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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**", "**we**", or "**us**") for the six months ended 30 June 2023 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2022 (the "**Corresponding Period**"). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in 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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

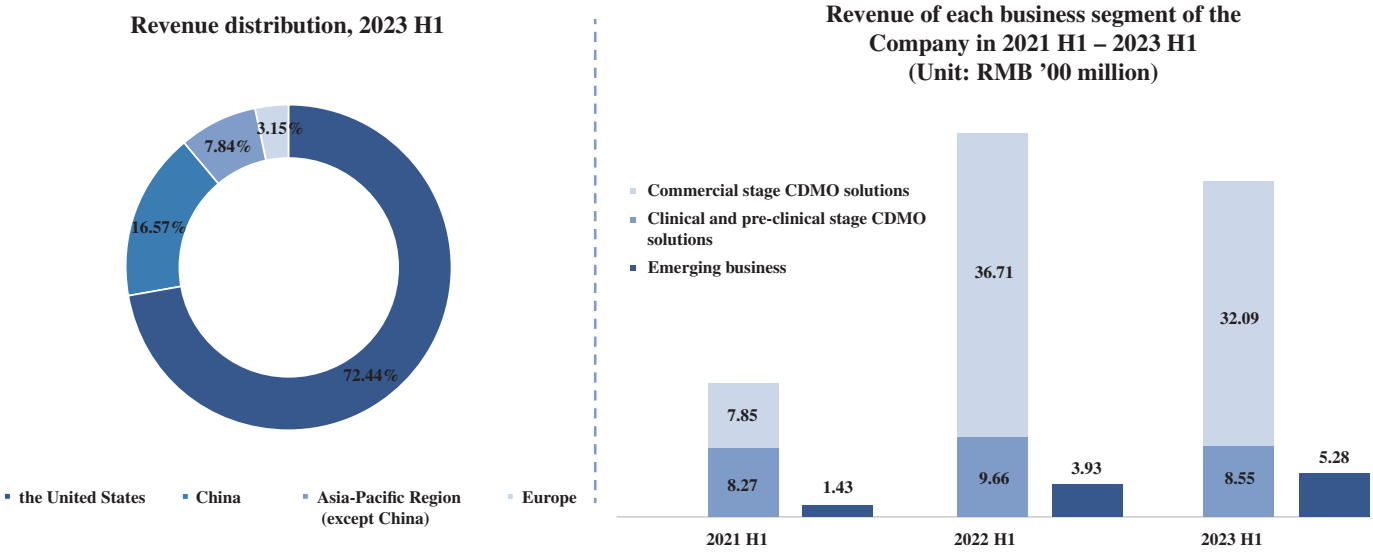
(I) Overall Performance

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

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

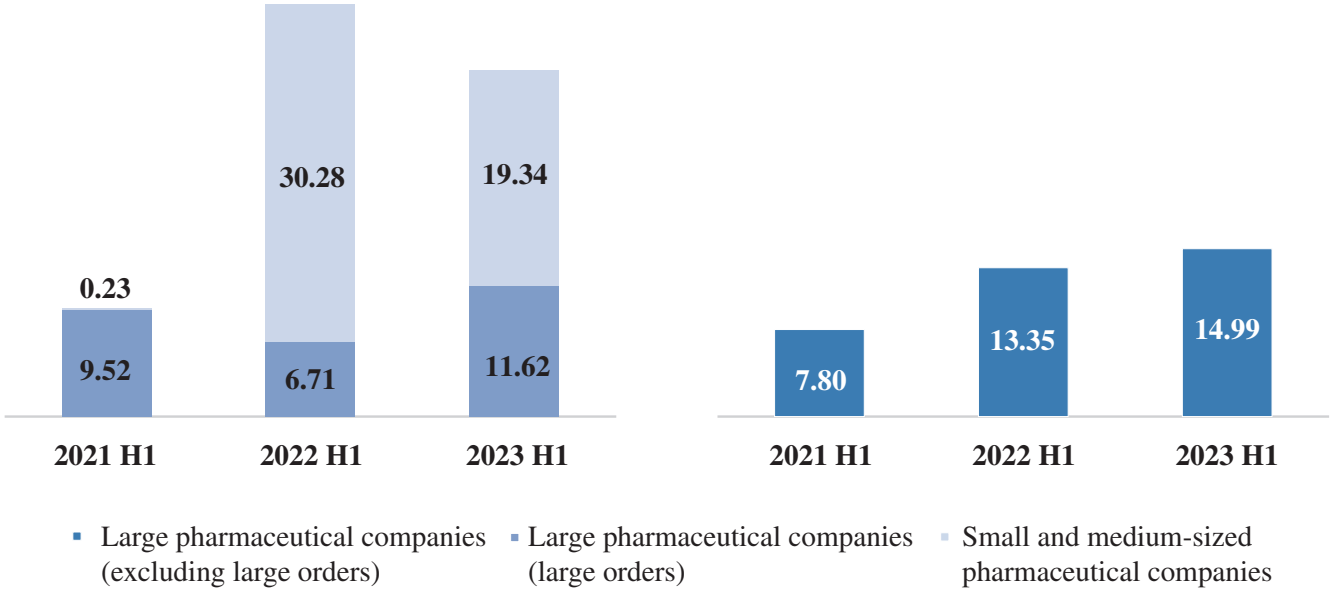
	Amount of Revenue (RMB '00 million)	Period-on-period Change in Revenue	Gross Profit Margin	Period-on-period Change in Gross Profit Margin
Commercial stage CDMO solutions	32.09	(12.57%)	58.88%	10.76%
Clinical and pre-clinical stage CDMO solutions	8.55	(11.58%)	42.21%	(2.19%)
Emerging business	5.28	34.33%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

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



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

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



(II) Small Molecule CDMO Business

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

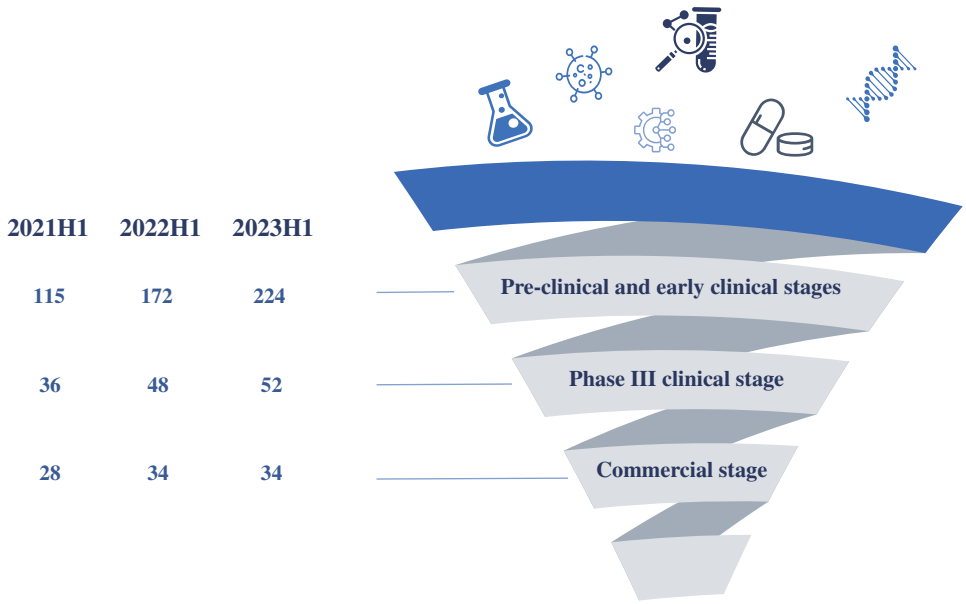
1. Revenue from commercialization projects increases continuously

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

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

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

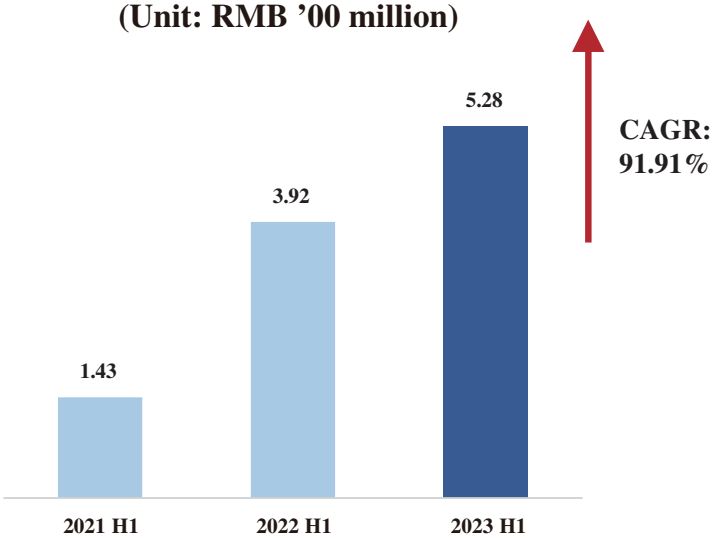
Number of projects in each stage of the Company in 2021 – 2023 H1 (Unit: Number)



(III) Emerging Business

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

Sales revenue of emerging business in 2021 – 2023 H1 (Unit: RMB '00 million)



1. Chemical macromolecule business segment

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

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

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

2. Clinical research services

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

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

3. Drug product business segment

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

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

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

4. Biological macromolecules CDMO

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

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

Relying on the Company's global leading R&D capability in small molecule chemical processes and its sustainably evolutionary R&D platform, the Company further strengthened the application ratio of new technologies such as continuous reaction and biological enzyme catalytic technology in the production of small molecule clinical and commercialization projects. The Center of Flow & Continuous Technology ("**CFCT**") and Center of Synthetic Biology Technology ("**CSBT**") jointly completed the tonnage production and validation of several continuous immobilized-enzyme catalyzed reactions, and promoted the continuous technology development and pilot application of non-natural amino acid projects. During the Reporting Period, more than 40% of the middle and late-stage clinical projects and commercial stage projects of the Company applied key technologies for green pharmaceuticals, generating good economic benefits and efficiency.

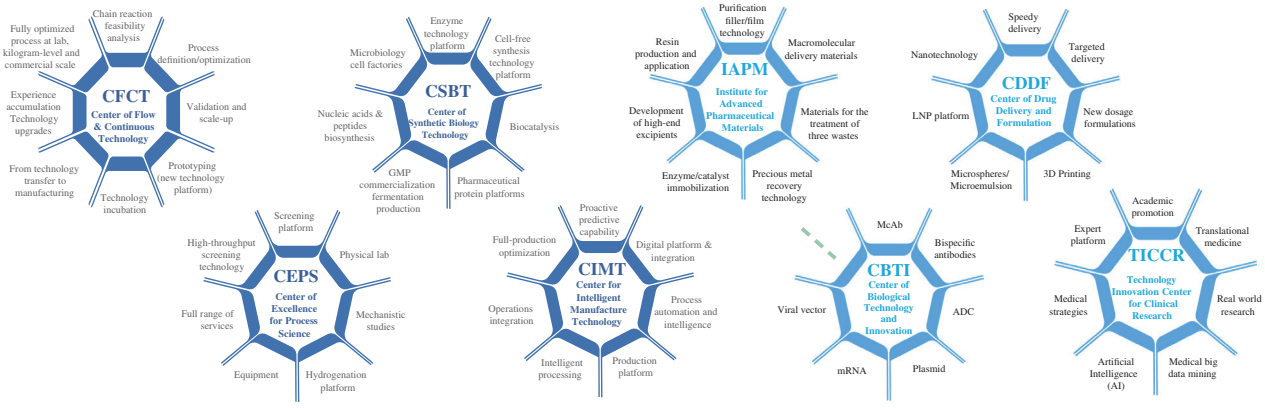
The Company accelerated the development of the export business of continuous reaction technology. During the Reporting Period, there were eight new projects with a contract value of more than RMB100 million. In terms of technology export business, we successfully overcame numerous high-risk and high-difficulty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

6. Synthetic biology technology

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

(IV) R&D Platform Construction

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



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

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

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

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

technology in a commercial project, and fueled the efficient application of batch automation technology in the production of commercial projects, to move towards digital and intelligent manufacturing. In support of the automation upgrading and digital development of the Company's laboratory, the CIMT created a data acquisition and digital twin application platform, completed the automation upgrading of sets of continuous hydrogenation experimental units, and enhanced the control of continuous reactions. By making these efforts, the CIMT created conditions for the further iteration and promotion of continuous reaction technology.

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

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

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

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

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

(V) Cultivation of Our Team of Talents

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

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

(VI) Social Responsibility

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

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

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

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

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

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

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

4. Green operation and environmental protection

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

5. Being warmhearted in promoting public welfare to boost development

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

II. FINANCIAL REVIEW

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

(I) Revenue

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

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

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

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

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

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

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

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

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

(II) Cost of Sales and Services

Our costs of sales include costs of raw materials, direct personnel costs, manufacturing expenses and others. Costs of raw materials include direct and indirect materials required for production. Manufacturing expenses include depreciation of plant and equipment, energy, testing and release, etc. Others include transportation costs and insurance costs directly arising from sales, as well as related taxes and fees. In the first half of 2023, our cost of sales was RMB2,169 million, representing a decrease of 19% from the first half of 2022, mainly because revenue declined in the first half of the year compared to the same period last year, while cost of sales and services had a significant decrease compared to revenue, benefiting from exchange rate fluctuations, improved gross profit margins on commercialized projects and stringent cost control.

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

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

(III) Gross Profit and Gross Profit Margin

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

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

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

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

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

Notes:

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

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

(IV) Other Income and Gains

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

(V) Selling and Marketing Expenses

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

(VI) Administrative Expenses

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

(VII) R&D Expenses

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

(VIII) Credit Impairment Loss

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

(IX) Net Profit and Net Profit Margin

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

(X) Basic and Diluted Earnings per Share

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

(XI) Cash and Bank Balances

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

(XII) Prepaid Corporate Income Tax

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

(XIII) Capital Expenditure

During the Reporting Period, the Group's capital expenditure on property, plant and equipment, land use rights and other intangible assets amounted to approximately RMB530 million (from January 2022 to June 2022: approximately RMB1,017 million).

(XIV) Capital Commitments

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

(XV) Contingent Liabilities

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

(XVI) Gearing Ratio

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

(XVII) Analysis on Assets and Liabilities

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

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

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

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

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

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

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

(XIX) Adjusted Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided adjusted net profit attributable to shareholders of the parent and other data as additional financial measures, which are not required by, or presented in accordance with IFRS. The Group believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Group's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's core business.

These non-IFRS financial measures, as the management of the Group believes, are widely accepted and adopted in the industry in which the Group is operating. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Shareholders of the Company and potential investors should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS. And these non-IFRS financial measures may not be comparable to the similarly-titled measures represented by other companies.

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

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

Notes:

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

(1) share-based compensation expense;

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

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

(XX) Foreign Exchange Risk

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

III. OUTLOOK AND PROSPECT

(I) Industry Dynamics and Emerging Trends

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

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

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

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

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

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

With the rise of domestic innovative drugs, pharmaceutical companies in China are increasing their investments in innovative R&D programs. Since China joined the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use ("**ICH**") in 2017, interactions between Chinese pharmaceutical enterprises and the FDA have become more frequent. The number of certifications for orphan drugs, fast track status, breakthrough therapies, and others has significantly increased. In particular, after the FDA confirmed in 2019 that Chinese clinical data could be accepted in the marketing approval process, the pipelines of domestic pharmaceutical companies began to enter the FDA's clinical filing and reached the peak of market potential, contributing to greater opportunities for China's

CDMO industry. Over time, domestic technology, quality systems, customer reputation, and environmental, health, and safety management in China align with international standards. Additionally, advantages such as intellectual property protection, infrastructure, and engineering expertise have become prominent. As a result, international CDMO companies have increasingly entered the Chinese market, and the overseas penetration rate of Chinese CDMO enterprises continues to grow. According to Evaluate Pharma, a total of 1,666 patents on drug compounds will expire globally between 2013 and 2030, with a notable increase in the number of patented drugs facing expiration between 2020 and 2024, with a combined market size of RMB159.0 billion. Effective management of the drug life cycle is crucial for innovative drug enterprises, and the impending patent cliff necessitates maintaining efficient R&D vitality. However, the costs of developing new drugs have significantly escalated in recent decades due to increased difficulties in identifying new targets, securing patents, and recruiting patients. In this context, pharmaceutical companies have demonstrated their ability to reduce costs by leveraging professional division of labor from suppliers.

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

(II) Development Strategy

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

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

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

(III) 2023 Business Plan

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

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

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

1. Fully committed to expanding market presence

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

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

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

2. Continuously enhancing the competitiveness of the small molecule technology

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

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

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

3. Accelerating the expansion of the new chemical business

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

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

4. Accelerating the development of new businesses

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

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

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

5. Strengthening the development of the R&D platform

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

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

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

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

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

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

6. Further improving the human resource management system

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

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

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

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

(IV) Potential Risk Factors and Solutions

The Company is a global industry-leading CDMO company, focusing on the technological innovation and commercialization of global pharmaceutical processes. It is also a provider of one-stop services for drug development and manufacturing for large and medium-sized pharmaceutical and biotechnology companies at home and abroad. The following list of potential risk factors may be encountered but no indication that any these of risks will actually occur or be affected.

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

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

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

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

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

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

4. The risk of loss of core technical personnel

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

5. The risk of environmental protection and safety production

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

6. The risk of international trade friction

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

7. The risk of exchange rate fluctuations

Our foreign currency exposure is mainly with respect to U.S. dollars. During the Reporting Period, a majority of our revenue was generated from overseas sales denominated in U.S. dollars and other foreign currencies. However, a majority of our cost of services and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. As a result, when the Renminbi appreciates against the U.S. dollar, our margins are pressured, and we may not be able to price our service contracts, in particular those with our U.S. customers, in currencies other than the U.S. dollar. The Company has created risk management strategic plan (such as utilizing hedging tools) to address our exposure to currency risk and may consider to enter into hedging transactions in the future.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

I. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

II. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the six months ended 30 June 2023. The Company's relevant employees, who are likely to be in possession of unpublished inside information of the Company, are also required to comply with the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the six months ended 30 June 2023.

III. EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2023, the Group had 9,145 employees, whose salaries and allowances were determined based on their performance, experience and the then prevailing market remuneration. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also 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. For further details, please refer to the section headed "A Share Incentive Schemes" in Appendix VI to the Prospectus and the announcement dated 17 November 2022 published on the websites of the Stock Exchange and the Company.

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

IV. SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

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

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

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

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

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

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

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

VI. MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration and the Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period.

VII. INTERIM DIVIDENDS

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

VIII. EVENTS AFTER THE REPORTING PERIOD

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

IX. AUDIT COMMITTEE AND OTHER BOARD COMMITTEES

(I) Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, and provide advice and comments to the Board. As of the date of this announcement, the Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Ms. Zhang Kun, Ms. Zhang Ting, and Mr. Wang Qingsong. As of 16 January 2023, Ms. Zhang Kun, who holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules, has served as the chairperson of the Audit Committee for six consecutive years. Pursuant to the Rules for Independent Directors of Listed Companies of the CSRC and other relevant regulations, the consecutive term of an independent non-executive director serving in the same listed company shall not exceed six years. Ms. Zhang Kun has tendered to the Board her resignation from the positions of an independent non-executive Director of the fourth session of the Board, the chairperson of the Audit Committee, and a member of the Remuneration and Examination Committee. Given that the resignation of Ms. Zhang Kun will result in the Company not satisfying the requirements of Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules, the resignation of Ms. Zhang Kun will not take effect until the Company appoints an independent non-executive Director who meets the above requirements. The Board will nominate a new candidate for independent non-executive Director as soon as practicable and put forth the proposed resolution to the Company's general meeting for its Shareholders' approval. Further announcement will be made in relation to the aforesaid proposed resolution as and when appropriate. Prior to the appointment of the new independent non-executive Director, Ms. Zhang Kun will continue to perform her duties as an independent non-executive Director, the chairperson of the Audit Committee, and a member of the Remuneration and Examination Committee.

The Audit Committee has considered and reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 and the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the unaudited interim results of the Group for the six months ended 30 June 2023 are in compliance with the relevant accounting standards, laws and regulations.

The unaudited interim results of the Group for the six months ended 30 June 2023 have been reviewed by the Company's auditor, Ernst & Young, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

(II) Other Board Committees

In addition to the Audit Committee, the Company has also established a Nomination Committee, a Remuneration and Examination Committee and a Strategy Committee. Save as disclosed above, there is no movement of members of the said committees during the Reporting Period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

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

	Note	**30 June 2023** ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**225,111**	168,121
Lease liabilities		**103,143**	109,859
Deferred tax liabilities		**99,510**	89,195
Total non-current liabilities		**427,764**	367,175
Net assets		**16,791,971**	15,695,003
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**369,655**	369,917
Restricted shares under share-based payment		**(639,621)**	(1,246,560)
Other reserves		**17,018,739**	16,524,071
		16,748,773	15,647,428
Non-controlling interests		**43,198**	47,575
Total equity		**16,791,971**	15,695,003

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent								
	Share capital *RMB'000 (note 12)*	Restricted shares under share-based payment *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2023	369,917	(1,246,560)	10,143,535	208,970	16,558	6,155,008	15,647,428	47,575	15,695,003
Profit for the period	–	–	–	–	–	1,686,368	1,686,368	(4,377)	1,681,991
Exchange differences related to foreign operations	–	–	–	–	11,840	–	11,840	–	11,840
Total comprehensive income for the period	–	–	–	–	11,840	1,686,368	1,698,208	(4,377)	1,693,831
Final 2022 dividend declared and paid	–	–	–	–	–	(664,411)	(664,411)	–	(664,411)
Issue of employee stock option program	–	522,381	(522,381)	–	–	–	–	–	–
Vesting of restricted shares	–	44,574	–	–	–	–	44,574	–	44,574
Equity-settled share option arrangements	–	–	22,974	–	–	–	22,974	–	22,974
Cancellation of repurchased A Shares	(262)	39,984	(39,722)	–	–	–	–	–	–
At 30 June 2023 (Unaudited)	369,655	(639,621)	9,604,406	208,970	28,398	7,176,965	16,748,773	43,198	16,791,971

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(CONTINUED)*

For the six months ended 30 June 2023

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

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 (the "reporting period") has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

Operating segment

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

For six months ended 30 June 2023, revenue of approximately RMB2,225,728,303 was derived from a single customer, including a group of entities which are known to be under common control with that customer.

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

4. REVENUE, OTHER INCOME AND GAINS

Clinical and Pre-clinical stage CDMO solutions:

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

Commercial stage CDMO solutions:

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

Emerging Business:

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

Others:

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Transfer of goods and services	**4,591,447**	5,029,770
Others	**4,261**	4,295
	4,595,708	5,034,065

Revenue from contracts with customers

(a) Disaggregated revenue information

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**277,330**	131,046
	277,330	131,046

Other income and gains

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

* Government grants of RMB18,836,000 and RMB28,760,000, respectively, were granted during the six months ended 30 June 2022 and 2023, as incentives to the development and research activities of the Group in the PRC, of which the amounts of government grants related to assets were RMB7,600,000 and RMB9,015,000, and the other government grants were related to income. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

5. PROFIT BEFORE TAX

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

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

6. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, that were accredited as "High and New Technology Enterprises" and entitled to a preferential rate of 15% in 2023.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Asymchem Inc., a subsidiary of the Group incorporated in the United States, is based on the federal tax rate of 21% in 2023. The provision for current income tax of Asymchem Limited, a subsidiary of the Group incorporated in the United Kingdom, is based on a rate of 19%.

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**249,058**	239,282
Deferred	**(2,570)**	8,873
Total tax charge for the period	**246,488**	248,155

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

7. DIVIDENDS

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

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

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 361,231,000 (Six months ended 30 June 2022: 365,859,000) in issue during the year, as adjusted to reflect the rights issue during the year.

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

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

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

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

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

9. TRADE RECEIVABLES

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

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

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

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

10. TRADE PAYABLES

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

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

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

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

11. SHARE CAPITAL

Shares

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

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (**www.asymchem.com**)/ (**www.asymchem.com.cn**), and website of the Hong Kong Stock Exchange (**www.hkexnews.hk**). The interim report for the six months ended 30 June 2023 containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and published on the afore-mentioned websites in due course.

DEFINITIONS AND GLOSSARIES

In this announcement, unless the context otherwise requires, the following terms have the flowing meanings. These terms and their definitions may not correspond to any industry standard definition and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

"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
"ADC"	the antibody-drug conjugate
"Annual General Meeting"	annual general meeting of the Company
"API"	Active Pharmaceutical Ingredient
"Asymchem Biotechnology"	Shanghai Asymchem Biotechnology Co., Ltd. (上海凯莱英生物技術有限公司) and its subsidiaries
"BLA"	Biologics License Application
"Board" or "Board of Directors"	the board of directors of the Group
"BSL-2 Laboratory"	bio-safety level 2 laboratory
"CAR-NK"	CAR-NK Adoptive Cell Therapy (ACT) refers to the gene modification of a chimeric antigen receptor (CAR) that gives NK cells the ability to target and identify tumor cells and infuse them into human body after in vitro expansion to achieve the effect of tumor treatment
"CDMO(s)"	contract development manufacturing organization(s), a company primarily engaged in providing CMC, drug development and drug manufacturing services in the pharmaceutical industry
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

"CGT"	Cell and Gene Therapy
"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
"CMC"	Chemical, Manufacturing and Control
"CMO"	Contract Manufacture Organization
"Company", "our Company", "the Company" or "Asymchem"	Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司) established under the laws of the PRC as an enterprise legal person on 8 October 1998, the A Shares of which are listed on the Shenzhen Stock Exchange and the H Shares of which are listed on the Hong Kong Stock Exchange
"CpG"	cytosine-phosphorothioate-guanine
"Drug-linker"	drug-linker
"EHS"	integrated management of health, safety and environment
"Employee Share Ownership Plan"	the 2022 Employee Share Ownership Plan of the Company adopted at the fifth extraordinary general meeting of 2022
"FDA"	the United States Food and Drug Administration
"GLP-1"	glucagon-like peptide-1
"GMP"	Good Manufacturing Practice or current Good Manufacturing Practice
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"IND"	Investigational New Drug
"iPSC"	induced pluripotent stem cells
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"LNP"	lipid nanoparticle
"MAK"	Maximum Allowable Concentration in the workplace
"MFDS"	Ministry of Food and Drug Safety in Korea
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration
"PAI"	pre-approval inspection
"pH"	pondus hydrogenii, which describes the cidity and alkalinity of water solution
"PMDA"	Pharmaceuticals and Medical Devices Agency, Japanese agency for drug and medical device technical review
"Prospectus"	the prospectus of the Company dated 30 November 2021 in relation to the Global Offering
"RMB" or "Renminbi"	the lawful currency of the PRC
"Shareholder(s)"	shareholder(s) of the Company
"Shenzhen Stock Exchange"	The Shenzhen Stock Exchange
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "U.S. dollar"	the lawful currency of the United States of America

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.

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

Tianjin, 29 August 2023

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.