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)

PROPOSED CHANGE AND DELAY IN THE USE OF PART OF PROCEEDS, AND ESTABLISHMENT OF NEW PROCEEDS-FUNDED PROJECTS

I. INTRODUCTION

The Company issued 10,178,731 A Shares with an offering price of RMB227.00 per share to designated investors in September 2020 (the "**Non-public Offering**"), and raised net proceeds (the "**Proceeds**") of RMB2,274,960,656.06 (net of expenses related to the offering). The following table sets out the projects funded by the Proceeds and the use of the Proceeds for such projects as of 26 June 2024:

No.	Implementation entity	Project name	Total investment amount *(RMB0'000)*	Investment amount proposed to be funded by the Proceeds *(RMB0'000)*	Accumulated investment amount as of 26 June 2024 *(RMB0'000)*
1.	Asymchem Life Science (Tianjin) Co., Ltd.(凱萊英生命科學技術(天津)有限公司)	Expansion Project of One-stop Service Platform for Innovative Drugs of Asymchem Life Science (Tianjin) Co., Ltd.	68,000.00	2,204.63	2,204.63
2.	Shanghai Asymchem Biotechnology Co., Ltd.(上海凱萊英生物技術有限公司)	Construction Project of R&D and Production Platform for Biological Macromolecule Innovative Drugs and Formulation	62,236.45	6,551.69	6,551.69
3.	Asymchem Pharmaceuticals (Jiangsu) Co., Ltd.(凱萊英藥業(江蘇)有限公司)	Biopharmaceutical R&D and Production All-in-one Base Project of Asymchem Pharmaceuticals (Jiangsu) Co., Ltd.	230,938.65	100,000.00	5,153.57
4.	Asymchem Life Science (Tianjin) Co., Ltd.(凱萊英生命科學技術(天津)有限公司)	Chemical Macromolecule Project of Asymchem Life Science (Tianjin) Co., Ltd.	50,000.00	40,000.00	40,000.00

No.	Implementation entity	Project name	Total investment amount *(RMB0'000)*	Investment amount proposed to be funded by the Proceeds *(RMB0'000)*	Accumulated investment amount as of 26 June 2024 *(RMB0'000)*
5.	Tianjin Asymchem Biotechnology Co., Ltd.(天津凱萊英生物科技有限公司)	Key Green Technology Development and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd.	40,000.00	13,257.10	13,257.10
6.	Asymchem Laboratories (Tianjin) Co., Ltd.(凱萊英醫藥集團(天津)股份有限公司)	To supplement working capital	66,057.20	66,057.20	66,057.20
Total			**–**	**228,070.62**	**133,224.19**

Note:

For the previous changes in the use of part of Proceeds and establishment of new Proceeds-funded projects, please refer to the circular dated 10 October 2022 and the announcement dated 28 October 2022.

II. THE USE OF FUNDS FOR THE PROCEEDS-FUNDED PROJECTS TO BE CHANGED AND DELAYED THIS TIME

Based on the dynamics of the domestic and international small molecule CDMO industry and market, in line with the Company's development strategy, and for the purposes of effectively improving the efficiency of the use of the Proceeds, the Company intends to change the investment amount of Proceeds committed to be used for the Biomedical R&D and Production Integration Base Project of Asymchem Pharmacy (Jiangsu) Co., Ltd. (the "**Taixing Project**"), and extend the date of reaching expected conditions for use to 30 June 2026; meanwhile, it intends to invest the reduced Proceeds for the aforementioned project into the proposed new Proceeds-funded projects, namely the Pharmaceutical R&D Center Project of Asymchem Life Science (Jiangsu) Co., Ltd. (the "**R&D Center Project**"), the High-end Formulation Pilot and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd. (the "**Formulation Pilot and Industrialization Project**"), and the Phase I Project of the Construction of Continuous Reaction Technology Service Platform of Asymchem Life Science (Tianjin) Co., Ltd. (the "**Continuous Reaction Technology Project**") (the "**Proposed Change**"). The particulars are as follows:

Item	Before the Proposed Change		After the Proposed Change	
Amount of Proceeds committed to be used for the Taixing Project	**Committed investment amount** *(RMB0'000)*	**Used Amount** *(RMB0'000)*	**Committed investment amount** *(RMB0'000)*	**Reduced amount** *(RMB0'000)*
	100,000	5,153.57	60,000	40,000
Date of reaching expected conditions for use	30 September 2024		30 June 2026	

After the Proposed Change, the committed investment will comprise construction fee of RMB214.36 million, equipment procurement fee of RMB269.48 million, and installation and engineering fee of RMB116.16 million. The Taixing Project will involve the construction of a new manufacturing workshop, a new manufacturing control center, a new R&D workshop and other auxiliary supporting equipment in terms of R&D, manufacturing and environment protection. The Taixing Project will also involve the purchase of 218 sets of manufacturing and R&D equipment and devices together with 17 sets of auxiliary equipment to meet the needs of CDMO R&D and commercialization manufacturing. Based on preliminary calculations, after the Proposed Change, the Taixing Project will have a total rate of return of no less than 14.31% and an investment payback period (including the construction period) of less than 7.32 years. The Taixing Project has good economic benefits and is in line with the Company's long-term development goals. The aforementioned economic analysis is only based on the Company's calculations according to the current market conditions, and does not represent the Company's actual profit guarantee for the Taixing Project. Investors of the Company are advised to be aware of such investment risks.

After the Proposed Change, the reduction of RMB400.00 million from the Proceeds committed to be used for the Taixing Project is intended to be used for the new Proceeds-funded project proposed this time, the R&D Center Project, the Formulation Pilot and Industrialization Project and the Continuous Reaction Technology Project respectively. The amount of the changed Proceeds accounts for approximately 17.58% of the actual net Proceeds (excluding the bank interest and the cash management income). As of the date of this announcement, the R&D Center Project has received the project filing certificate Su Yuan Xing Shen Bei [2024] No. 471 (蘇園行審備[2024]471 號); the Formulation Pilot and Industrialization Project has received the project filing certificate Jin Kai Shen Pi [2024] No. 11127 (津開審批[2024]11127 號); the Continuous Reaction Technology Project has received the project filing certificate Jin Kai Shen Pi [2024] No. 11238 (津開審批[2024]11238 號)). Other procedures including the environmental impact assessment of the abovementioned projects are under way.

III. REASONS FOR THE CHANGE AND DELAY OF THE USE OF PART OF THE PROCEEDS

In 2023, all the large orders have been fully executed, and the Company's overall small molecule production capacity can support the business development needs for the next few years. Against this backdrop, the Company is considering advancing the construction of the Taixing Project in phases to further improve the efficiency of the usage of Proceeds, reasonably control fixed assets expenditure with development as a priority, and continue to promote the rebalancing of the Company's overall profitability.

IV. SPECIFIC SCHEME FOR THE PROPOSED CHANGE

The projects to be invested following the Proposed Change are as follows:

Project name	Total investment amount *(RMB0'000)*	Investment amount proposed to be funded by the Proceeds (before the Proposed Change) *(RMB0'000)*	Unused Proceeds (before the Proposed Change) *(RMB0'000)*	Investment amount proposed to be funded by the Proceeds (after the Proposed Change) *(RMB0'000)*	Project name	Expected date to be fully utilized*
Taixing Project	230,938.65	100,000.00	5,153.57	60,000.00	Taixing Project	on or before 30 June 2026
R&D Center Project	30,000.00	–	–	20,000.00	R&D Center Project	on or before 30 June 2026
Formulation Pilot and Industrialization Project	11,000.00	–	–	10,000.00	Pilot and Industrialization Project	on or before 30 June 2026
Continuous Reaction Technology Project	12,000.00	–	–	10,000.00	Continuous Reaction Technology Project	on or before 30 June 2025

Note:

The above expected timeline of full utilization is based on the Directors' best estimation and will be subject to adjustment based on the future development of market conditions.

V. INFORMATION ON NEW PROCEEDS-FUNDED PROJECTS

After the Proposed Change, the Company intends to use RMB200 million of the remaining unused Proceeds for the R&D Center Project, RMB100 million for the Formulation Pilot and Industrialization Project and RMB100 million for the Continuous Reaction Technology Project.

(I) The R&D Center Project

1. Basic information of the project and investment plan

(1) Project name: the Pharmaceutical R&D Center Project of Asymchem Life Science (Jiangsu) Co., Ltd.

(2) Project implementation entity: Asymchem Life Science (Jiangsu) Co., Ltd. (凱萊英生命科學技術(江蘇)有限公司)

(3) Project implementation location: Suzhou Industrial Park, Jiangsu, China

(4) Project construction period: 36 months

(5) Project investment amount: RMB300.0 million, including approximately RMB284.74 million for fixed assets investment and approximately RMB15.26 million for initial working capital. The Company intends to use RMB200.0 million of the Proceeds to implement the project, with the remaining balance settled through self-financing of the Company

(6) Project construction: The project involves the construction of a new office and research building, within which a small molecule drug R&D center and a bio-synthesis R&D center will be established for R&D experiments

2. Basic information of project implementation entity

Entity: Asymchem Life Science (Jiangsu) Co., Ltd. (凯莱英生命科學技術(江蘇)有限公司)

Legal representative: Fan Jinlin (范金林)

Registered capital: RMB100,000,000

Date of incorporation: 18 March 2021

Business scope: Approved items: import and export of drugs (items subject to approval by law, shall only be conducted after approval by the relevant departments, and the specific business projects are subject to the approval results); General items: medical research and experimental development; cellular technology R&D and application; optimization of the fermentation process technology R&D; R&D of industrial enzymes; technical services, technology development, technology consulting, technology exchanges, technology transfer, technology diffusion; science and technology promotion and application services; being engaged in scientific and technological training of for-profit private training institutions (except for carrying out academic subject and language cultural education training to primary and secondary school students); import and export of goods (except for items subject to approval by law, the enterprise can carry out business activities independently with a business license according to law)

Shareholder: It is wholly owned by Asymchem Laboratories (Tianjin) Co., Ltd.

Financial position:

Item	**31 December 2023** *(RMB)*	**31 March 2024** *(RMB)*
Total assets	130,187,627.65	168,700,378.83
Total liabilities	82,494,717.40	122,635,319.35
Net assets	47,692,910.25	46,065,059.48
Operating revenue	1,512,050.81	918,230.09
Net profit	(13,472,716.19)	(1,627,850.77)

(The financial information above has not been audited)

3. Project feasibility analysis

(1) Project background

The pharmaceutical industry has been expanding with the development of the world economy, growth of the total population and aging society. According to the analysis report from Frost & Sullivan, the global pharmaceutical market has grown steadily over the past five years, from US$1,153 billion in 2016 to US$1,298.8 billion in 2020, at a CAGR of 3.0%. This growth is expected to continue, with total revenues expected to reach US$1,711.4 billion by 2025, or a CAGR of 5.7% from 2020.

As a technology leader in the CDMO industry, the Company, with its profound technical strength, is able to rapidly solve various complex technical problems and various technical bottlenecks in the development and production of small molecule drugs, bringing development efficiency and cost-effectiveness to customers. With the rapid development of the CDMO industry domestically and abroad, and the huge opportunity of the total amount of drugs and innovation demand, the Company urgently needs to continue to improve and expand the comprehensive service capacity of drug R&D and production.

Suzhou Industrial Park is a perfect place for innovative drug R&D and investment, and possesses unique advantages in location, industry and talents. The Group makes full use of the opportunity of globalization of the pharmaceutical industry development, and intends to build a drug R&D center in Suzhou Industrial Park, which will comprehensively enhance and expand the R&D and production integrated service capacity while promoting the R&D and listing process of domestic and international innovative drugs. This will improve the technological innovation ability of China's pharmaceutical industry, enhance the competitiveness of the international market, and promote the sustainable and healthy development of China's pharmaceutical industry.

(2) Necessity analysis of project implementation

① The project is in line with national development plans and industrial policies

The Outline of the National Medium- and Long-Term Scientific and Technological Development Plan (《國家中長期科學和技術發展規劃綱要》) lists "8. Population and Health - (48) Prevention and control of cardiovascular and cerebrovascular diseases, tumors and other major non-communicable diseases" as a key area and priority topic;

The Outline of the National Innovation-driven Development Strategy (《國家創新驅動發展戰略綱要》) proposes in "IV. Strategic Tasks – (I) Promoting Innovation in the Industrial Technology System and Creating New Advantages for Development – 8. Developing Advanced, Effective, Safe and Convenient Health Technologies to Cope with the Challenges of Major Diseases and Population Ageing" that "cardiovascular and cerebrovascular diseases should be improved, malignant tumors, chronic respiratory diseases, diabetes and other major diseases;"

The Guidelines for the Development Plan of Pharmaceutical Industry (《醫藥工業發展規劃指南》) explicitly lists "R&D of new drugs for major diseases" as a key area of promotion for chemical drugs; additionally, it points out that "the level of R&D and formulation of antibody drugs, tumor immunotherapy drugs and other drugs should be improved", so as to continuously promote the innovation and upgrading of the industry.

The construction of this project is aimed at the R&D of APIs and related products in the fields of anti-tumor, anti-hepatitis, antibiotics, cardiovascular and cerebrovascular, diabetes and psychiatric diseases, etc. The research direction and construction content of the project are in line with the relevant national industrial policies and development direction.

② Years of technical accumulation provides a sound foundation for the implementation of this project, thus further promoting the coordinated development of the Company's various businesses

As a leading technology-driven CDMO company in the global industry, the Company provides excellent services and solutions for domestic and foreign pharmaceutical and biotechnology companies throughout the entire drug life cycle, from drug development to commercialization, to accelerate the clinical research and commercialization of innovative drugs. The Company has always been implementing various standards with high requirements, high standards and high quality, insisting on the implementation of international first-class standards of cGMP quality management system and Environment, health and safety (EHS) management system, continuously improving the production management and project management capabilities, establishing a marketing network covering the world's mainstream pharmaceutical companies, and has the ability to simultaneously undertake a number of heavy drug orders, and forming in-depth and embedded partnerships with international pharmaceutical giants and biotechnology companies. The Group has formed deep and embedded cooperative relationships with international pharmaceutical giants and biotechnology companies, and has become a partner in global drug R&D and production.

Leveraging on the technology accumulated over the years and the advantage of a sustainable evolutionary R&D platform, the Company has accumulated a wealth of advantageous resources in the industry by taking technological innovation as the core driving force, and by responding quickly to the diversified needs of customers, designing, developing, and producing the best pharmaceutical outsourcing service solutions that can be reasonably developed and achieve significant returns. The Company provides customized products and services in accordance with the highest regulatory standards in the international industry, helps more innovative drugs around the world to shorten the R&D cycle and accelerate the approval of marketing by virtue of excellent process development capabilities, relies on continuous process optimization capabilities to significantly reduce the cost of commercial production of marketed pharmaceuticals, provides continuous empowerment for innovative pharmaceutical companies to create a sustainable development model with low energy consumption, low emissions and high efficiency, and realizes differentiated operations while at the same time enjoying higher technical additional profit margins, leading the healthy development of the domestic and international pharmaceutical outsourcing industry, and maintaining the industry's leading standards.

With the rapid development of CDMO industry domestically and abroad, and the huge opportunities of total drug volume and innovation demand, the Group urgently needs to follow the trend to further enhance and optimize the integrated comprehensive R&D service platform. This project will foster a synergy effect with other subsidiaries of the Group, which will be conducive to accelerating the R&D and marketing process of relevant drugs in the field of major disease treatment, enhancing the Group's international influence and promoting the healthy and sustainable development of the Group.

4. Filing, environmental impact assessment and other relevant procedures for the project

The Company received the project (change) filing certificate (project code: 2103-320571-89-01-304599) from the Administrative Approval Bureau of Suzhou Industrial Park (蘇州工業園行政審批局) on 30 April 2024 and obtained the real estate ownership certificate No. Su (2022) Suzhou Industrial Park Real Estate No. 0000060 (蘇(2022)蘇州工業園區不動產權第0000060號) for the R&D Center Project. Other environmental impact assessment procedures are under way.

(II) The Formulation Pilot and Industrialization Project

1. Basic information of the project and investment plan

(1) Project name: High-end Formulation Pilot and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd.

(2) Project implementation entity: Tianjin Asymchem Biotechnology Co., Ltd. (天津凱萊英生物科技有限公司)

(3) Project implementation location: No. 6, Xinzhang Road, Western District of the Economic – Technological Development Area, Tianjin, China

(4) Project construction period: 24 months

(5) Project investment amount: RMB110.0 million, including approximately RMB107.8255 million for construction investment and approximately RMB2.2 million as initial working capital. The Company intends to use RMB100.0 million of the Proceeds to implement the project, with the difference settled through self-financing of the Company

(6) Project construction content: The project involves the construction of a new three-story drug product workshop and auxiliary supporting engineering facilities; purchase of 30 sets of principal manufacturing equipment and devices and auxiliary engineering equipment

2. Basic information of project implementation entity

Entity: Tianjin Asymchem Biotechnology Co., Ltd. (天津凱萊英生物科技有限公司)

Legal representative: Zhang Na (張娜)

Registered capital: RMB1,000,000

Date of incorporation: 29 July 2013

Approved items: pharmaceutical production; entrusted manufacturing of pharmaceutical products. (Items subject to approval in accordance with the law shall only be conducted upon the approval by the relevant authorities, and the specific business projects are subject to the approval documents or permits of the relevant authorities) General items: medical research and experimental development; R&D of the fermentation process optimization technology; R&D of industrial enzyme formulation; synthetic materials manufacturing (excluding hazardous chemicals); technical services, technology development, technology consulting, technology exchanges, technology transfer and technology promotion; manufacturing of special chemical products (excluding hazardous chemicals); R&D of bio-based materials technology; engineering and technology research and experimental development. (Except for items subject to approval in accordance with the law, business activities shall be carried out independently under the business license in accordance with the law) (Not allowed to invest in the areas prohibited from foreign investment in the Negative List for Foreign Investment Access)

Shareholder: It is wholly owned by Asymchem Laboratories (Tianjin) Co., Ltd.

Financial position:

Item	31 December 2023 *(RMB)*	31 March 2024 *(RMB)*
Total assets	361,131,164.31	411,637,141.27
Total liabilities	162,384,264.12	212,971,175.48
Net assets	198,746,900.19	198,665,965.79
Operating revenue	14,414,587.82	8,746,525.13
Net profit	(16,272,791.40)	(80,934.41)

(The financial information for 2023 has been audited by Ernst & Young Hua Ming LLP, while the financial information as of 31 March 2024 has not been audited)

3. Project feasibility analysis

(1) Project background

The fundamental value of CDMO companies is to solve the contradiction between the growing high demand for new drugs and the gradually increasing R&D costs. Leveraging on the trend of refined and specialized division of labor in pharmaceutical R&D, CDMO companies are in a rapid development stage. In terms of industry indicators, R&D investment and outsourcing penetration rate of downstream customers are one of the key factors affecting the development of CDMO industry. Meanwhile, the global pharmaceutical market is experiencing growing demand due to a combination of factors such as growing medical and healthcare awareness, increasing per capita disposable income, and aging population. It is estimated in the report from Frost & Sullivan that the global pharmaceutical market will maintain a steady growth trend, and is expected to reach US$1,718.8 billion in 2025 and US$2,114.8 billion in 2030, at a CAGR of 4.2%. R&D investment in the global pharmaceutical industry will grow from US$243.7 billion in 2022 to US$328.8 billion in 2026, at a CAGR of approximately 7.8%. According to the statistics from Pharma Intelligence based on research data from 20 leading biopharmaceutical companies, the time it takes for a new drug to be approved from the start of a clinical trial increases from 6.9 years in 2021 to 7.09 years in 2022; and the average cost of developing a new drug (including the cost of failure) also increases from US$1.986 billion in 2021 to US$2.284 billion in 2022.

According to the disclosed operations for the year ended 2023 of the Company, revenue from the formulation CDMO business increased by 18.36% year-on-year, of which overseas revenue increased by 20.51% year-on-year, continuing the better growth trend. During the reporting period, 148 projects were successfully completed and 156 orders for formulation projects were in progress. With the Company continuing to increase the development of customers and the overseas market maintaining the growth trend, a double increase in business income and the number of projects has been achieved. The proposed new Proceeds-funded Formulation Pilot and Industrialization Project will leverage on the Company's existing R&D technology platform to

further expand the production capacity and projects of high-end formulation rapidly, accelerate the R&D of high-end formulation and drug delivery technology, and address the last-mile delivery of drugs to patients.

(2) Necessity analysis of project implementation

① The implementation of the project is in line with the national industrial policies

As an important national policy of China to proactively respond to the new historical period and enhance the level of its manufacturing industry from big to strong, "Made in China 2025" (《中國製造2025》) lists biopharmaceuticals and high-performance medical devices as one of the ten key areas and proposes to develop new products of chemical drugs, traditional Chinese medicine and biotechnology drugs for major diseases. In various industrial plans including "14th Five-Year Plan for Medical Equipment Industry" (《"十四五"醫藥工業發展規劃》) and "14th Five-Year Plan for National Drug Safety and High-Quality Development" (《"十四五"國家藥品安全及促進高質量發展規劃》), the manufacturing technology of high-end formulation have all been listed as a key area of development. In line with the national ideal of promoting the R&D capability and equipment level of enterprises and striving for deeper, larger and stronger, the Formulation Pilot and Industrialization Project is conducive to enhancing the momentum of the Company.

② The project will help accelerate the marketing of innovative drugs and improve the Company's core competitiveness

Formulation technology plays an important part of new drug development, which can used, according to the physicochemical properties of the API, to design and develop drugs closer to actual clinical needs. The innovation of high-end formulation technology can not only improve the safety, efficacy and compliance of known APIs and prolong the life cycle of products, but also enrich the ways of pharmaceutical formulation of new molecular entities, improve the R&D success rate of innovative drugs, and accelerate their marketing. The new Proceeds-funded Formulation Pilot and Industrialization Project will closely leverage on the existing mature technology and customer groups of Asymchem and significantly improve the efficiency of drug R&D. Meanwhile, since the relevant core technology is closely combined with the production process, the Company will be able to construct technical barriers which are conducive to maintaining its competitive advantage in the fierce competition landscape and enhancing its core competitiveness.

③ The implementation of the project will accelerate the level of R&D and production in the treatment of many major diseases in our country and drive the upgrading of the regional pharmaceutical industry

The project will be based on a number of leading technologies of the Company and continue to promote the transformation and application of relevant technologies in the formulation of innovative drugs in the treatment of many major diseases, to meet the national and regional needs for the prevention and treatment of major and multiple diseases. The project is conducive to accelerating the level of R&D and production in the treatment of many major diseases, therefore enhancing the R&D and manufacturing technology of innovative drugs in our country and driving the upgrading of the regional and national pharmaceutical industry.

4. Economic benefit analysis of the project

When the project is completed and put into operation, the after-tax static investment payback period (including the construction period) is expected to be 5.73 years with an after-tax internal rate of return of 17.94%. Therefore, the project offers good economic benefits. The aforementioned economic analysis is only based on the Company's calculations according to the current market conditions, and does not represent the Company's actual profit guarantee for the project. Investors of the Company are advised to be aware of such investment risks.

5. Filing, environmental impact assessment and other relevant procedures for the project

The Company received the project filing certificate (project code: 2403-120316-89-01-687765) from the Administrative Examination and Approval Bureau of Tianjin Economic and Technological Development Zone (Nangang Industrial Zone) (天津經濟技術開發區(南港工業區)行政審批局) in March 2024 and obtained the real estate ownership certificate No. Jin (2024) Economic Development Zone Real Estate No. 0320171 (津(2004)開發區不動產權第0320171號) for the proposed new Proceeds-funded project. Other environmental impact assessment procedures are under way.

(III) The Continuous Reaction Technology Project

1. Basic information of the project and investment plan

(1) Project name: Phase I Project of the Construction of Continuous Reaction Technology Service Platform of Asymchem Life Science (Tianjin) Co., Ltd.

(2) Project implementation entity: Asymchem Life Science (Tianjin) Co., Ltd. (凱萊英生命科學技術(天津)有限公司)

(3) Project implementation location: Western District of the Economic – Technological Development Area, Tianjin, China

(4) Project construction period: 12 months

(5) Project investment amount: RMB120.0 million, including RMB108.55 million for construction investment and RMB11.45 million as initial working capital. The Company intends to use RMB100.0 million of the Proceeds to implement the project, with the difference settled through self-financing of the Company.

(6) Project construction content: The project involves the construction of a new R&D and production workshop and auxiliary public and environmental engineering facilities; purchase of more than 600 sets of R&D and production auxiliary equipment.

2. Basic information of project implementation entity

Entity: Asymchem Life Science (Tianjin) Co., Ltd. (凱萊英生命科學技術(天津)有限公司)

Legal representative: Xiao Yi (肖毅)

Registered capital: RMB70,000,000

Date of incorporation: 30 December 2005

Business scope: General items: R&D of industrial enzyme formulation; technical services, technology development, technology consulting, technology exchanges, technology transfer and technology promotion; R&D of the fermentation process optimization technology; manufacturing of pharmaceutical special equipment; sales of pharmaceutical special equipment; manufacturing of special chemical products (excluding hazardous chemicals); sales of special chemical products (excluding hazardous chemicals); medical research and experimental development; general cargo warehouse services (excluding items subject to licensing like hazardous chemicals); non-residential real estate leasing; leasing of special equipment; sales of experimental analysis instrument; sales of pumps and vacuum equipment; sales of industrial automation control system equipment; sales of special equipment; sales of special ceramic products; (Except for items subject to approval in accordance with the law, business activities shall be carried out independently under the business license in accordance with the law). Approved items: pharmaceutical production; entrusted manufacturing of pharmaceutical products; manufacturing of special equipment; technology import and export; import and export of goods. (Items subject to approval in accordance with the law shall only be conducted upon the approval by the relevant authorities, and the specific business projects are subject to the approval documents or permits of the relevant authorities) (Not allowed to invest in the areas prohibited from foreign investment in the Negative List for Foreign Investment Access)

Shareholder: It is wholly owned by Asymchem Laboratories (Tianjin) Co., Ltd.

Financial position:

Item	31 December 2023	31 March 2024
Total assets	2,248,800,865.56	2,568,165,793.33
Total liabilities	1,313,401,932.51	1,646,116,173.64
Net assets	935,398,933.05	922,049,619.69
Operating revenue	1,732,721,749.10	331,504,891.15
Net profit	74,358,561.49	(22,199,546.29)

(The financial information for 2023 has been audited by Ernst & Young Hua Ming LLP, while the financial information as of 31 March 2024 has not been audited))

3. Project feasibility analysis

(1) Project background

In recent years, the construction of ecological civilization has been elevated to an important strategic status in the state, and promoting the development of green industry serves as an inevitable requirement for such construction. In the context of green and low-carbon development being encouraged in the state and leading the acceleration of green technology innovation and industrialization, continuous reaction technology, as a green manufacturing technology, shows irreplaceable advantages in safety, environmental protection, green, energy conservation, efficiency, cost saving and other aspects. Providing a new way of process for the global pharmaceutical industry to replace batch reactions with continuous reaction chemical synthetic methodologies, it is an important development direction for the future upgrading of chemical-pharmaceutical technology and will also bring revolutionary changes to the traditional pharmaceutical chemical industry.

As defined by the FDA, continuous reaction technology has been defined by the FDA as "one of the most important tools in the modernization of the pharmaceutical industry today". In July 2021, the International Council for Harmonisation of Technical Requirements of Pharmaceuticals for Human Use (ICH) issued the Guideline on Continuous Manufacturing of Drug Substances and Drug Products (Draft for Comments) (《藥品及原料藥連續製造指南》(徵求意見稿)), which is intended to promote the improvement of technical and regulatory elements applicable to continuous manufacturing technology. The guideline provides guidance to the industry and regulatory authorities on the application of continuous manufacturing technology in drug substances and drug products, further lays an important foundation for its rapid, and accelerates its eco-revolution in the pharmaceutical industry.

It is estimated that more than 60 pharmaceutical companies around the world are now involved in continuous manufacturing production, with close to 80% of them utilizing the technology in the field of small-molecule chemicals drugs. In 2019 alone, nearly 400 related patents have been filed or granted in the U.S., many of which are from big pharmaceutical companies. The related market is expected to grow at a CAGR of more than 10% in the next decade. It is foreseeable that continuous manufacturing is bound to become the main consensus for the future development of the global biopharmaceutical field and accelerate the industry to move forward in a more efficient, safer and smarter direction.

The proposed new Proceeds-funded Continuous Reaction Technology Project will leverage on the Company's accumulation in the field of small-molecule CDMO and take advantage of its established and continuously-evolving R&D and production platform. It will further expand production capacity and projects rapidly and enhance the ability to complete multiple projects in parallel and of quick delivery.

(2) Necessity analysis of project implementation

① The project is in line with national development plan and the direction of industrial policies

The Implementation Program on Promoting the High-quality Development of the Active Pharmaceutical Ingredient Industry (《關於推動原料藥產業高質量發展的實施方案》) jointly issued by the National Development and Reform Commission (NDPC) and Ministry of Industry and Information Technology (MIIT) expressly proposes to promote the green and low-carbon industry transformation, strengthen the layout of prospective research, advance the green renovation of bulk APIs, continuously reduce energy consumption and emission levels per unit of product, enhance the recycling of by-products in the production of APIs, promote the renovation of the treatment of volatile organic compounds (VOCs), improve the comprehensive disposal level of solid wastes, high-salt wastewater and organic waste liquids, facilitate the promotion and application of advanced energy-saving equipment, accelerate the transformation and upgrading of high-energy-consumption process modules such as refrigeration and fermentation and achieve the energy cascade utilization.

"Made in China 2025 (《中國製造2025》)" lists biopharmaceuticals and high-performance medical devices as one of the ten key areas, proposing to fully implement green manufacturing, increase the R&D of advanced energy-saving and environment-friendly technologies, processes and equipment, accelerate the green transformation and upgrading of the manufacturing industry, actively implement decarbonization, recycling and intensification, improve the efficiency of resource utilization in the manufacturing industry; strengthen the green management of the entire life cycle of products, and strive to build a green manufacturing system that is highly efficient, clean, low-carbon and recycling.

② The project can help promote the healthy, green and low-carbon development of China's pharmaceutical industry

China is a great power of the pharmaceutical manufacturing industry. The continuous optimization of pharmaceutical processes will significantly drive the development of China's pharmaceutical industry. The complexity of pharmaceutical processes, high resources and energy consumption and serious environmental pollution in the existing traditional processes all restrict the rapid development of China's pharmaceutical industry.

The application of continuous reaction technology in the pharmaceutical industry has opened up a new way of drug production, which has not only reduced the pollution resulting from pharmaceutical production and protected the environment, but also to a certain extent promoted the progress and development of the pharmaceutical industry, enhanced its modernization, achieved a coordinated development of the pharmaceutical industry and the cause of environmental protection in achieve the coordinated development of the cause of the pharmaceutical industry, and moreover, served as an opportunity for China to transform itself from a pharmaceutical manufacturer of quantity to one of quality.

③ The construction of the project will help the Company to move forward high-end, green and intelligent sustainable development and enhance its international influence

The Company has been deeply engaged in the R&D and commercialization of green continuous reaction technology for more than ten years and has a significant first-mover advantage in its application. As early as in 2012, it realized the application of continuous reaction technology in ton-scale production. The related technology has been applied in the continuous commercialized production of key intermediates in many innovative drugs and APIs.

The construction of this project is conducive to giving full play to the technological advantages of the Company. It helps break through the technical barriers of inefficiency, high cost and high energy consumption of the traditional batch reactions and achieve the large-scale self-manufacturing, installation and production application of the continuous reaction equipment. Introducing the highly efficient automation control system and developing a continuous reaction demo production line suitable for the production of key drugs and pharmaceutical intermediates, also helps achieve efficient mixing and green chemistry and promotes the level of green API manufacturing ability of the Company and even our country. The construction is conducive to the transformation of green pharmaceutical technology from R&D to large-scale industrialized application and will empower the Company to move forward high-end, green and intelligent sustainable development with increasing international influence.

④ The construction of the project can help integrate the existing resources of the enterprise, save energy and costs.

In response to the national development policy and the guiding principle of energy saving and emission reduction, the implementation of this project in accordance with current laws and regulations will help to save energy, reduce consumption, and significantly lower the cost of the enterprise. In addition, this project will integrate its existing resources, achieve an optimal combination and upgrading of products, and further enhance its core competitiveness.

In summary, whether from the national policy, normative requirements or the development needs of the Company, the implementation of this project is of great significance to the sustainable production of products, the saving and reasonable allocation of resources, technological progress and advancement, the development and benefits of the Company, investment effect and public interest, etc. Therefore, the construction of the project is of great necessity.

4. Economic benefit analysis of the project

When the project is completed and put into operation, the after-tax static investment payback period (including the construction period) is expected to be 5.97 years with an after-tax internal rate of return of 19.73%. Therefore, the project offers good economic benefits. The aforementioned economic analysis is only based on the Company's calculations according to the current market conditions, and does not represent the Company's actual profit guarantee for the project. Investors of the Company are advised to be aware of such investment risks.

5. Filing, environmental impact assessment and other relevant procedures for the project

The Company received the project filing certificate (project code: 2308-120316-89-01-922787) from the Administrative Examination and Approval Bureau of Tianjin Economic and Technological Development Zone (Nangang Industrial Zone) (天津經濟技術開發區(南港工業區)行政審批局) in May 2024 and obtained the real estate ownership certificate No. Jin (2024) Economic Development Zone Real Estate No. 0300500 (津(2024)開發區不動產權第0300500號) for the proposed new Proceeds-funded project. Other environmental impact assessment procedures are under way.

VI. IMPACT OF THE PROPOSED CHANGE ON THE COMPANY

The purpose for the Proposed Change is to use the Proceeds more scientifically, prudently and effectively. This is a prudent decision made by the Company in response to changes in factors such as the market environment and the needs of the Company's business development. It is closely related to the Company's development strategy, helping the Company further improve its profitability, reduce financial risks and, on the premise of consolidating its existing advantages, further enhance the Company's core competitiveness. It meets the needs of the Company's long-term development and will not adversely affect the Company's manufacturing and operations or the interests of the Shareholders, especially the small and medium Shareholders. The Proposed Change is in line with the development strategy and long-term planning of the Company, and in line with the interests of the Company and all Shareholders.

OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are of the view that the Proposed Change is a prudent decision made by the Company based on the market environment and the needs of business development, which is in line with the needs of the Company's operation and development. It is conducive to improving the use efficiency of the Proceeds and will not prejudice the interests of Shareholders. The necessary decision-making procedures carried out comply with the Listing Rules of Shenzhen Stock Exchange, the Self-Regulatory Guidelines No. 1 (《自律監管指南第1號》), and other relevant laws, regulations and normative documents as well as the Articles of Association. The independent non-executive Directors agreed with the proposal and agreed to submit it to the general meeting for consideration.

REVIEW OPINIONS OF THE BOARD OF SUPERVISORS OF THE COMPANY

The board of supervisors of the Company is of the view that the Proposed Change is in line with further operation and development plans of the Company. It is conducive to improving the use efficiency of the Proceeds and in line with the interests of the Company and all Shareholders. Necessary legal procedures have been carried out for these adjustments, which are in line with the Listing Rules of Shenzhen Stock Exchange, the Self-Regulatory Guidelines No. 1 (《自律監管指南第1號》), and other relevant laws, regulations and normative documents as well as the Articles of Association, and the Management Measures for Proceeds. The board of supervisors of the Company agreed to the proposal and agreed to submit it to the general meeting for consideration.

OPINIONS OF THE A SHARE SPONSOR

Upon verification, the sponsor of the A Shares is of the view that the Proposed Change is in line with the development needs of the Company, and conducive to improving the use efficiency of the Proceeds. The Company has carried out necessary review procedures for the above proposals, which are in line with the Listing Rules of Shenzhen Stock Exchange, the Self-Regulatory Guidelines No. 1 (《自律監管指南第1號》), and other relevant laws, regulations. The sponsor of the A Shares agreed with the proposal.

GENERAL

The Proposed Change is subject to Shareholders' approval. A circular containing, among other things, details of the Proposed Change will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.asymchem.com) and despatched to the Shareholders (if necessary) as and when appropriate.

DEFINITIONS

"A Share(s)"	domestic share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shenzhen Stock Exchange and traded in Renminbi
"API"	active pharmaceutical ingredient
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Board"	the board of directors of the Company
"CAGR"	compound annual growth rate

"CDMO"	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
"cGMP"	current Good Manufacturing Practice, a quality system enforced by relevant regulatory authorities to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"China" or the "PRC"	the People's Republic of China, which for the purpose of this Announcement only, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Company," "Asymchem," or "Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司)"	Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司), which was incorporated as an enterprise legal person under the laws of the People's Republic of China on 8 October 1998, whose A Shares are listed on the Shenzhen Stock Exchange, and whose H Shares are listed on the Hong Kong Stock Exchange
"Director(s)"	The director(s) of the Company
"FDA"	U.S. Food and Drug Administration
"Group"	the Company and its subsidiaries
"PRC"	the People's Republic of China, which for the purpose of this Announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Self-Regulatory Guidelines No. 1 (《自律監管指南第1號》)"	Self-Regulatory Guidelines No. 1 for the Companies Listed on the Shenzhen Stock Exchange – Business Handling (《深圳證券交易所上市公司自律監管指南第1號–業務辦理》)
"Shareholder(s)"	shareholder(s) of the Company
"%"	Percent

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

Tianjin, the PRC, 26 June 2024

As at the date of this announcement, the Board comprises Dr. Hao Hong as Chairperson of the Board 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 Dr. Sun Xuejiao, Mr. Hou Xinyi and Mr. Lee, Kar Chung Felix as independent non-executive Directors.