766
	106,895	49,967
	653,942	173,817

5. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of sales	**5,397,598**	2,582,396
Depreciation of property, plant and equipment	**319,573**	196,937
Depreciation of right-of-use assets	**31,100**	15,704
Amortisation of other intangible assets	**11,304**	4,104
Research and development costs:		
Current year expenditure	**708,891**	387,478
Lease payments not included in the measurement of lease liabilities	**8,138**	1,345
Auditor's remuneration	**5,770**	3,700
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**1,661,640**	928,279
Share-based payment expense	**52,758**	45,133
Pension scheme contributions	**143,514**	290,654
Bank interest income	**(76,625)**	(12,992)
Fair value gain on financial assets at fair value through profit or loss	**(83,206)**	(18,965)
Loss on disposal of items of property, plant and equipment and other intangible assets	**5,315**	874
Loss on disposal of right-of-use assets	**210**	–
Impairment losses on financial and contract assets, net	**25,789**	22,380
Foreign exchange differences, net	**(432,735)**	12,146

6. FINANCE COSTS

An analysis of finance costs as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**6,568**	5,632
Interest on lease liabilities	**3,961**	1,696
	10,529	7,328

7. INCOME TAX EXPENSE

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

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The group entities incorporated in U.S. were subject to the federal corporate tax at a rate of 21% for the years ended December 31, 2021 and 2022. The group entities incorporated in U.K. were subject to tax at a rate of 19% for the years ended December 31, 2021 and 2022.

	2022	2021
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**448,600**	168,413
Deferred	**(18,286)**	(44,719)
Total tax charge for the year	**430,314**	123,694

8. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Proposed final – RMB1.80 (2021: RMB0.80) per ordinary share	**211,273**	145,560

The Directors proposed the 2022 profit distribution Plan ("**2022 Profit Distribution Plan**") as follows: distribution of a cash dividend of RMB1.8 per ordinary share (2021: RMB0.80 per ordinary share). Based on a total of 369,916,845 shares as at 30 March 2023 and excluding 5,229,266 shares repurchased by the Company through centralized price biding system, the total amount of the proposed final dividend is approximately RMB656,437,642 (including tax) (2021: RMB211,473,614 (including tax)).

The 2022 Profit Distribution Plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per Share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary Shares of 365,895,000 (2021: 339,636,000) 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 year, as used in the basic earnings per share calculation, and the weighted average number of restricted ordinary Shares with a contingent non-market performance condition assumed to have been released upon vesting of all dilutive potential ordinary Shares.

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

	2022	2021
	RMB'000	*RMB'000* (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**3,301,635**	1,069,274
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(2,314)**	(1,013)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,299,321**	1,068,261

	Number of shares	
	2022	2021 (Restated)
Shares		
Weighted average number of ordinary Shares in issue during the year used in the basic earnings per share calculation	**365,895**	339,636
Effect of dilution – weighted average number of ordinary Shares: Restricted A-shares	**796**	1,704
Weighted average number of ordinary Shares in issue during the year used in the diluted earnings per share calculation	**366,691**	341,340

The 2021 annual general meeting of the Company approved the Profit Distribution Plan for 2021 which included the issuance of capitalization shares on the basis of 4 capitalization shares for every 10 shares of the Company by way of capitalization of reserve. The comparative figure was adjusted to reflect the capitalization issue.

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**2,553,958**	1,898,005
Impairment	**(102,810)**	(81,804)
	2,451,148	1,816,201

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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**2,420,627**	1,777,657
1 to 2 years	**26,089**	34,631
2 to 3 years	**4,432**	3,913
	2,451,148	1,816,201

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**81,804**	56,617
Impairment losses recognised	**21,006**	25,187
At end of year	**102,810**	81,804

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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**492,029**	536,914
1 to 2 years	**61,911**	9,561
Over 2 years	**14,952**	5,391
	568,892	551,866

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

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

12. SHARE CAPITAL

Shares

	2022 ***RMB'000***	2021 *RMB'000*
Issued and fully paid:		
369,916,845 (2021: 263,043,518) ordinary Shares	**369,917**	263,044

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

	Number of Shares in issue	**Share capital** *RMB'000*
At 1 January 2022	263,043,518	263,044
Issue of H-shares under the over-allotment option (Note (a))	1,265,500	1,265
Share premium transferred to share capital (Note (b))	105,709,847	105,710
Cancellation of restricted A-shares (Note (c))	(102,020)	(102)
At 31 December 2022	**369,916,845**	**369,917**

Notes:

(a) On 10 December 2021, the Company completed its H-share global public offering. On 5 January 2022, the Company issued 1,265,500 H-shares under the over-allotment option. The net proceeds received from the issuance amounted to RMB387,731,500, of which, RMB1,265,500 was credited as share capital, and RMB386,466,000 was credited to share premium.

(b) Pursuant to a resolution of the shareholders of the Company on 9 June, 2022, the Company issued 4 new Shares for each 10 existing Shares of the Company to all shareholders, and transferred RMB105,710,000 (2021: Nil) from share premium to share capital.

(c) During the year ended 31 December 2022, a few of the Company's original incentive recipients resigned and lost their right to receive the incentives, therefore, the Company repurchased and cancelled the restricted A-shares previously held by the incentive recipients with a deduction from the restricted A-shares under share-based payments.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

(I) Industry in Which the Company Operates During the Reporting Period

1. Development trends in the industry in which the Company operates

The basic value of CDMOs is to balance the growing demand for new drugs and the rising research and development ("**R&D**") costs. With the rapid development of the pharmaceutical market, they rely on the accelerated trend of specialization and division of labor in the pharmaceutical R&D industry chain to reduce new drug R&D and production costs. In terms of industry indicators, the R&D investment and outsourcing penetration rate of pharmaceutical companies are among the key factors affecting the development of the CDMO industry. Global pharmaceutical R&D input will grow from US$243.7 billion in 2022 to US$328.8 billion in 2026, with a CAGR of approximately 7.8%, according to the industry research report by Frost & Sullivan (the "**Frost & Sullivan Report**"). According to Pharma Intelligence, the number of phase I drugs in the global drug development pipeline increased by 10.1% in 2022 compared to the previous year, reflecting relatively sound momentum in early drug discovery and development, and the number of drugs in phase II and phase III clinical stage increased by 6.4% and 8.7% compared with the previous year, respectively. Over the recent years, the number of drugs in late clinical trials has been on the growth. In 2022, the number of new drugs under R&D in the world reached 20,109, with an increase of 8.22% from 2021 and nearly double the growth rate of 4.76% in the previous year. Constantly high R&D investment and sufficient R&D pipeline numbers provide broad market potential for CDMOs.

While the number of global drug research pipelines is increasing year by year, it is being structurally adjusted and diversifies. According to Pharma Projects, in 2011, the number of R&D pipelines of the top 25 pharmaceutical companies in the world accounted for more than 18% of the total, while in comparison, in 2021, the figure dropped to merely 9%, and the share of the companies which have only one or two drugs rose to 19%. Amid rising R&D costs of innovative drug and fierce sales competition after drug launches, large pharmaceutical companies and small and medium-sized innovative drug companies are more willing to outsource part of R&D and production. It has become a defining trend for large pharmaceutical companies to choose professional CDMOs, which has accelerated in recent years. Small and medium-sized innovative drug companies usually invest most of their financing in core R&D, and most of them lack manufacturing plants and equipment. In consideration of promoting R&D, capital allocation and cost control, their demand for R&D and production outsourcing services is more prominent, and the overall penetration rate of outsourcing is still increasing. According to the Frost & Sullivan Report, the outsourcing proportion of global pharmaceutical R&D investment will increase from 46.5% in 2022 to 55.0% in 2026, among which the outsourcing proportion of Chinese pharmaceutical R&D investment will increase from 42.6% in 2022 to 52.2% in 2026.

In addition, China's pharmaceutical industry shifted from generic drugs to innovative drugs. According to Pharma Intelligence, China's share of pharmaceutical R&D companies jumped from 9% to 12% of the global total number in 2022, with the number of companies surging from 522 to 792 with a staggering 43.3% increase. China accounted for 20.8% of drugs under R&D, second only to the United States. According to the Frost & Sullivan Report, the R&D investment of China's pharmaceutical industry will increase from US$32.7 billion in 2022 to US$52.9 billion in 2026, with a CAGR of approximately 12.8%. In recent years, the reform of the pharmaceutical system has been accelerated, and the legal system of drug supervision and management and the protection of intellectual property rights have been improved. The domestic pharmaceutical industry has ushered in a wave of innovative drug R&D. On the road to innovation internationalization, overseas filing for marketing and overseas product authorization are parallel. The domestic CDMO market will also usher in a golden period of development with the fast-rising domestic innovative drugs.

According to the Frost & Sullivan Report, the CDMO market outpaces pharmaceutical sales in terms of growth rate. The global CDMO market for intermediates and APIs is approximately US$83.0 billion in 2020, of which approximately one third is made up of orders from the Asia-Pacific region. The CDMO market for drug products is approximately US$26.0 billion, with a smaller market size and penetration rate than the intermediate and API market. Emerging markets represented by China are seeing a fast-growing pharmaceutical outsourcing industry, and have elbowed its way into the global innovative pharmaceutical enterprises cGMP supply chain system, gradually occupying the European and American CMO/CDMO market space, and are in the transition stage from intermediate CDMO to API and pharmaceutical CDMO. 55% of the drugs in the global R&D pipeline have some development activity conducted in the United States, while one fifth in China, demonstrating China's potential for drug development. At the same time, it granted CDMO enterprises enjoying engineer talent bonuses, supply-side processes and engineering platforms the right to say to improve their competitiveness in the global industrial chain. According to the Frost & Sullivan Report, the global market for outsourced services (excluding macromolecule CDMOs) provided by Chinese pharmaceutical R&D service companies will grow from RMB131.2 billion in 2022 to RMB336.8 billion in 2026, with a CAGR of approximately 26.6%.

2. Position of the Company in the industry

As a leading technology-driven CDMO company in the global industry, the Company provides excellent services and solutions throughout the full drug lifecycle from drug R&D to commercialization for domestic and foreign pharmaceutical companies and biotechnology companies, and accelerates the clinical research and commercial application of innovative drugs. The Company has been implementing all standards with high requirements, high standards and high-quality work specifications, and adhering to the cGMP quality management system and EHS management system with first-class international standards, and improving the production management and project management capabilities. The Company has also established a "customer-centric" business orientation in the global cooperative pharmaceutical network that has been in place for years and improves day by day. These efforts have contributed to the Company's position as a "trusted and reliable CDMO partner" in the industry, enabling it to create value for global new drug R&D customers with diverse needs. Through technology marketing, the Company has established a marketing network covering global mainstream pharmaceutical enterprises, and can undertake many blockbuster drug orders at the same time. It has forged deep embedded cooperation with international pharmaceutical giants and biotechnology companies, and become a partner in the global drug R&D and production. Starting with every single person, product and service, the Company is committed to becoming a long-term strategic partner of a slew of multinational pharmaceutical companies.

Thanks to its years of accumulated technology and the ongoing evolution of the R&D platform advantages, the Company takes technological innovation as the core driver and has accumulated a wealth of industry advantages through the design, R&D and production of the best CDMO solutions that can be reasonably developed and scored significant benefits and the rapid response to the diversified needs of customers. It provides customized products and services in accordance with the highest regulatory standards of the international industry, helps shorten the R&D cycle and accelerate the approval of the marketing of more innovative drugs worldwide with excellent process development ability, significantly reduces the commercial production cost of listed drugs with continuous process optimization ability, continues to empower innovative drug companies to create a sustainable development model with low energy consumption, low emissions and high efficiency. It enjoys higher technology additional profit margins while achieving differentiated operations, leads the sound development of the pharmaceutical outsourcing industry at home and abroad, and maintains its leadership in the industry. The continuous reaction and bio-enzyme catalysis are regarded as the most cutting-edge technology solutions in the drug manufacturing industry. Only a few companies in the world can realize scaling up the continuous reaction in the laboratory to large-scale production in the current situation, and the Company is one of the few companies in the world that extend the continuous reaction technology to large-scale production. The application rate of new technologies such as continuous reaction technology and bio-enzyme catalysis technology in the middle and late-stage clinical projects of the Company exceeded 33%.

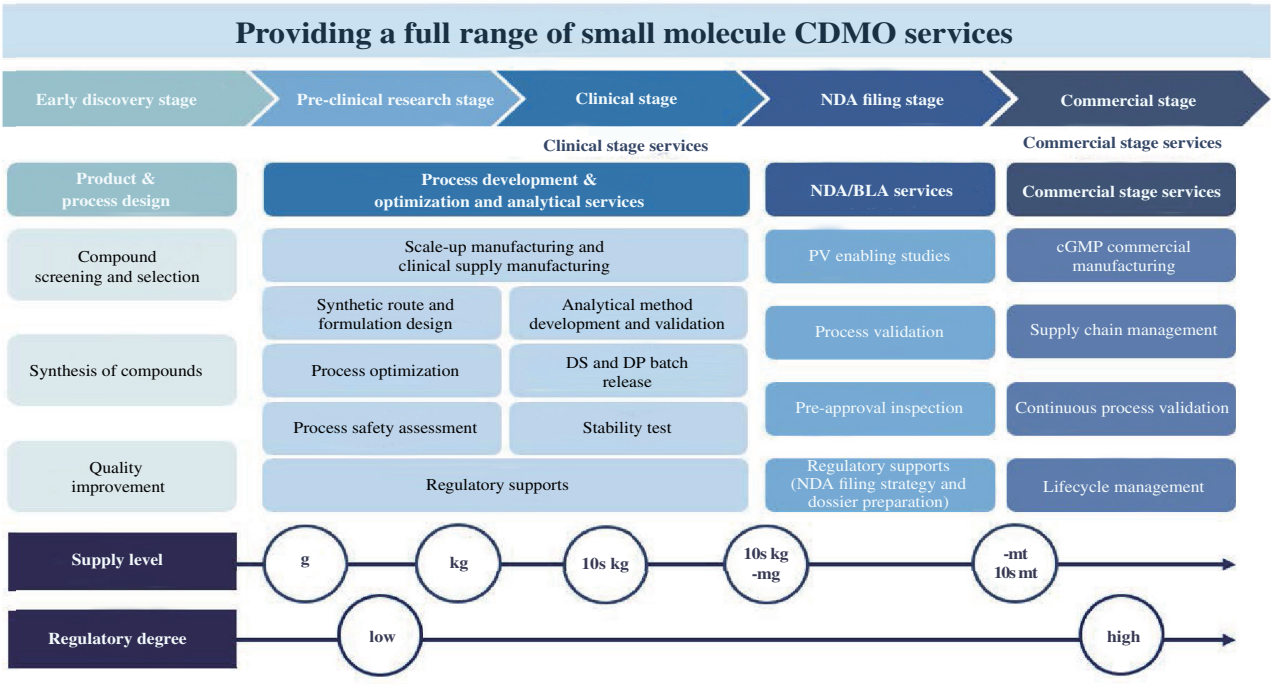
(II) Principal Business of the Company During the Reporting Period

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 CMC 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 build a professional one-stop service platform.

1. Small molecule CDMO service

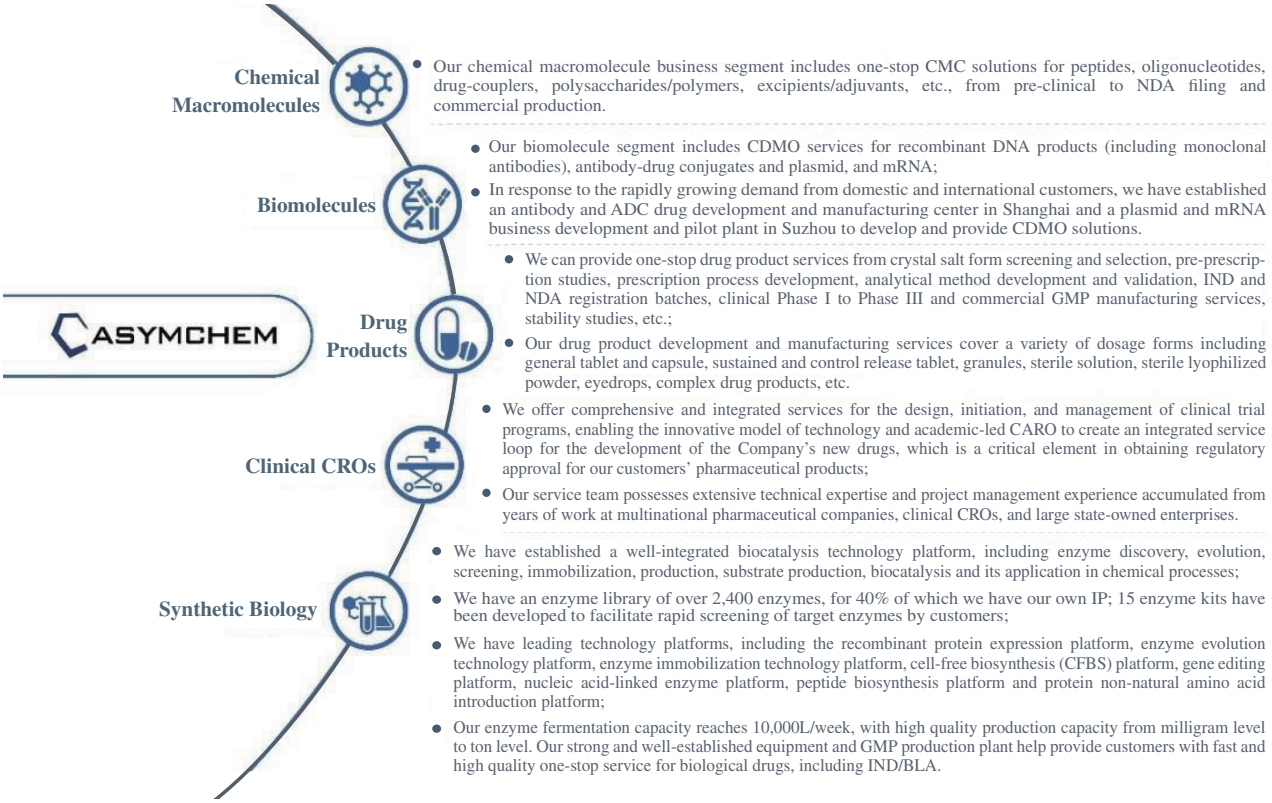
At the stage of drug development and clinical research, we help new drug R&D companies develop and improve their process routes to enhance their R&D efficiency and success rate and reduce R&D costs. At the stage of drug commercialization and supply, we reduce production costs and improve production efficiency through continuous process optimization, while ensuring product quality and supply stability, which can also greatly save pharmaceutical companies' investment in fixed assets and allow them to devote more resources to R&D.

The Company provides 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.



2. Emerging services

The Company has formulated the "two-wheel driven" strategy 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, by adhering to this strategy, 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, biomolecule CDMO, synthetic biology technology and other emerging business segment development. This helps the Company shape a professional and comprehensive innovative medicine one-stop customized service platform.



(III) Core Competitiveness Analysis

The Company 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 CMC 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. We are committed to becoming a reliable partner of first choice for the global pharmaceutical industry by providing excellent CDMO services and solutions throughout the full life cycle of drugs from R&D to commercialization.

CDMO services, which include process development, scale-up and commercial manufacturing services, are critical to the R&D of new drugs and directly affect the possibility of drug clinical application and commercialization success. Compared with CMO enterprises that provide traditional contract manufacturing services, the Company focuses on strengthening the capability of "D" (Development) and continuously improves it. We can quickly solve the new and complex process problems and technical challenges faced by customers, and quickly realize the transformation from small laboratory trials to large-scale production. With more than 20 years of experience in serving multinational customers with strict requirements, the Company has established a first-class operation system of R&D, production, quality control and project management in line with the highest industry standards in the world and strong executive force, focusing on the highly regulated, high-value-added, high-magnitude areas, and covering the full drug development cycle from the early clinical phase to the commercialization phase. We can provide cutting-edge technical support for the process

development, formulation development and process optimization involved in drug R&D and production, and customize the production of key intermediates, APIs and preparations. Since 2016, the Company has provided process development and manufacturing services for more than 800 customers worldwide, including several blockbuster drugs with sales amount of US$1 billion or more after marketing and blockbuster drug candidates.

With a customer-centric philosophy, the Company is the partner of first choice of many multinational pharmaceutical companies and leading biotechnology companies. In addition to forming strong cooperation stickiness with global pharmaceutical giants such as Pfizer, Merck, AbbVie, Eli Lilly, Bristol-Myers Squibb and Astrazeneca, and constantly improving the penetration with core large pharmaceutical company customers and global pipelines, the Company continues to expand the coverage of high-growth customers, establishing multi-dimensional collaboration with ZLAB, Betta Pharmaceuticals, Hutchison Whampoa, Innovent Bio, Jacabio, Mersana Therapeutic, Mirati Therapeutic and other outstanding emerging pharmaceutical companies and biotechnology companies at home and abroad. Thanks to years of cooperation and outstanding track record, the Company has won the long-term trust of customers and cultivated a high-quality, stable and growing customer base.

1. We are a world-leading, technology-driven CDMO company providing one-stop integrated solutions

The Company is a world-leading, technology-driven one-stop integrated CDMO service provider, providing comprehensive services and solutions throughout the whole process of drug development and production. With deep technical background, rich project experience, good reputation among customers and international quality management ability, the Company takes "D" as its strategic support, which is different from traditional contract manufacturing service CMO enterprises, and constantly improves its innovation ability. While consolidating the main track of small-molecule CDMO, the Company, with deep technical accumulation and established quality and service management systems formed over the years, keeps spreading competitive advantages, continuously extends the service chain and expands the service field, expanding the CDMO capability to new business areas: chemical macromolecules such as peptides and oligonucleotides, clinical CRO services, pharmaceutical preparation solutions, ADC, mAb, mRNA and other biomolecule CDMO business, and synthetic biology solutions. We have built a professional one-stop customized service platform and increasingly improved our service system to escort global drug R&D and production.

2. We have a world-class, continuously evolving R&D platform and we keep on making improvements and breakthroughs

The Company is a leading technology enterprise in the CDMO industry. With profound technical strength, we can solve all kinds of complex technical problems and technical bottlenecks in the development and production of small molecule drugs, bringing development efficiency and cost effectiveness to customers. Among the top ten sustainable technologies of the future selected by the International Union of Pure and Applied Chemistry in 2019, three are related to pharmaceuticals, including continuous production and enzyme engineering technologies, which are covered by our Center of Flow & Continuous Technology (CFCT) and Center of Synthetic Biology Technology (CSBT) platforms, respectively. Boasting an advanced R&D platform equipped with more than 4,656 scientists and engineers, the Company becomes an engine of technological innovation and is committed to developing cutting-edge and future critical technologies. With enzyme engineering technology, our Center of Excellence for Process Science (CEPS) and CFCT have established our global leading position in the small molecule CDMO business and provided a significant competitive advantage. Through the CSBT, we can vigorously promote one-stop synthetic biological services starting from molecular biology (recombinant expression). The Institute for Advanced Pharmaceutical Materials (IAPM) can meet our overall business needs for special materials. The Center of Drug Delivery and Formulation (CDDF), which develops cutting-edge delivery and preparation technology platform, is committed to high-end preparation research and development and drug delivery technology R&D, in order to cover the "last mile" in the delivery of drugs to patients. The Center of Biological Technology and Innovation (CBTI) undertakes scientific developments related to biomacromolecules (antibodies, fusion proteins, etc.) and advanced therapies. The Technology Innovation Center for Clinical Research (TICCR) undertakes the task of academic leadership and technology-driven innovation in clinical trials, aiming to improve the quality and efficiency of clinical trials. The Centre for Intelligent Manufacture Technology (CIMT) enables intelligent management and manufacturing through artificial intelligence (AI) and data science. The eight technology centers are committed to storing forward-looking technologies, leading technological innovation, and providing strong technical support for the development of the Company's new deployments in new directions.

3. We have efficient operation and quality systems for enterprise development

With years of experience in serving demanding multinational pharmaceutical companies, the Company has established a first-class integrated operating system of R&D, manufacturing, quality control and project management in line with the highest global industry standards, a rigorous cGMP quality system and a comprehensive EHS management and QA system. Always implementing the standards based on work specifications of high requirements, high standards and high quality, and supported by extensive and continuous training, we have passed 35 official audits by major regulatory agencies such as FDA, NMPA, TGA, MFDS and PMDA since 2011, with a pass rate of 100%. The Company is always managed in strict accordance with cGMP standards and is ready to accept audits from regulators and customers at any time.

4. Multi-level and high-quality customer groups have built a "reservoir" of project reserves

Since its establishment, the Company has been adhering to the technical marketing and customer-centered service concept. We are not only a provider of outsourcing services to customers, but also a trusted partner of customers. The Company has established collaborations with 15 of the top 20 pharmaceutical companies in the world, and has continuously served eight of them for more than ten years. By rapidly responding to customer needs, optimizing the R&D process, and constantly developing and improving product solutions, the Company can effectively shorten the R&D cycle of new drugs. By optimizing production costs and achieving precise service for customers on the premise of ensuring quality and service standards, we have won lasting trust and cooperation from a wide range of customers around the world. According to public data, for the five largest multinational pharmaceutical companies based in the United States, the Company served the relevant work of approximately 30% of the small-molecule drug candidates in phase II or III clinical stage, and 50% for one of them. Under the background of the increasingly complicated and difficult R&D of new drugs and the increasingly diversified demands of customers, the Company actively develops biotech customers at home and abroad, and always maintains rapid response to customer needs and rapid deployment. We provide professional teams of "process development laboratory + core chemistry team + production technical support department" for each project to quickly provide the best solutions, and we have gained reputation for "meeting customer needs in a timely, high quality and customized way".

5. We have a stable, visionary and experienced, results-oriented core management team

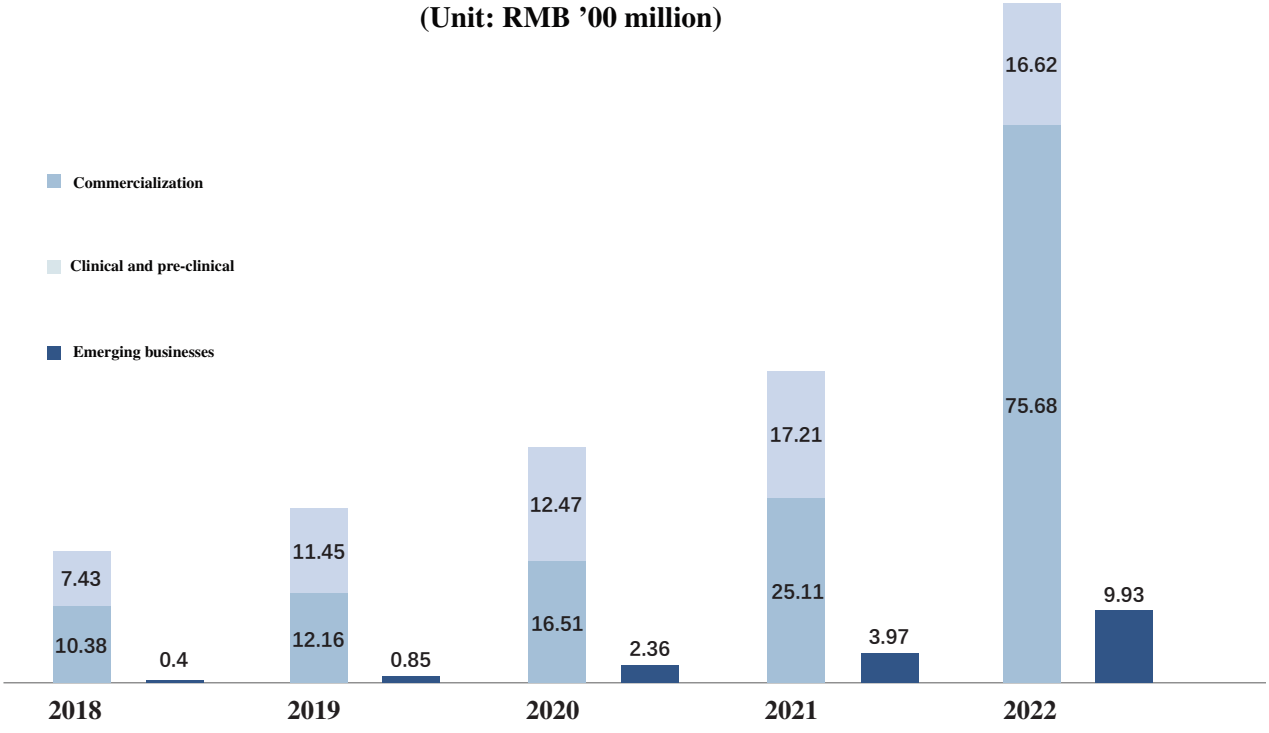
The founding team, led by Dr. Hao Hong, has rich experience and extensive expertise in the pharmaceutical industry. The core management team has an average of 20 years of industry experience, and most of the team members have worked together for more than 10 years, with extensive experience in their fields, outstanding leadership, great vision and ambition. Excellent leaders are the soul of the Company's rapid development. The Company attaches great importance to talent and has a diversified talent pool that boasts global vision, advanced technical knowledge, strong executive force and a sense of ownership. Driven by a culture of excellence and customer focus, out talents can help customers overcome complex process development and production challenges through teamwork and collaboration.

In addition, the Company has an advisory team composed of top experts at home and abroad, has set up "Asymchem Board of Scientific Advisors (BSA)" and "Asymchem Board of Development Strategy Advisor (BDSA)", in which there are many Nobel Prize winners in chemistry, famous institute professors, multinational pharmaceutical executives, domestic and foreign authoritative experts, scholars and industry leaders in pharmaceutical-industry-related field. The BSA aims to provide world-class technical guidance for the development of the Company, participate in the review, evaluation and acceptance of our R&D projects, propose suggestions on research, development, promotion and application of advanced technologies, organize and guide the relevant technical personnel to carry out technical breakthroughs, and further promote the Company to develop the world's most cutting-edge pharmaceutical technology. The BDSA aims to give full play to the industry advantages of experts and scholars, form intellectual synergy, and improve the professional and scientific level of our strategic decision-making for the development of our domestic market.

(IV) Main Business Analysis

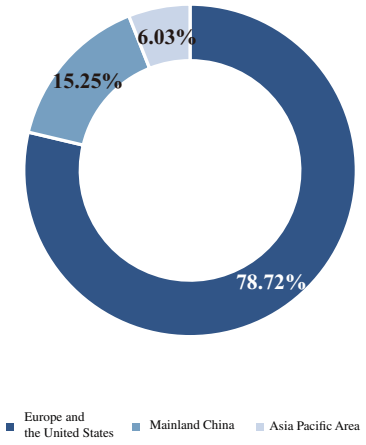
In 2022, against the backdrop of the challenging new global economic and geopolitical situation, the Company achieved rapid growth in operating revenue and net profit, and sustained improvement in core competitiveness as it adhered to the business guideline, "to deliver large orders, increase the market share, upgrade the system, and promote the technology". Securing its normal delivery of large orders, the Company continues to consolidate its competitive advantages in the small molecule field, actively explores new markets and develops new customers, and promotes the rapid expansion of strategic emerging business segments. During the Reporting Period, the Company recorded a total revenue of RMB10.23 billion, representing an increase of 120.9% year-on-year. The small molecule CDMO business and emerging business recorded revenue of RMB9.23 billion and RMB0.993 billion, respectively, representing an increase of 118.1% and 150.3% year-on-year respectively.

Revenue of small molecule CDMO business and emerging business segment from 2018 to 2022 (Unit: RMB '00 million)

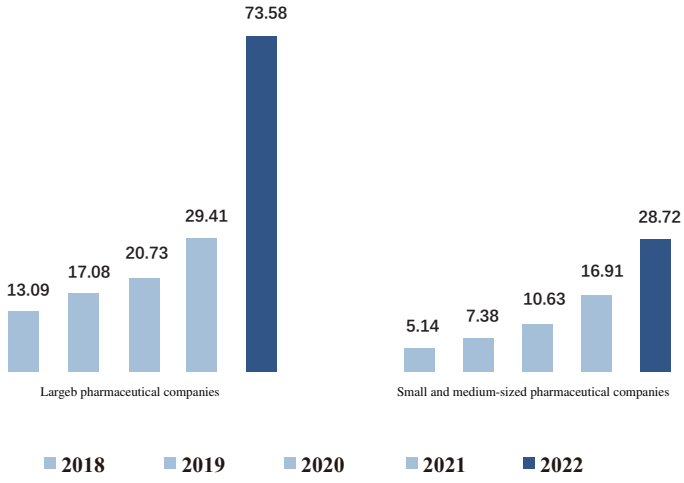


Revenue from overseas customers amounted to RMB8.67 billion, representing an increase of 117.2% year-on-year, with revenue from Europe and the United States increasing by 112.7% and revenue from Asia Pacific (except China) increasing by 169.9%; while the domestic market has entered into a harvest season with revenue amounting to RMB1.56 billion, representing an increase of 143.6% year-on-year. 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. Revenue from large pharmaceutical companies amounted to RMB7.358 billion, representing an increase of 150.2% year-on-year. On the other hand, the Company proceeds with "expanding", and the number of order customers reaches 561, with more than 1,000 active customers. Revenue from small and medium-sized pharmaceutical companies amounted to RMB2.872 billion, representing an increase of 69.8% year-on-year. As of the date of this announcement, taking into account the executed orders in 2023, the Company has orders in hand of US$1.150 billion.

Revenue distribution, 2022



Revenue trends for large/small and medium-sized pharmaceutical companies from 2018 to 2022 (Unit: RMB '00 million)



During the Reporting Period, benefiting from the scale effect brought by the Company's commercialization project and the capacity utilization rate at a high level, the Company's gross profit margin reached 47.2%, representing an increase of 3.0 percentage points from 2021. Meanwhile, the Company continued to control various expenses, and the fluctuation of RMB exchange rate brought more exchange gains for the Company, so the Company's net profit growth was significantly higher than the revenue growth rate. During the Reporting Period, the net profit attributable to shareholders of the parent was RMB3.302 billion, representing an increase of 208.8% year-on-year, and the net profit margin reached 32.3%; the Company's adjusted net profit attributable to shareholders of the parent was RMB2.999 billion, representing an increase of 167.0% year-on-year, and the adjusted net profit margin attributable to shareholders of the parent reached 29.3%, both of which were the highest since the listing of the Company.

1. Small molecule CDMO business

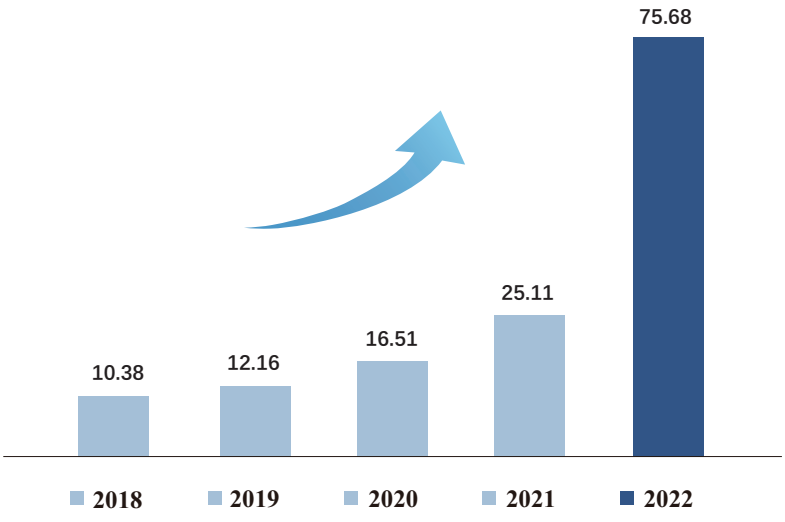
At present, the global small molecule CDMO business features a broad market with low industry concentration and a sustained increase in industry penetration. Based on over 20 years of accumulation, the Company has been able to take the leading position of "D" in the industry and built an evolving R&D 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. During the Reporting Period, the Company's small molecule CDMO business recorded a revenue of RMB9.230 billion, representing an increase of 118.1% year-on-year.

(1) High-quality delivery of large orders strongly drives robust growth of revenue in commercialization projects

During the Reporting Period, the Company's R&D, production, analysis, supply chain management, quality and other departments and teams achieved seamless cooperation and worked in coordination to complete the delivery of large commercialization orders with high efficiency and quality, fully meeting the urgent drug supply needs of customers. The Company fully utilized the advantages of fine management and platform system and continuously optimized process, with increased use of new technologies and proportion of intelligent equipment, highlighting the advantages of the scale effect. This demonstrated our global competitive advantage in the commercialization of small molecule CDMOs. Driven by large orders, the Company completed 40 commercial projects, achieving revenue of RMB7.568 billion, representing an increase of 201.4% year-on-year, and gross profit of RMB3.816 billion, representing an increase of 220.40% year-on-year, and gross profit margin of 50.40% during the Reporting Period.

At the same time, the track record of the project has brought a good demonstration effect to the Company and strongly promoted the in-depth cooperation with other multinational customers for the commercialization of API. As of the date of this announcement, the Company has newly added two API validation projects for large multinational companies.

Change in sales revenue growth of commercialization projects from 2018 to 2022
(Unit: RMB '00 million)

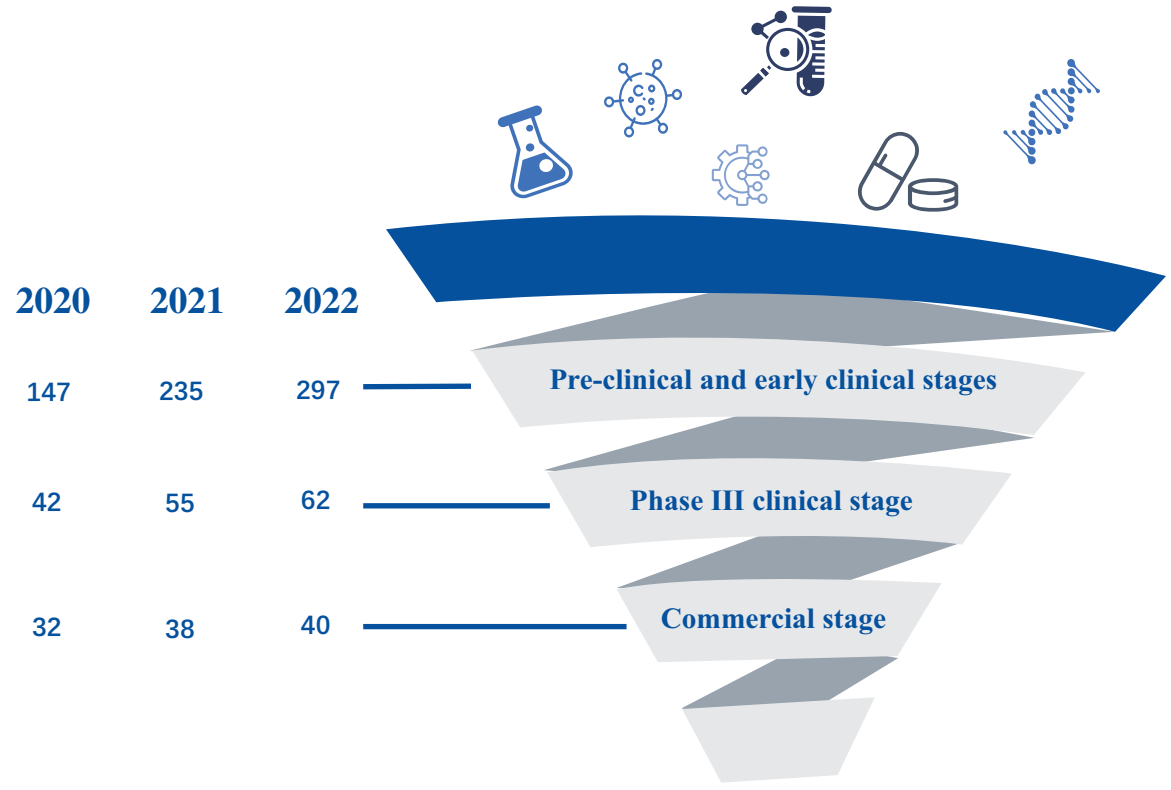


(2) Diversified and rational project structure continues to promote long-term growth in performance

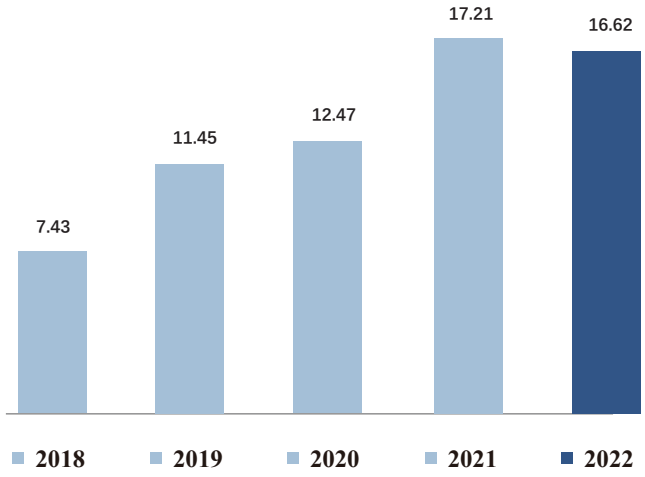
During the Reporting Period, the Company had a total of 359 clinical stage projects, including 62 clinical Phase III projects, and the revenue from small molecule clinical CDMOs was RMB1.662 billion, representing a slight year-on-year decrease as compared to 2021, mainly due to the delivery of two large-scale anti-virus-related projects in 2021. If this factor is excluded, the revenue would have increased by 19.0% year-on-year. During the Reporting Period, gross profit amounted to RMB684 million, representing a year-on-year decrease of 2.3%, which was slightly lower than that of 2021.

The Company has put more effort in its early-stage project development, laying the foundation for long-term growth. During the Reporting Period, the Company completed 297 clinical and pre-clinical projects, representing a year-on-year increase of 26.4%. 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 KRAS, JAK, TYK2, etc., with projects accounting for more than 60%, securing project reserves for the continued acquisition of commercial orders of bulk drugs.

Number of projects in each stage of the Company from 2020 to 2022 (Unit: Number)



Change in sales revenue growth of clinical and pre-clinical projects from 2018 to 2022 (Unit: RMB '00 million)



(3) More focus is placed on new market expansion, with China and Japan markets accelerating the pace of entry into the harvest season

During the Reporting Period, the Company cooperated with cutting-edge Biotech companies with advanced technology service capabilities by leveraging its market reputation and core competencies accumulated over the years in the small molecule CDMO market, which helped the accumulation of the scale effect of knowledge and a sustainable increase in revenue from overseas small and medium-sized innovative drug companies, with a year-on-year revenue growth of 24.8% in 2022.

After years of hard work, the Japan market has entered the harvest season, with the in-depth cooperation with existing customers being continuously improved and new customers being developed in an orderly manner. With the service projects gradually entering the late stage and commercialization stage, the revenue has grown rapidly. In 2022, the revenue from this region increased by 201.80% year-on-year.

After assisting the Hutchison Whampoa with its Surufatinib project successfully launched in China, the Company continued to provide relevant services for its U.S. NDA projects. In total, we have successfully passed nine on-site verifications of NDA projects from NMPA. Based on the good service record and demonstration effect, the Company's domestic market business has made positive progress. During the Reporting Period, domestic customers of small molecule CDMO business recorded revenue of RMB780 million, representing an increase of 106.3% year-on-year. As of the date of the announcement, there were 40 orders in the domestic NDA phase under execution. The Company gained experience from a number of mature projects efficiently completing dynamic verification, which will drive rapid growth of the Company's domestic revenue with gradual commercialization of the projects both in and outside China.

(4) The application of new technologies and technology export is increased to enhance economic benefits and efficiency

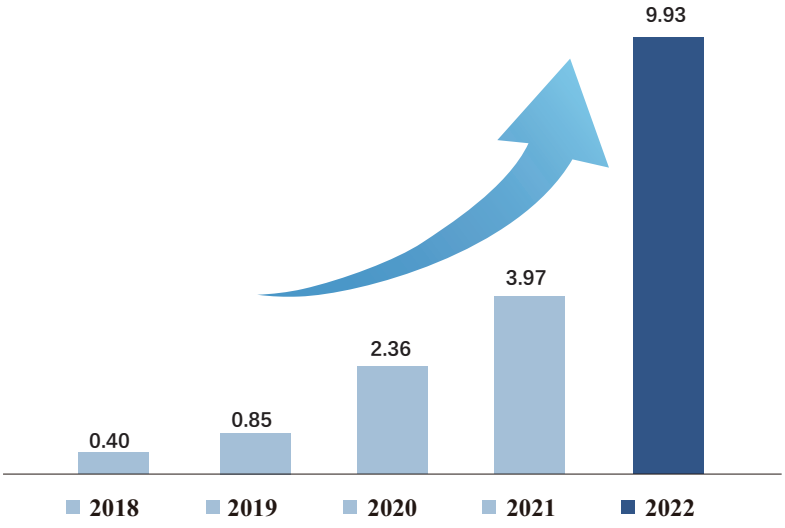
Relying on the Company's global leading R&D capability in small molecule chemical processes and its sustainably evolutionary R&D platform, the Company further strengthened the application ratio of new technologies such as continuous reaction and biological enzyme catalytic technology in the production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

The Company actively carried out the export of continuous reaction technology while stepping up the internal application of continuous reaction technology. By using the Company's continuous reaction technology, our partners can improve production safety and significantly improve efficiency and reduce costs, forming a win-win situation. In 2022, the Company signed a number of orders for continuous reaction process development and technology export, and the service field has been gradually extended from the pharmaceutical field to the chemical industry.

2. Emerging businesses

Leveraging our competitive advantages accumulated in the small molecule segment, the Company promoted the development of new businesses such as chemical macromolecule, clinical research services, drug product, biological macromolecule and biosynthesis technology. The Company accelerated the construction of its talent team and capabilities and continued to improve its business layout. During the Reporting Period, we achieved revenue of RMB993 million, representing an increase of 150.3% year-on-year, gross profit of RMB333 million, representing an increase of 109.4% year-on-year, and gross profit margin of 33.5%, representing a certain decrease compared with 2021, mainly because the biological CDMO business is still in the business expansion period and its gross profit margin is relatively low, and the average gross profit margin of the other businesses is roughly the same compared to 2021.

Sales revenue growth of "emerging businesses" from 2018 to 2022
(Unit: RMB '00 million)



(1) Chemical macromolecule business segment

During the Reporting Period, the chemical macromolecule business generated a revenue of RMB372 million, representing an increase of 138.5% year-on-year. A total of over 40 new customers were developed, 68 new projects were undertaken, and a total of over 25 projects were advanced to stages later than Phase II, including oligonucleotide, polypeptide, toxin-linker and excipients, during the Reporting Period.

Oligonucleotide CDMO is a key business segment for the Company. With production experience, technical background and operational advantages accumulated over the years, Asymchem has made significant progress in building up its technical capacity, professional team, productivity and customer base during the Reporting Period, laying a solid foundation for the future development in this segment. In particular, the Company completed the establishment of a quality control platform for oligonucleotide process and analysis, improved the supply chain system of raw materials and consumables, and completed the construction of a first-class production line with an annual output of hundreds of kilograms, which shows that the Company is equipped with the production capacity from clinical stage to commercialization stage. During the Reporting Period, Asymchem recorded an increase in business revenue from oligonucleotide by more than 464% year-on-year, and undertook over 25 new projects, including 5 projects beyond Phase II. Our oligonucleotide team has made major progress in the development of new technologies, which proposed solutions to such challenges as single technology, low efficiency, insufficient capacity, large amount of three wastes and high production cost, thereby laying a solid foundation for future project development.

As our business in peptide, toxin-linker, peptide-drug coupling, pharmaceutical polymer, and cationic lipid continued to grow, we maintained high-quality project delivery with our customer service scope continuously expanded. During the Reporting Period, we have undertaken over 40 new projects, completed three validation production projects, and kept five validation production projects in progress. We made comprehensive progress in these chemical macromolecules in terms of technical capacity and productivity, and particularly, doubled the production capacity of OEB5 and cytotoxic, preparing to further advance our projects for customers.

(2) Clinical research services

During the Reporting Period, the revenue from clinical research services was RMB264 million, representing a year-on-year increase of 201.14%, 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. We have signed more than 260 new project contracts, of which more than 150 are innovative drug projects, and nearly 100 projects are in the areas of oncology, immunology, infection and infectious diseases, and the number of Phase II and III projects is gradually increasing.

During the Reporting Period, we assisted our clients in obtaining clinical trial implied licenses for 14 projects, and a number of projects successfully proceeded to the clinical stage. We completed the delivery of various clinical trial projects with high quality and continued to improve our multi-center clinical trial service capability. In the field of cell and gene therapy, where we had certain advantages, we added more than 30 new projects and helped clients obtain IND implied licenses for cellular drugs for acute respiratory distress syndrome, liver failure, lupus nephritis, coronary heart disease, knee arthritis, etc. We also helped the world's first lung basal stem cell drug and the first dental pulp stem cell in China and other clinical trial projects advance smoothly. We successfully completed the team integration after the merger and acquisition of Improve Quality, and continued to promote the development of data management and statistical analysis business, with revenue from this segment growing by more than 50% year-on-year compared with Improve Quality's revenue in 2021. The CDMO business segment "GXP" one-stop service under the Clin-nov Medical, Yugen Medtech and Group was further promoted to reduce customer management costs and improve R&D efficiency, and a number of projects completed registration and received clinical trial implied licenses. In order to improve the overseas capacity construction, we have established an overseas business team in Boston and reached strategic cooperation with six overseas CROs to facilitate the smooth submission of the first one-stop Sino-US double project IND application to FDA. We continued to focus on quality management, passed the audit of a number of important customers, assisted a number of projects in successfully passing the inspection of the National Medical Products Administration, and helped the first oral anti-specific drug Azvudine in China to be conditionally approved for the market.

We continue to promote the capacity building of TICCR, build the differentiated competitiveness under the Clin-nov Medical and academically led CARO model, including improving the medical capacity, especially in the fields of rare diseases, critical diseases, advanced therapies, etc.. We will strengthen the academic cooperation with clinical experts to enhance influence. The first scientific and technical advisory committee, scientific committee and program review committee were set up to enable high-quality projects in various fields. Digital application is introduced into the enrollment field to improve enrollment efficiency and achieve cost reduction and efficiency increase.

(3) Drug product business segment

The drug product segment sustained a rapid growth and achieved a revenue of RMB228 million during the Reporting Period with an increase of 84.5% year-on-year. There are more than 100 new drug product projects ongoing which include more than ten NDA projects, covering new customers from China, the United States, South Korea, etc.

We have the full capability of R&D and commercialization for oral solid dosage from, topical dosage form and sterile drug products. During the Reporting Period, our drug product team successfully completed process validation and NDA filing for multiple projects, which are the solid foundation for our drug product business being subject to on-site inspection from the National Medical Products Administration and entering into commercialization stage in 2023. During the Reporting Period, our drug product team began to build the capability of clinical supply services to further expand the drug product service scope. By continuously strengthening the technical capabilities, our team had successfully completed the process validation for the project with hot melt extrusion process, fully demonstrating our delivery ability and development potential. Our drug product team has overcome a series of

technical challenges in scale-up production of multiple complex dosages, such as liposome dosage, to successfully achieve process scale-up in the cGMP plant with great quality and timeline control, and achieve breakthroughs in high-end and complex dosage production. During the Reporting Period, the R&D and production ability of topical dosage form has been enhanced, with multiple projects moving forward smoothly. The sterile drug product business has achieved a rapid growth, with the number of the orders for ophthalmic drug products being increased by 150% year-over-year, and the completion of several projects R&D, manufacturing and regulatory filing for US and China. The number of oligonucleotide and polypeptide injection projects has been increased significantly, with multiple projects successfully entering into clinical stages. 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

During the Reporting Period, the biomolecule CDMO business achieved a revenue of RMB100 million. The number of projects increased significantly and the types of projects were further enriched. During the Reporting Period, there were a total of 48 service projects, including 11 IND projects and 37 other R&D initiatives of various kinds. Based on the implementation of projects on hand, it is expected that the proportion of revenue from various conjugated drugs, including antibody-drug conjugates, will further increase in the future.

During the Reporting Period, the biological macromolecule business segment overcame specific challenges and achieved several milestone achievements and breakthroughs: successful delivery of the first antibody IND project and approval for clinical research; the going into full-scale production of newly-built antibody 2,000L and conjugated drug pilot and commercial bulk and drug production plants, and successful delivery of the first batch of production; promoting ongoing and iterative computation of process capabilities, with an average increase of over 30% in cell line expression level, optimizing and shortening formulation development time for ADC monoclonal antibody intermediate by six to eight weeks, establishing complex ADC drug analysis methods; and passing a comprehensive audit by MNC Companies for the first time to fully enhance production compliance standards. The CGT CDMO business team has been established in Suzhou to rapidly promote business capacity expansion, initially focusing on plasmid and mRNA business areas. The process development laboratory and pilot plant have been put into use, and have begun to undertake various R&D and IND projects.

Focusing on business development strategies and order requirements, the Company has been launching and actively promoting the construction of commercial production base in Fengxian. Adhering to the tradition of technology-driven innovation, CBTI was established in Zhangjiang, Shanghai to carry out forward-looking capacity reserve and enable process development. Enabling project implementation through technological innovation, Shanghai Asymchem has gained recognition from customers and the industry. In 2022, it successfully introduced investments from well-known institutions such as Hillhouse Capital and was awarded the title of "Annual Pharmaceutical Service (CXO) Supplier" in the Third Session of Bio-pharmaceutical Industry Climbing List (第三屆生物製藥產業攀登榜).

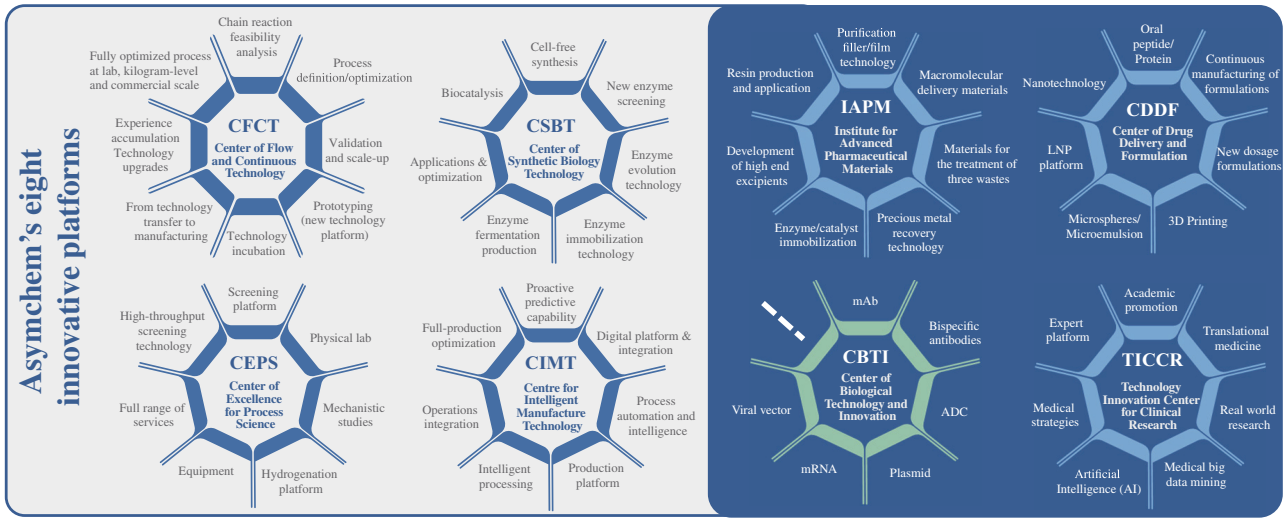
(5) Synthetic biology technology

During the Reporting Period, CSBT made substantial breakthroughs by making excellent achievements in undertaking and completing multiple orders such as the R&D and production of the first oral enzyme for later clinical stage, the first process characterization project of Biologics License Applications (BLA), and the first 50-500L purification production of pharmaceutical enzyme. Its technical capabilities and efficient teamwork were highly recognized by customers.

Over the past decade, our CSBT enzyme technology platform has possessed mature and leading technical capabilities, by building four basic technology platforms, including high-throughput screening, CFBS, AI technology and continuous reaction. We built up an integrated technology platform for mature enzyme engineering, featuring enzyme screening, development, evolution, immobilization, enzyme fermentation production as well as process scale-up, bio-enzyme catalysis green synthesis for the efficient synthesis of small molecule drugs. The Company developed nearly 2,400 engineered enzyme libraries, over 1,000 of which are conferred with IP rights of the Company, covering more than 20 types. We also developed 16 types of enzyme powder kits for customers to quickly screen target enzymes with specific catalytic activity. The enzyme technology platform is gradually being applied in innovative pharmaceutical projects or commercialization projects with life cycle management for customers at home and abroad, signaling great potential for future development.

3. R&D platform development

As a company with "technology-driven" as its core competitiveness since its establishment, Asymchem regards maintaining active exploration and application of cutting-edge technologies a key issue gaining attention in the CDMO industry. The Company continues to iteratively evolve on the basis of five global leading and sustainably evolving R&D platforms. The Company has formally established the IAPM, CDDF and CBTI.



Our CEPS aims to develop and apply innovative strategies and cutting-edge technologies for pharmaceutical process development, with seven major functions such as high-throughput screening, synthetic route innovation, flow chemistry, photochemistry and electrochemistry, functional polymer technology, kinetic and mechanistic studies, and pressure reactions. During the Reporting Period, our CEPS supported 311 R&D projects, including 91 continuous production projects, and established cross-center cooperative development models such as CEPS & Chemical Engineering Department (CED) & CFCT. It supported and participated in 116 offers, designed 98 synthetic routes, and wrote 27 technical proposals. Employing exploratory R&D means to support order execution, it has laid a sound technical foundation for securing subsequent orders.

Our CFCT won the first ACS GCI "CMO Green Chemistry Excellence Award". In 2022, CFCT submitted 29 patent applications and 2 software copyrights, and developed and manufactured new types of continuous reaction equipment with the help of 3D printing and other technologies. It upgraded and optimized high-efficiency mixing reactor, continuous liquid-solid reactor and various types of continuous reaction equipment. Besides, it made breakthroughs in the application of new three-phase hydrogenation reactor and self-made high-efficiency non-precious metal catalyst in hydrogenation projects. CFCT also promoted the application and innovation of continuous reaction technology, laid a more solid foundation for the internal and external export of the technology, and promoted the large-scale application of continuous reaction technology in the industry.

Our CSBT, leveraging the existing enzyme technology, develops the oligonucleotide enzyme linkage technology platform, the peptide drug biosynthesis technology platform, the small peptide biosynthesis technology platform and the non-natural amino acid enzyme-catalyzed continuum reaction technology platform. CSBT has obtained more than 70 patents, and will further expand the technical capacity of the platforms as well as the technical fields, comprehensively build an efficient synthetic biology platform, strengthen the Company's internal technical cooperation, and leverage technology advantages. It builds an initial cell synthesis technology platform, establishes a microbial cell factory and a peptide/protein synthesis technology platform, and improves the production capacity of pharmaceutical proteins, vigorously promoting the overall one-stop synthetic biology service starting from molecular biology (recombinant expression).

Our CIMT is dedicated to building an intelligent manufacturing technology platform, promoting intelligent upgrading of R&D and production, and enabling the Company's digital transformation. It applies advanced automation control, big data analysis and artificial intelligence technologies to integrate R&D, production and warehouse logistics information, so as to determine the best process routes and production control methods and enhance R&D and production efficiency by digital approach. The center covers the three major sections of intelligent manufacturing and advanced automation control research, intelligent laboratory application technology research, and digital factory promotion. During the Reporting Period, CIMT taking the intelligent + PAT (Process Analytical Technology) technology pilot-scale experimental platform as an opportunity, developed intelligent algorithms and enabled model and parameter adaptive control, opening the era of digital factory.

Our 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 ensure stable supply chain. During the Reporting Period, IAPM set up a wealth of product pipelines on such fronts as separation and purification materials, 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, and will be gradually introduced to the market in the next step.

Our 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 the initiation and R&D of continuous drug production, new liposomes, LNP delivery technology platform and 3D printing.

Our CBTI: 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.

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

The Company's IT department has started to build an AI team to collaborate with the R&D department in areas such as enzyme molecular computing and protein evolution to enhance R&D efficiency using AI algorithms. It was also involved in the preparation of the "Typical Scenarios of Intelligent Manufacturing in Pharmaceutical Enterprises" organized by the Ministry of Industry and Information Technology. 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.

4. Fixed assets investment and construction during the Reporting Period

In the small molecule CDMO business segment, the volume of traditional batch reactor was approximately 5,300m³, with further improvement in the degree of automation and application of new process devices. The area of continuous reaction plant increased by more than 70% year-on-year, the number of continuous equipment by nearly 75% year-on-year, and the capacity of continuous reaction by nearly 400% year-on-year. Continuous reaction serves as a major tool for capacity release and will substantially improve the Company's production efficiency.

In terms of the emerging business segment, the chemical macromolecule project finished the construction of the R&D center of approximately 12,000m² and the GMP production plant of approximately 9,500m². CSBT, the production workshop and supporting auxiliary engineering were completed. The biological macromolecule CDMO business segment established a plasmid and mRNA business R&D and pilot test base in Suzhou, and introduced a strategic investor, Hillhouse Capital, with a proposed joint investment of RMB2.5 billion to build a first-class biopharmaceutical CDMO enterprise based on the resource advantages in their respective fields.

5. 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 improving and optimizing various employment mechanisms such as talent selection, talent training, talent utilization, talent evaluation, talent incentive and talent retention. Focusing on the "two-wheel drive" development strategy, the Company, during the Reporting Period, set up organizational structures of business divisions and business groups, established talent management systems for small molecule CDMO business and strategic emerging businesses, 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 185 senior talents, including 111 doctors, 33 senior executives and above, and 68 returnees and people with working backgrounds in overseas pharmaceutical companies. As of the date of this announcement, the Company had a total of 9,719 employees, including 272 doctors, 1,682 masters and 5,444 undergraduates.

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.

II. FINANCIAL REVIEW

(I) General Financial Performance

In 2022, the Company realized revenue of RMB10,230.2 million and net profit attributable to shareholders of the parent of RMB3,301.64 million, representing an increase of 120.9% and 208.8%, respectively, as compared with 2021. In 2022, the small molecule CDMO business realized revenue of RMB9,230.5 million, representing an increase of 118.1% from 2021, and the emerging business realized revenue of RMB993.5 million, representing an increase of 150.3% from 2021. Domestic revenue reached RMB1,560.2 million in 2022, representing an increase of 143.6% from 2021, with the proportion of domestic revenue increasing from 13.8% to 15.3%. The Company continued to build the R&D platform, with an investment of RMB708.9 million in 2022, representing an increase of 83.0% compared with 2021, accounting for 6.9% of the revenue.

(II) Revenue

The revenue increased by 120.9% from RMB4,632.1 million in 2021 to RMB10,230.2 million in 2022, mainly because: (i) in 2022, the small molecule CDMO business achieved high quality delivery of large orders, established the industry demonstration effect with actual delivery capacity, constantly expanded the number of projects and service pipeline, and strongly promoted the leapfrog growth of the small molecule CDMO business, which achieved a year-on-year growth of 118.1% during the Reporting Period; (ii) during the Reporting Period, the Company intensified efforts to expand diversified, multi-regional and multi-stage markets and increased the revenue from domestic market by 143.6% year-on-year, and the proportion of domestic market revenue further increased, exceeding 15% of total revenue; (iii) emerging businesses, including drug products, chemical macromolecules, synthetic biology technology, biological macromolecules and clinical CRO, realized revenue year-on-year growth of 150.3% in 2022, with the revenue of many segments increasing by over 200%. These new businesses vigorously developed new customers and projects, providing new revenue growth points for the Company.

During the Reporting Period, the number of small molecule CDMO business commercialization projects of the Company increased from 38 to 40, and high-quality delivery of large orders was achieved. The commercialization revenue increased 201.4% year-on-year to RMB7,568.2 million, accounting for 74.0% of the total revenue. Small molecule clinical and preclinical revenue reached RMB1,662.2 million, representing a slight year-on-year decrease, mainly due to the delivery of two large-scale projects related to combating the anti-virus in 2021. Revenue increased by 18.9% year-on-year if the above factor were not taken into account. The revenue from emerging businesses increased by 150.3% year-on-year to RMB993.5 million, accounting for 9.7% of the total revenue, gradually highlighting the obvious effect of the expansion of each sector of emerging businesses.

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

	2022		2021		Change
	RMB'000	***Proportion***	*RMB'000*	*Proportion*	ratio
Commercial stage CDMO solutions	**7,568,209**	**73.98%**	2,511,307	54.22%	201.37%
Clinical stage CDMO solutions	**1,662,241**	**16.25%**	1,720,871	37.15%	(3.41)%
Emerging services	**993,478**	**9.71%**	396,960	8.57%	150.27%
Total revenue from principal business	**10,223,928**	**99.94%**	4,629,138	99.94%	120.86%
Other businesses	**6,258**	**0.06%**	2,983	0.06%	109.79%
Total revenue	**10,230,186**	**100.0%**	4,632,121	100.0%	120.85%

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

	2022		2021		Change
	RMB'000	***Proportion***	*RMB'000*	*Proportion*	ratio
Domestic (Mainland China)	**1,560,199**	**15.25%**	640,346	13.82%	143.65%
Foreign countries (including North America, Europe and Asia except Mainland China)	**8,669,987**	**84.75%**	3,991,775	86.18%	117.20%
Total revenue	**10,230,186**	**100.0%**	4,632,121	100.0%	120.85%

Our revenue in domestic (Mainland China) increased by 143.65% from RMB640.3 million in 2021 to RMB1,560.20 million in 2022, 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 new business segments.

Our revenue in foreign countries (including North America, Europe and Asia except Mainland China) reached RMB8,670.0 million in 2022, increasing by approximately RMB4,678.21 million, or 117.20%, from 2021, mainly due to (i) the increase in commercialization revenue from foreign large pharmaceutical companies; and (ii) the constant development of new customers and projects from overseas small and medium-sized innovative drug companies.

(III) Cost of Sales

Cost of sales increased by 109.0% from RMB2,582.4 million in 2021 to RMB5,397.6 million in 2022, mainly due to the increase in the Group's revenue and the corresponding increase in costs of sales. 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.

(IV) Gross Profit and Gross Profit Margin

Our gross profit increased by 135.8% from RMB2,049.7 million in 2021 to RMB4,832.6 million in 2022. Our gross profit margin of principal business increased from 44.3% in 2021 to 47.2% in 2022, mainly because (i) the capacity utilization rate remained at a high level and mass production formed scale effect, driving the increase of gross profit margin of small molecule CDMO business; and (ii) Renminbi depreciates against the U.S. dollar in 2022, which has positive impact on gross profit margin.

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

	2022	2021
Commercial stage CDMO solutions	**50.4%**	47.5%
Clinical stage CDMO solutions	**41.1%**	40.7%
Emerging services	**33.5%**	39.5%
Total gross profit margin of principal business	**47.2%**	44.3%

Notes:

(1) The gross profit margin of our commercialization projects in 2022 was 50.4%, with an increase of 2.9 percentage points compared to the same period last year, and gross profit margin with fixed exchange rate was 48.5%, mainly due to the continued high utilization rate of the commercialization capacity and the effect of scale resulting from large-scale production.

(2) The gross profit margin of our clinical and preclinical projects in 2022 was 41.1%, with an increase of 0.5 percentage points compared to the same period last year, and gross profit margin with fixed exchange rate was 39.8%, mainly due to the increase in the efforts to expand the early-stage clinical projects, and higher number of clinical projects from domestic customers in 2022.

(3) The gross profit margin of our emerging services in 2022 was 33.5% with 6.0 percentage points lower than the same period last year, and gross profit margin with fixed exchange rate was 32.7% mainly because the biological CDMO business is still in the business expansion period and its gross profit margin is relatively low, the average gross profit margin of the other businesses is roughly the same compared to 2021.

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

	2022	2021
Domestic (Mainland China)	**29.5%**	29.6%
Foreign countries (including North America, Europe and Asia except Mainland China)	**50.4%**	46.6%
Total gross profit margin of principal business	**47.2%**	44.3%

Notes:

(1) Our gross profit margin from domestic market (Mainland China) in 2022 was 29.5%, flat with the same period last year.

(2) Our gross profit margin from foreign countries (including North America, Europe and Asia except Mainland China) in 2022 was 50.4%, with an increase of 3.8 percentage points compared to the same period last year, mainly due to the higher gross profit margin of commercialization projects.

(V) Other Income and Gains

Other income and gains increased by 276.2% from RMB173.8 million in 2021 to RMB653.9 million in 2022, mainly due to (i) the exchange gains of RMB433.6 million generated from the fluctuation of RMB against U.S. dollar in 2022; (ii) the increase in gains of RMB76.6 million in 2022 from the short-term, low-risk bank wealth management products purchased.

(VI) Administrative Expense

Our administrative expense amounted to RMB837.7 million in 2022, with an increase of 69.3% or RMB342.9 million from that in 2021, mainly due to (i) the increase of personnel costs resulting from the increase in the number of staff in response to our business development; (ii) the rent and property expenses arising from increasing office leasing in Shanghai, Tianjin, and Suzhou; (iii) the increase of maintenance costs (including system upgrades/maintenance premiums and on-site maintenance costs); and (iv) the increase of fees paid for intermediary services such as auditing, consulting and lawyer services.

(VII) R&D Expense

Our R&D expense amounted to RMB708.9 million in 2022, with an increase of 82.9% or RMB321.4 million from that in 2021, mainly because the Company, based on the technology-driven core principle, maintained the investment in technology innovation and independent R&D of core technologies, promoted eight innovation R&D platforms, and enhanced the related R&D investment.

(VIII) Finance Cost

Our finance cost mainly includes interest expenses on bank borrowings, and interest expenses on lease liabilities. Our finance cost amounted to RMB10.5 million in 2022, with an increase of 43.7% or RMB3.2 million from that in 2021, mainly due to (i) the increase in the interest expense of lease liabilities under our new lease agreements to address the business expansion; and (ii) the increase in the interest income on monetary funds held by the Company during the Reporting Period.

(IX) Income Tax Expense

Our income tax expense amounted to RMB430.3 million in 2022, with an increase of 247.9% or RMB306.6 million from that in 2021, which is consistent with the Company's profit growth trend and mainly due to the increase in revenue.

(X) Net Profit and Net Profit Margin

As a result of the above, our net profit increased by 208.1% from RMB1,069.3 million in 2021 to RMB3,294.6 million in 2022. Our net profit margin was 32.2% in 2022 as compared with 23.1% in 2021. Thanks to the significant growth of revenue, the increase in gross profit margin of commercialization projects and the increase in exchange gains from depreciation of the renminbi, we recorded significant net profit growth.

Our net profit attributable to shareholders of the parent increased by 208.8% from RMB1,069.3 million in 2021 to RMB3,301.6 million in 2022. Our net profit margin attributable to shareholders of the parent was 32.3% in 2022 as compared with 23.1% in 2021.

(XI) Basic and Diluted Earnings per Share

Our basic earnings per share increased from RMB3.15 in 2021 to RMB9.02 in 2022. Our diluted earnings per share increased from RMB3.13 in 2021 to RMB9.00 in 2022. The increase in basic and diluted earnings per share is mainly due to the increase in net profit as a result of the strong growth of the Group's business as described above. Pursuant to the resolution of the Shareholders on June 9, 2022, the Company issued four new shares for every 10 existing shares of the Company to all Shareholders and transferred share premium of RMB105.7 million (2021: nil) to share capital.

(XII) Cash and Bank Balances

Our cash and bank balances reduced from RMB6,234.5 million as of December 31, 2021 to RMB5,289.6 million as of December 31, 2022, mainly due to our purchase of financial assets at fair value through profit or loss with idle money. Cash and bank balances are mainly settled in Hong Kong dollars, Renminbi and US dollars.

(XIII) Pledge of Assets

As at December 31, 2022, the net book value of buildings, land and equipment pledged by the Group amounted to approximately RMB31.85 million (as at December 31, 2021: approximately RMB35.24 million), and the pledged deposits amounted to approximately RMB17.84 million (as at December 31, 2021: approximately RMB2.42 million) mainly including performance bonds and letter of credit deposit.

(XIV) 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 RMB2,150.6 million (2021: approximately RMB1,659.7 million).

(XV) Capital Commitments

As at December 31, 2022, the Group had capital commitments of approximately RMB472.5 million (as at December 31, 2021: approximately RMB851.5 million), all of which were used for the purchase of items of property, plant and equipment.

(XVI) Contingent Liabilities and Guarantees

As at December 31, 2022, the Group did not have any material contingent liabilities and guarantees.

(XVII) Gearing Ratio

As at December 31, 2022, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 13.9% (as of December 31, 2021: 16.8%).

(XVIII) Analysis on Assets and Liabilities

	2022	2021		
	RMB'000	*RMB'000*	Change ratio	Reason
Assets				
Property, Plant and Equipment	**4,829,924**	3,336,854	44.7%	(i) Entering into production of capacity of Dunhua and Tianjin small molecule plants in 2022, with new plants, production and supporting equipment and environmental protection equipment constructed; (ii) New production capacity, laboratory, production and supporting equipment for chemical macromolecules business; (iii) New capacity of stock solution and preparation as well as laboratory construction for biological macromolecules business; (iv) R&D platform laboratory and equipment investment
Right-of-use assets	**539,716**	362,649	48.8%	The increase was mainly due to the lease of additional houses in Suzhou and Tianjin, which were mainly used for administrative office and business promotion in Suzhou
Goodwill	**146,183**	146,183	0.0%	It was mainly goodwill generated by the Company's acquisition of GoalGen Biotechnology and Improve Quality. The Company has conducted impairment assessment on goodwill and no signs of impairment have been found
Deferred tax assets	**177,858**	186,930	(4.9)%	The deferred income tax items mainly include the deferred income tax assets of the Company which can make up the administrative losses, and the deferred income tax liabilities formed by the accelerated depreciation of fixed assets

	2022	2021	Change	
	RMB'000	*RMB'000*	ratio	Reason
Inventories	**1,510,413**	1,396,115	8.2%	(i) Increase in work-in-process with the increase of orders; (ii) Increased purchases of raw materials for on-hand orders
Trade receivables	**2,451,148**	1,816,201	35.0%	Mainly due to the increase in trade receivables caused by the year-on-year growth of operating revenue of the Company in the fourth quarter
Liabilities				
Other payables and accruals	**1,511,198**	1,201,140	25.8%	(i) Increased payment payable to employees with the number of employees increased; (ii) Increased contract liabilities due to the increase in orders in hand
Interest-bearing bank and other borrowings	**–**	375,392	(100.0)%	As of December 31, 2022, all short-term bank loans of the Company had been settled, and there was no new loan

(XIX) 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, and investment in Sany Zhongzhi (Tianjin) Venture Capital Center (L.P.) (三一眾志(天津)創業投資中心(有限合夥)) and Sany Zhongzhi Phase II (Tianjin) Venture Capital Center (L.P.) (三一眾志二期(天津)創業投資中心(有限合夥)). The Group's financial assets at fair value through profit or loss among current and non-current assets increased by 348.4% from RMB505.0 million as of December 31, 2021 to RMB2,264.1 million as of December 31, 2022, mainly due to the increase in the purchase of short-term and low-risk wealth management products from banks.

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

Income from long-term equity investment under equity method was RMB33.05 million in 2022 compared to a loss of RMB3.8 million in 2021, mainly due to the multiplying amount of change in net assets of Tianjin Haihe Asymchem Fund and Yugen Medtech, two companies invested by the Company, 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, preclinical and clinical stage systematic evaluation and registration services. It adopts the equity method for accounting. Such investment is strategic to the Group's activities.

(XX) 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 and potential investors should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS. Also, 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.

	2022 ***RMB'000 (except percentage)***	2021 *RMB'000 (except percentage)*
Net profit attributable to shareholders of the parent:	**3,301,635**	1,069,274
Add:		
equity incentive amortization expense	**52,870**	51,057
gain or loss on exchange rate fluctuations	**(409,139)**	12,146
income tax effect	**53,440**	(9,480)
Adjusted net profit attributable to shareholders of the parent	**2,998,806**	1,122,997
Adjusted net profit margin attributable to shareholders of the parent	**29.3%**	24.2%

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.

(XXI) Foreign Exchange Risk

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

III. OUTLOOK AND PROSPECT

(I) Industry Pattern and Trend

According to Evaluate Pharma's "World Preview 2018, Outlook to 2024" research report, the sales of global prescription drugs will grow from US$830.0 billion in 2018 to US$1,204.0 billion in 2024, with a CAGR of 6.4%, far above the CAGR of 1.2% from 2011 to 2017. The global drug R&D investment rises year on year. The global R&D investment is expected to reach US$204.0 billion in 2024, and the proportion of global R&D expenditure to drug sales will be approximately 18.2% on average from 2020 to 2024. Approximately 65% of the R&D investment and M&A investment of the top ten pharmaceutical companies in terms of the global ROI will be devoted to R&D. With the influence of multiple factors such as economic development, aging population and increasing health awareness, global drug sales and global R&D expenditure have sustained growth momentum, which creates great opportunities for CDMO expansion. The continuous rise of their corresponding penetration rates also increases the market size of the global CDMO industry. As an important partner in the new drug R&D industry, CDMO companies not only help pharmaceutical companies focus on R&D pipeline development, improve resource allocation efficiency, shorten the new drug R&D cycle and accelerate new drug launches, but also help bring down commercial manufacturing costs and ensure supply chain stability. The pharmaceutical CDMO business model trends towards perpetuation and stability. CDMO companies can not only share the order revenue growth brought by the long-term growth in the R&D investment of pharmaceutical companies, but also share the sales dividends from the launch of innovative drugs, thus having room for sustainable development. Compared with traditional product-based CDMO companies, which undertake OEM services for capacity transfer of pharmaceutical companies, platform-based CDMO companies have the stability of high barriers and profitability of high added value. Meanwhile, the synergy effect, high technical barriers, high added value and embedded cooperation stickiness formed by the layout of the whole industry chain will create greater growth potential and performance elasticity with higher certainty.

In recent years, China has been prioritizing innovative drug R&D, and China's pharmaceutical industry is rapidly transforming from the "increase in quantity" of medical insurances to "quality improvement" with consistency evaluation and innovative drugs listing as the main theme. A slew of policies have been promulgated to encourage new drug R&D, improve the efficiency of new drug reviews, and shorten the time to market new drugs. Volume-based drug procurement objectively has reduced drug prices, promoted the transformation of the generic drug industry toward innovation and released more funds and resources for innovative drug R&D. As a result, the domestic innovative drug market presents

a growth spurt and China transforms from a "generic drug power" to an "innovative drug power." As domestic innovative drugs rise, pharmaceutical companies are investing more in innovative R&D programs. Since the accession of China to the ICH in 2017, the interaction between Chinese pharmaceutical enterprises and FDA has become increasingly frequent, and the number of orphan drugs, fast track, breakthrough therapy and other certifications has increased significantly. Especially after FDA replied that Chinese clinical data can be accepted in the marketing approval process in 2019, the pipelines of domestic pharmaceutical companies began to enter the FDA clinical filing and market peak, contributing to greater potential for increment for China's CDMO industry. Domestic technology, quality system, customer reputation and EHS management are in line with the international standard over the time, and the advantages of IP protection, infrastructure and engineer bonus come to the fore. Thanks to this, the overseas CDMO industry continues setting foot in China, and the overseas penetration rate of Chinese CDMO enterprises continues to grow. A total of 1,666 patents on drug compounds will expire globally between 2013 and 2030, with a sharp increase in the number of patented drugs facing expiration between 2020 and 2024, totaling RMB159.0 billion, estimates Evaluate Pharma. For innovative drug enterprises, drug life cycle management is crucial, and the patent cliff makes it necessary for them to maintain efficient R&D vitality. The cost of developing new drugs, however, has risen sharply in the past few decades as the difficulty in developing new targets, distributing patents, and recruiting patients has increased. The average cost in launching a new drug increased from US$1.188 billion in 2010 to US$1.981 billion in 2019, while the internal rate of return on drug development plummeted from 10.1% to 1.8% in 2019, estimates Deloitte Touche Tohmatsu. In this context, the advantages of CXOs formed through a specialized division of labor are greatly enhanced. Overall, from the important forward-looking indicators such as global new drug R&D investment, innovative drug sales, China's R&D input for new drugs, the inflection point of internationalization of domestic pharmaceutical companies and the drug patent cliff, it is expected that CDMO industry will embrace a high growth. As the barriers to entering the CDMO industry are becoming higher, factors such as order structure, enterprise bargaining power, R&D added value, and cost control ability together determine the profitability of enterprises. Overall, with the development of the industry, the five barriers of the leading CDMO enterprises in customer, brand, production capacity, technology and capital have been strengthened. In the highly fragmented and competitive market, it will become the trend that the powerful will stay powerful.

(II) Development Strategy

As a global industry-leading provider of integrated one-stop CDMO solutions, the Company is committed to the technological innovation and commercialization of global pharmaceutical processes. Since its establishment, the Company has been a strong champion of the business development philosophy of "international standards, Chinese advantages, technical driver and green orientation," with particular an emphasis on technological innovation as the core driving force. It has been developing a number of

internationally-leading patented technologies and applied them to commercial manufacturing, becoming an industry-recognized technology-leading company in global outsourced integrated pharmaceutical services. The Company stays committed to the principle of "being prepared for danger in times of peace, treading on thin ice, and rising abruptly based on its accumulated strength." The Company perseveres in exploring cutting-edge technologies and increasing the application of new technologies in large-scale production, improves the management mode of R&D and production in a targeted manner, and strives to deepen customer cooperation. The Company ramps up market development of small and medium-sized innovative drug companies, and acquires customers through multiple channels. It keeps optimizing the operation management system that is in line with the characteristics of such companies, to enhance the breadth of its services. Relying on the competitive advantages of the small molecule CDMO business, the Company further develops the business of chemical macromolecules, clinical research services, drug product, biological macromolecules CDMO and synthetic biology and fosters new business growth points, to promote the formation of a closed-loop industrial chain.

(III) Outlook and Strategy for the Future Development of the Company

The Company has demonstrated stronger capability and richer experience in responding to emergencies based on its 20 years of operation, while maintaining close communication with global customers. Its execution and stability cement the confidence of customers. In 2023, the business guideline of the Company is to "continue to deepen the cooperation with large customers and expand small and medium-sized customers, expand markets in Europe and Japan, and improve cost control and efficiency." The Company will adhere to the technology-driven strategy and achieve business upgrade through iterative computation of technology, and continue to promote the steady growth of core small molecule CDMO business. At the same time, the Company will strongly promote the rapid development of strategic emerging businesses. The Company continues enhancing its comprehensive competitiveness in business through a sustainably evolutionary R&D platform and by strengthening new customer development, improving management efficiency, and building new production capacity on the back of the upgraded operation management system.

1. Fully committed to market expansion

Building on the strong performance record of delivering high-quality products for large orders, we will continue to deepen our cooperation with multinational pharmaceutical companies and strive for breakthroughs in commercial API projects while continuously increasing the penetration rate of our R&D pipelines. Building on the breakthroughs we have already achieved in the Japanese market, we will continue to enhance our coverage and deepen cooperation with Japanese pharmaceutical companies. Leveraging on new

technologies, we aim to achieve even greater breakthroughs in the European market. We will use our Boston R&D Centers and early-stage projects as anchors to fully expand our customer base among US Biotech Companies. We will promote the use of multiple categories of drugs and service businesses by our existing multinational pharmaceutical companies, by advancing "GXP one-stop service", so as to improve our R&D efficiency and reduce costs.

2. Continuously enhancing the competitiveness of the small molecule technology

We will optimize our management methods to continuously improve our R&D efficiency and reduce production costs. Through technological breakthroughs, we will reduce raw material costs and further increase automation levels. We will spare no efforts to promote early-stage project development, extend the service chain further and expand project and new customer reserves. We will advance the commercialization of drug product business projects and continue to increase our efforts in late-stage project development, by strengthening the R&D of new technologies in drug product and creating clinical supply chain services for drug products. We will accelerate the construction of our Boston R&D Centers and acquire overseas production facilities through mergers and acquisitions.

3. Accelerating the construction of the new chemical business

The Company will accelerate the small nucleic acid CDMO business, focus on expanding overseas market, significantly enhance the revenue scale, enhance reserves of new technologies and continuously improve our competitiveness. The Company will accelerate the improvement of continuous reaction export business, explore diversified cooperation models, expand application fields and promote the development of new material technology for pharmaceutical and medical use, make our product catalog and form initial marketing and sales.

4. Accelerating the development of new businesses

We will vigorously propel the clinical research service business, complete more high-quality projects to build industry reputation, undertake more clinical research service orders, and improve the synergy between clinical CRO and CDMO services. At the same time, we will actively expand our overseas presence, accelerate efforts to build teams with a global perspective, and enhance our industrial influence.

We will continue to enhance the competitiveness of Shanghai Asymchem through the development of CBTI technology-driven business support. By synergizing our accumulated customer resources and reputation, we can tap into the rapidly growing biopharmaceutical CDMO market both at home and abroad, and synergize technical capabilities in the drug-linker field to advance the development of ADC business and seize the opportunity arising from the rapidly growing market. We will accelerate the construction of our production base in Fengxian to promote the implementation of late-stage projects.

5. Strengthening the development of the R&D platform

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 will further enhance our technical capabilities based on new technologies such as continuous reaction and bioenzyme catalysis, and promote their application in the production of small molecule clinical and commercialization projects. We

will step up the construction and technology accumulation of the technology platform for continuous reaction process development and further enhance the design and manufacturing of continuous reaction equipment to vigorously promote the application of continuous reaction technology in multiple fields, and to strengthen cooperation models for the export of continuous reaction technology. Additionally, we will actively lay out our business in the field of synthetic biology and build enzyme engineering and cell synthesis technology platforms, to develop efficient chassis cells and promote the application of technology platforms in various fields. By simultaneously cultivating our capabilities in fermentation, separation and purification necessary for creating synthetic biology, we explore the establishment of a technology platform for the synthesis of protein, peptide and nucleic acid and other important drugs through biotechnology, and improve production capacity for synthetic biology product. We focus on research and development and application of intelligent technology and digital platform construction, use advanced control methods to promote the upgrade of intelligent manufacturing technology, and promote intelligent production in factories. By cultivating our capabilities in building scientific development, process R&D and technology platforms related to biomolecule (antibodies, fusion proteins, etc.) and advanced therapies, as well as in optimizing the supply chains, we accelerate the innovative application of one-stop service in important clinical trial links, undertake the innovation task of academic leadership and technical driving in the clinical trial links, aiming to improve the quality and efficiency of the clinical trial process. The eight technology centers are committed to accumulating forward-looking technologies with leading technological innovation, and providing strong technical support for the Company's new layout and new direction.

6. Further improving the human resource management system and comprehensively enhancing the talent strategy

Upholding the concept of people first, the Company will pool domestic and foreign talents, establish mechanisms for talent selection, evaluation and motivation, and accelerate the formation of a training mechanism conducive to the growth of talents. The Company will step up efforts to build a global talent platform and strengthen the construction of corporate culture as well as the cohesion and capability of all employees. As excellent corporate culture and talent resources can form a competitive edge difficult to imitate, the Company will keep improving its sustainable development capability, to ensure that "there are no satisfied customers and satisfactory products unless employees are satisfactory", and achieve talent-driven business development.

In summary, in 2023, insisting on technological innovation as the core driving force, the Company will continuously upgrade the management and operation system to secure the order delivery capability. The Company will strengthen the leading power of head customers, expand the domestic and overseas markets, and popularize faster the advantages of small molecule drug CDMO business to chemical macromolecule, preparation, clinical CRO and biologics CDMO business and other strategic emerging segments and score better results. While ensuring the rapid implementation of R&D and production capacity, the Company will, guided by the strategy "deepening the cooperation with large customers and expanding small

and medium-sized customers", continue to scale up the small-molecule CDMO business and make it more competitive, and accelerate the implementation of "two-wheel drive" strategy for the rapid development of strategic emerging businesses.

(IV) Potential Risk

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

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 and has complied with the code provisions in the CG Code during the Reporting Period, except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the

same individual. Dr. Hao Hong is currently serving as the Chairman as well as the chief executive officer of the Company. As Dr. Hao Hong is the founder of the Group and has been managing the Group's business and overall strategic planning since its establishment, the Directors consider that vesting the roles of Chairman and chief executive officer in Dr. Hao Hong is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that the Group implemented upon Listing, the Board considers that the balance of power and authority for the present arrangement are not impaired and this structure enables the Company to make and implement decisions promptly and effectively. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code. Further information of corporate governance practices will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2022.

COMPLIANCE WITH THE MODEL CODE

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

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 December 31, 2022), acquisitions or disposals.

PROFIT DISTRIBUTION PLAN/FINAL DIVIDENDS

The Board proposed the following 2022 Profit Distribution Plan: distribute a dividend of RMB18.00 per 10 ordinary shares to the Shareholders as at the record date for determining Shareholders' entitlements to the 2022 Profit Distribution Plan (2021: RMB8.00 per 10 ordinary shares). Based on a total of 369,916,845 shares of the Company in issue as at March 30, 2023 and excluding 5,229,266 shares of the Company repurchased by means of centralized price biding, the total amount of the proposed final dividend is approximately RMB656,437,642.20 (tax inclusive) (2021: RMB211,473,614.40 (tax inclusive)).

The 2022 Profit Distribution Plan is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") and the above profit distribution is expected to be paid to the eligible Shareholders no later than two months after the AGM.

Information on the closure period of the register of members of the Company in relation to proposed 2022 Profit Distribution Plan and the record date for determining entitlements to the 2022 Profit Distribution Plan will be announced in due course.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2022, the Group had 9,719 employees, whose salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, packages and stock incentive plans to our employees, especially key employees.

Our employees' remuneration comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, 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. Please refer to the section headed "A Share Incentive Schemes" in Appendix VI to the Prospectus and the announcement on November 17, 2022 for further details.

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

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2022. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group for the year ended December 31, 2022.

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

As incentive recipients of the A Share Incentive Scheme resigned, on January 19, 2022, April 20, 2022 and September 26, 2022, the Board considered and approved the repurchase and cancellation of a total of 26,400 restricted A Shares granted under the 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB115.97 per A Share and the repurchase and cancellation of a total 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 (taking into account the Capitalization Issue), respectively. For details, please refer to the relevant announcements dated January 19, 2022, April 20, 2022 and September 26, 2022.

II. Repurchase and Cancellation of Certain Restricted A shares Granted under the 2021 A Share Incentive Scheme

As incentive recipients of the A Share Incentive Scheme resigned, on January 19, 2022, April 20, 2022 and September 26, 2022, the Board considered and approved the repurchase and cancellation of a total of 8,000 restricted A Shares granted under the 2021 Restricted A Share Incentive Scheme at a repurchase price of RMB185.52 per A Share and the repurchase and cancellation of a total of 60,900 restricted A Shares granted under the 2021 Restricted A

Share Incentive Scheme at a repurchase price of RMB131.94 per A Share, respectively. For details, please refer to the relevant announcements dated January 19, 2022, April 20, 2022 and September 26, 2022.

III. Repurchase of Certain Restricted A shares through Centralized Price Bidding

On August 3, 2022, the Board considered and approved the repurchase of the A Shares with its self-owned funds through centralized price bidding which will be subsequently used to implement the A Share Incentive Scheme and to be cancelled for reduction of the registered capital of the Company. The repurchase price will not exceed RMB290.00 per share. The total amount of fund for the repurchase will be no less than RMB400 million and no more than RMB800 million. For details, please refer to the announcement on August 3, 2022. As of 31 December 2022, the Company has repurchased a total of 5,229,266 shares of the Company through the repurchase-specific securities account through centralized price bidding, representing approximately 1.5271% of the total A Share capital of the Company.

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.

AUDIT COMMITTEE

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

The Audit Committee has considered and reviewed the audited consolidated annual results of the Group for the year ended December 31, 2022 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 audited consolidated annual results of the Group for the year ended December 31, 2022 are in compliance with the relevant accounting standards, laws and regulations and appropriate disclosure has been made.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures above in respect of this annual results announcement for the year ended December 31, 2022 have been agreed with the Company's auditor, Ernst & Young, certified public accountants ("**Ernst & Young**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements

issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on June 9, 2023. A notice convening the AGM will be published on the Company's website and website of the Hong Kong Stock Exchange and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the rights of H Shareholders to attend and vote at the AGM of the Company to be held on Friday, June 9, 2023, the register of members of H shares of the Company will be closed from Tuesday, June 6, 2023 to Friday, June 9, 2023 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Members whose names appear on the register of members of the Company on Friday, June 9, 2023 will be entitled to attend and vote at the AGM. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, June 5, 2023.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the Company's website (www.asymchem.com) and website of the Hong Kong Stock Exchange (www.hkexnews.hk). The 2022 annual report of the Company containing all relevant information required under the Listing Rules will be published on the afore-mentioned websites and dispatched to the Shareholders in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS AND GLOSSARIES

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

"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
"Audit Committee"	the audit committee of the Board
"CAGR"	compound annual growth rate
"CDMO"	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman" or "Chairman of the Board"	the Chairman of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"RMB" or "Renminbi"	the lawful currency of the PRC
"Shanghai Asymchem"	Shanghai Asymchem Biotechnology Co., Ltd. (上海凯莱英生物技術有限公司), a wholly-owned subsidiary of the Company
"Shareholder(s)"	shareholder(s) of the Company

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

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

Tianjin, March 30, 2023

As of the date of this announcement, the Board of Directors of the Company comprises Dr. Hao Hong as the Chairman of the Board of Directors and executive Director, Ms. Yang Rui, Mr. Zhang Da and Mr. Hong Liang as executive Directors, Dr. Ye Song and Ms. Zhang Ting as non-executive Directors, and Ms. Zhang Kun, Mr. Wang Qingsong and Mr. Lee, Kar Chung Felix as independent non-executive Directors.