



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

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

[www.asymchem.com](http://www.asymchem.com)

Stock Code: 6821

# 2024

## INTERIM REPORT





 **ASYM-CHEM**

[www.asymchem.com](http://www.asymchem.com)



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# CORPORATE INFORMATION

## I. BOARD OF DIRECTORS

### i. Executive Directors

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

### ii. Non-executive Directors

Dr. Ye Song  
Ms. Zhang Ting

### iii. Independent Non-executive Directors

Dr. Sun Xuejiao  
Mr. Wang Qingsong (*resigned on 5 February 2024 with effective from 29 February 2024*)  
Mr. Hou Xinyi (*appointed on 29 February 2024*)  
Mr. Lee, Kar Chung Felix

## II. BOARD OF SUPERVISORS

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

## III. REGISTERED OFFICE AND HEAD OFFICE

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

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

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

## V. H SHARE REGISTRAR

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

## VI. JOINT COMPANY SECRETARIES

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

## VII. AUTHORIZED REPRESENTATIVES

Mr. Zhang Da  
Mr. Xu Xiangke

## VIII. AUDIT COMMITTEE

Dr. Sun Xuejiao (*Chairperson*)  
Ms. Zhang Ting  
Mr. Wang Qingsong (*resigned on 5 February 2024 with effective from 29 February 2024*)  
Mr. Hou Xinyi (*appointed on 29 February 2024*)

## IX. STRATEGY COMMITTEE

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

## X. NOMINATION COMMITTEE

Mr. Lee, Kar Chung Felix (*Chairperson*)  
Mr. Hong Liang  
Mr. Wang Qingsong (*resigned on 5 February 2024 with effective from 29 February 2024*)  
Mr. Hou Xinyi (*appointed on 29 February 2024*)

## XI. REMUNERATION AND EXAMINATION COMMITTEE

Mr. Wang Qingsong (*Chairperson*) (*resigned on 5 February 2024 with effective from 29 February 2024*)

Mr. Hou Xinyi (*Chairperson*) (*appointed on 29 February 2024*)

Mr. Zhang Da

Dr. Sun Xuejiao

## XII. STOCK CODES

Hong Kong Stock Exchange (H Shares): 6821

Shenzhen Stock Exchange (A Shares): 002821

## XIII. AUDITOR

Ernst & Young

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

## XIV. LEGAL ADVISERS TO THE COMPANY

### Hong Kong laws

Cooley HK

35/F Two Exchange Square

8 Connaught Place

Central

Hong Kong

### PRC laws

DeHeng Law Offices

12/F, Tower B, Focus Place

19 Finance Street

Xicheng District

Beijing

PRC

## XV. PRINCIPAL BANKERS

### Bank of China Dunhua Branch

No. 1218, Hanzhang Street

Dunhua

Jilin Province

PRC

### SPD Bank Puxin Branch

No. 920, Tanggu Chunfeng Road

Binhai New District

Tianjin

PRC

### SPD Bank Puhui Branch

No. 116, West Cuiheng Square

No. 39 Third Street

Economic – Technological

Development Area

Tianjin

PRC

## XVI. COMPANY'S WEBSITE

[www.asymchem.com](http://www.asymchem.com)

## FINANCIAL HIGHLIGHTS

	<b>For the six months ended 30 June 2024 RMB'000 (except percentages)</b>	For the six months ended 30 June 2023 RMB'000 (except percentages)	Change %
Revenue	<b>2,655,046</b>	4,595,708	(42.23)
Gross profit	<b>1,094,701</b>	2,426,685	(54.89)
Gross profit margin	<b>41.23%</b>	52.80%	(11.57)
Net profit attributable to shareholders of the parent	<b>499,131</b>	1,686,368	(70.40)
Net profit margin attributable to shareholders of parent	<b>18.80%</b>	36.69%	(17.89)
<b>Non-IFRS Measures:</b>			
Adjusted net profit attributable to shareholders of the parent <sup>(Note 1)</sup>	<b>432,723</b>	1,636,426	(73.56)
Adjusted net profit margin attributable to shareholders of the parent <sup>(Note 1)</sup>	<b>16.30%</b>	35.61%	(19.31)
Earnings per share	<b>RMB</b>	RMB	
– Basic	<b>1.40</b>	4.65	(69.89)
– Diluted	<b>1.40</b>	4.65	(69.89)

	<b>As of 30 June 2024 RMB'000 (except percentages)</b>	As of 31 December 2023 RMB'000 (except percentages)	Change %
Total assets	<b>18,858,646</b>	19,767,159	(4.60)
Total liabilities	<b>2,405,604</b>	2,257,180	6.58
Equity attributable to the owners of the Company	<b>16,429,039</b>	17,479,717	(6.01)
Cash and bank balances	<b>5,678,924</b>	7,109,987	(20.13)
Gear ratio <sup>(Note 2)</sup>	<b>12.76%</b>	11.42%	1.34

Note 1: Please refer to “Management Discussion and Analysis – II. Financial Review – (xxiv) Adjusted Non-IFRS Measures.”

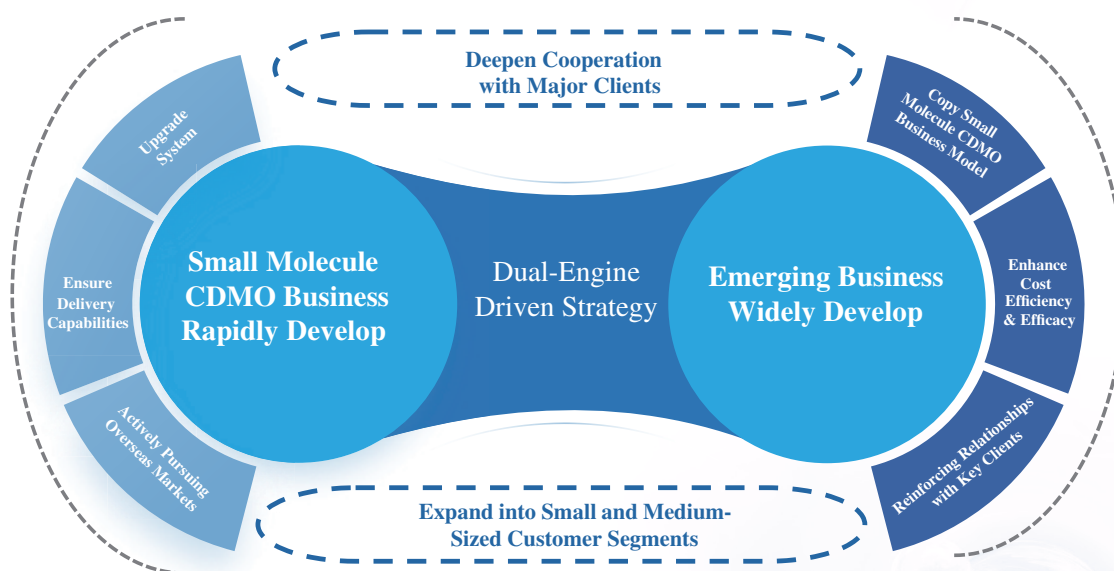
Note 2: Gearing ratio is calculated by dividing total liabilities by total assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. BUSINESS REVIEW

In the first half of 2024 (“2024H1”), the Company comprehensively advanced and implemented the dual-engine driven strategy on business growth by remaining committed to its business principle of “deepening cooperation with major clients, expanding into small and medium-sized customer segments, advancing market presence in Europe, and enhancing cost efficiency and efficacy.” This involved upgrading the management and operational systems to ensure order delivery capabilities, reinforcing relationships with key clients, and actively pursuing growth opportunities in international and domestic markets. By leveraging iterative technological advancements, we successfully promoted the advantages of small molecule drug CDMO services, expanded into chemical macromolecule CDMO, drug product services, green technology exporting, synthetic biology technology, clinical research services, and biological macromolecule CDMO. As of the date of this interim report, the Company has secured a total order backlog of US\$970 million, in addition to the recognized revenue orders during the Reporting Period.

During the Reporting Period, the Company achieved a total revenue of RMB2,655.05 million, with a slight decrease of 0.26% period-on-period excluding large orders. The gross profit margin for 2024H1 was 41.23%, reflecting a decrease of 11.57 percentage points compared to the same period last year, mainly due to the delivery of large orders with relatively high gross margins starting from in the fourth quarter of 2023, as well as the significant decline in gross margins from emerging businesses. In the small molecule CDMO business, revenue reached RMB2,153.42 million marking a period-on-period increase of 1.09% excluding large orders. Additionally, the emerging business segment contributed RMB499.62 million in revenue, experiencing a period-on-period decrease of 5.30%. Despite ongoing challenges in the global biopharmaceutical financing environment, the Company has demonstrated steady organic revenue growth and positive trends, underscoring the operational strength and progress, as well as the growing visibility of internal organic revenue growth and a solid global customer base. We expanded 114 new customers during the Reporting Period. Over the past three years, Asymchem has successfully secured and managed large orders, which have significantly enhanced our revenue and global reputation. Looking ahead, we are committed to further scaling the Company to new heights, even as large orders conclude.



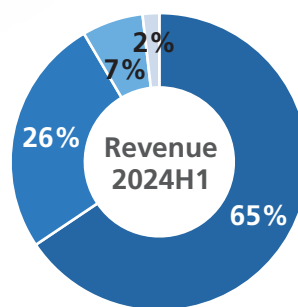
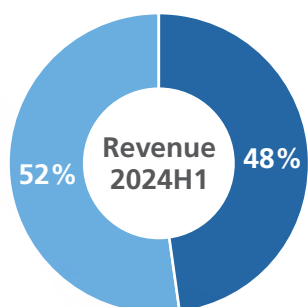
# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Expansion and Diversified Customer Base

During the Reporting Period, revenue from big pharmaceutical (“**Big Pharma**”) companies was RMB1,282.25 million, representing a 58.59% decrease compared to the same period of last year, primarily attributed to the completion of large order at the end of the third quarter in 2023. Excluding the impact of large orders, the period-over-period increase is 10.29%.

In 2024H1, despite fluctuations in global biotech funding trends, we achieved revenue of RMB1,372.80 million from the small to medium size companies, reflecting a 8.44% decrease compared to the six months 30 June 2023. Our overseas revenue from small to medium companies in 2024H1 were driven by sustained expansion of customers in the Europe and America regions. We are actively enhancing our market penetration efforts and currently serve over 1,100 active clients globally.

Market expansion remains one of the central focuses of the Company’s endeavors, and accelerated progress has been achieved in the market sector. During the Reporting Period, our overseas business generated a total revenue of RMB1,965.94 million. While this represents a 48.72% decrease compared to the same period last year, the drop was attributed to the conclusion of large orders. Excluding large orders, our overseas revenue manifested a growth of 3.45% compared to the same period last year.



- Big Pharma
- Small to Medium
- America
- China
- Europe
- Pan-Asia (Ex-China)

Throughout the Reporting Period, the revenue derived from the U.S. customers reached RMB1,741.52 million, showing a substantial period-on-period growth of 24.78% compared to the same period of last year excluding large orders. The European market experienced a breakthrough in revenue, with a growth of 22.07% compared to the first half of 2023.



## MANAGEMENT DISCUSSION AND ANALYSIS

### i. Small Molecule CDMO Business

The global small molecule CDMO business features a broad market with low industry concentration and a sustained increase in industry penetration. The growing incidence of chronic diseases and aging population trend propels the demand for innovative small molecule drugs. The pharmaceutical industry's focus on developing novel, more efficacious, and targeted therapies has resulted in increased product pipelines and the need for innovative drug delivery methods. Simultaneously, per the Frost & Sullivan Analysis, while small and mid-sized pharmaceutical companies are responsible for over 70% of drugs in the R&D pipeline, they often require external expertise to bring their clinical pipeline to market. The trend of global small molecule CDMO demand shifting to emerging markets, particularly to China, accelerated during the global public health issue and is likely to continue in coming years.

During the Reporting Period, despite facing many industry challenges, our Company has relied on its continuously optimized R&D platform and industry-leading operational system, while maintaining stable development in the small molecule business. As of 30 June 2024, the small molecule business achieved 353 projects with an increase of 13.87% compared to the six months ended 30 June 2023. In 2024H1, revenue amounted to RMB2,153.42 million with a gross profit margin of 46.16%. While gross profit margin experienced a decrease of 9.21 percentage points compared to the same period last year, excluding large orders, the revenue of small molecules CDMO reflected a slight increase of 1.09% in revenue period-on-period. Meanwhile, the gross profit margin excluding large orders at a constant exchange rate for small molecules CDMO stood at 45.29%.

#### *Positioning Firmly in Commercialization Projects as the Backbone to Continues Revenue Growth*

As of 30 June 2024, the Company successfully progressed 43 small molecule commercialization projects resulting in recognized revenue of RMB1,365.72 million and the gross profit margin reached 49.31%, with the gross profit margin of 48.47% at the constant exchange rate. This ongoing good performance largely attributed to the Company's effective measures to improve efficiency and control costs, thereby balancing capacity utilization after the conclusion of large orders.

The Company has continued to execute its existing industry-leading small molecule commercialization projects while simultaneously accelerating the onboarding of new projects. With a strong track record in project delivery, the Company is well positioned to foster deeper collaboration with numerous international and domestic clients in the field of commercialization projects.

#### *Promote Reserves of Clinical Projects to Strengthen the Broader Project Funnels Ensuring Long-term Growth*

As of 30 June 2024, the Company had a total of 310 clinical stage projects of small molecule CDMO business, which is 34 more projects compared to last year, including 61 clinical phase III, 249 pre-clinical and early clinical stage projects. The recognized revenue from clinical projects reached RMB787.69 million with a decrease of 7.82% period-on-period. The gross profit rate of the clinical stage was 40.71%, reflecting a 1.50 percentage points slight decline compared to last year. At a constant exchange rate, the gross profit margin of clinical projects reached 39.89%. In order to secure mandates for commercial stage projects later and build customer relationships, clinical stage CDMO has been an important part of our Company's growth strategy, providing services in process development and optimization, analytical services, and scale-up manufacturing. Our Company has put more effort in its early-stage project development, adhering to the funnel effect, laying the foundation for long-term growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

	2022H1	2023H1	2024H1
Pre-clinical and Early Clinical Stages	172	224	249
Phase III Clinical Stage	48	52	61
Commercial Stage	34	34	43

### *Spot on the Potential Therapeutics to Reinforce the Growth Visibility*

The Company strategically reserves potential bulk projects, and clinical phase III projects served by the Company involved several popular targets and promising novel targets, including but not limited to GLP-1, KRAS, JAK, TYK2, PCSK9, etc., securing project reserves for the continued commercialization orders of bulk drugs. We are actively involved in the development of leading GLP-1 programs, and we recognize the emerging and recently approved obesity treatment pipelines and associated advances in drug delivery technologies and rising fundings, may provide clinical trial landscape of growing market scale of anti-obesity drug candidates. According to the current small molecule clinical stage orders in hand, it is expected that the number of projects reaching process performance qualification (“PPQ”) stage in the second half of 2024 will reach 28. This has established a sufficient reserve of commercial orders, providing strong support for long-term and steady performance growth.

### *Adhere to the Guideline of Strengthening Key Clients and Expanding Customer Diversity in Various Regional Markets*

We have upheld a customer-centric business philosophy and have a diverse, high-quality, and loyal customer base. Rather than just an outsourced service provider, we are regarded as a reliable partner by our customers. Our primary focus lies in serving pharmaceutical and Biotech Companies with headquarters located in the United States, Europe, China, etc. Notably, our clientele includes a large group of renowned multinational pharmaceutical companies. For the regional market expansion, the U.S. and Europe market kept a positive growth with the in-depth cooperation with existing customers being continuously improved and new customers being developed in an orderly manner. With the service projects gradually entering the late and commercialization stage, our revenue has grown rapidly.

Moving forward, our approach involves: i) Deepening our services vertically to encompass new projects for existing multinational pharmaceutical companies while continuing ongoing commercial projects; ii) Proactively re-establishing communication and collaboration with dormant clients who may have shifted their focus toward pipeline concentration rather than small molecule business, particularly those interested in licensing new novel target pipelines in small molecules; iii) Expanding and diversifying our customer pool of multinational pharmaceutical companies; and iv) Capitalizing on our extensive experience in serving multinational pharmaceutical companies, we will also collaborate with leading Biotech Companies and a wide range of small and medium-sized global pharmaceutical companies.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ii. Emerging Business

During the Reporting Period, these emerging business lines generated RMB499.62 million in revenue, representing a 5.30% decrease compared to the same period ended 30 June 2023. The gross profit margin was 20.23%, reflecting with a period-on-period decrease of 13.14 percentage points due to the turmoil funding period for the global Biotech Companies, the continued downturn with domestic market, and some businesses still being in a capacity ramp up phase. Our Company continues to focus on enhancing competitiveness and actively advancing market expansion. As of the date of this interim report, the estimated emerging business PPQ reached 9, forming a sufficient reserve of commercial orders.

### *Chemical Macromolecule CDMO Business*

We provide comprehensive chemical macromolecule CDMO solutions for polypeptides, oligonucleotides, polymers, and other macromolecules. During the Reporting Period, despite a 19.34% decrease in revenue period-on-period, we successfully undertook 72 new projects, including 39 preclinical, 17 clinical phase I, and 10 projects advanced to stages later than phase II clinical stage. The backlog increased by 119.14% period-over-period.

The peptide business is developing swiftly. In 2024H1, the Company secured several late-stage peptide projects from major pharmaceutical companies in Europe and the U.S., successfully passed the first domestic GLP-1 peptide project dynamic verification. During the Reporting Period, the Company accelerated the construction of peptide commercialization production capacity to 14,250 liters of total solid-phase peptide synthesis capacity by the mid 2024 to meet the commercial production needs of domestic and international clients. For the GLP-1 peptide opportunity, the Company is focusing on i) ensuring the production and delivery of existing projects; ii) preparing for the growing global pipeline of GLP-1 candidates; iii) developing new technologies aimed at increasing production yields to seize business opportunities targeting global supply shortage.

The oligonucleotide business is continuously advancing. During the Reporting Period, the Company undertook 29 new projects, a 70.59% increase compared to the same period last year and progressed in the commercialization of CpG adjuvants. The toxin-conjugate business is advancing rapidly, with 11 NDA projects from 8 clients steadily progressing, including 3 projects from 2 overseas clients. Additionally, the lipid business, which includes cationic lipids, phospholipids, and PEG lipids, is developing rapidly. During the Reporting Period, 12 lipid projects were advanced in parallel, securing 4 IND-stage projects from 2 multinational pharmaceutical corporations (“MNCs”) clients and establishing partnerships with several domestic clients.

In terms of the R&D platform, we continue to advance new technology applications and process development. Enzyme conjugation technology has been developed and applied in the solid-phase and liquid-phase synthesis of oligonucleotides and peptides. We have completed the development of substrate-related synthesis processes for RNA synthesis from scratch using enzymes and for enzyme-mediated peptide fragment conjugation. In addition, we have accumulated process development and optimization for various novel toxin conjugates.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Drug Product*

The drug product business line continues its steady progress. During the Reporting Period, the Company successfully completed 80 projects, with 150 ongoing projects in progress, encompassing 36 overseas projects. In 2024H1, our commercialized drug products ensured stable market supply.

In 2024H1, the Company underwent and smoothly passed a total of 5 on-site inspections by drug regulatory agencies and over 20 audits by domestic and international customers, further demonstrating Asymchem's robust quality management system and its international standard cGMP production capacity, laying a solid foundation for providing services from clinical to commercial production.

During the Reporting Period, the Company continuously advanced in various drug products technologies: i) the sustained strengthening of the oral peptide delivery technology platform has successfully facilitated clinical product delivery for multiple projects, significantly enhancing the bioavailability of peptides. Breakthroughs in oral formulations have provided the Company with broader technological applications, deepened the expansion of overseas customer bases, and fully opened up international markets. The breakthrough in oral formulations has provided Asymchem with a broader range of technological applications, further deepening overseas customer base expansion and fully opening up international markets; ii) the solid dispersion technology platform continues to be solidified, successfully completing production batches for multiple late-stage projects for NDA registration and PPQ, helping customers meet demands for improving bioavailability of multiple insoluble Active Pharmaceutical Ingredient ("API"); iii) the capability in aseptic formulation has continued to strengthen; iv) the variety of complex formulation project types has continued to expand; v) rapidly undertook and delivered multiple types of lipid nanoparticle ("LNP") projects through the self-developed LNP technology platform; vi) the capacity in high-potency aseptic formulation has been established and enhanced; vii) the number of aseptic formulation projects involving small nucleic acid and polypeptide has significantly increased; and viii) the nanocrystal technology platform has been continuously refined with multiple projects steadily progressing.

### *Export of New Technologies*

Continuous flow technology export business provides customized, one-stop service for fine chemical enterprises including "chemical process R&D, process package design, continuous flow pilot test, application services (i.e. initial process validation, etc.), continuous flow system and equipment design and manufacturing, and assistance with production facility installation and commissioning".

2024 marks a breakthrough year for continuous flow technology export business. While steadily advancing market expansion, we focus on ensuring order fulfillment and delivery, technological innovation and upgrades, capacity building, and service capability extension. During the reporting period, the Company achieved revenue of nearly 50 million. We undertook 9 new overseas technology output projects, engaged with multi-hundred customers across 28 provinces and municipalities. Concurrently, several industrialization projects are underway, including the commissioning trial of an advanced green pesticide enterprise (3,000mt/a) scheduled in the second half of 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of 2024, adhering to the strategy of “expanding market + prioritizing delivery + setting benchmarks + maintaining competitive advantages”, CFCT will further penetrate both domestic and overseas markets, concentrate on order securing and delivery, and consistently uphold our leadership in continuous flow technology R&D and application.

During the Reporting Period, 13 new patents were submitted, with 21 new patents newly authorized, fully showcasing our capability in independent innovation and intellectual property protection. In July 2024, a new 30,000 square meter R&D and manufacturing center was put into use, further boosting our capabilities in process development, project undertaking, technological innovation and order delivery. Additionally, our team has grown to over 300 members, forming a highly educated, intensively experienced, and multi-disciplinary talent pool.

### *Synthetic Biology Technology*

During the Reporting Period, Synthetic Biology Technology has generated an increased revenue of 92.84% period-on-period growth, with over 80% customers overseas and a touch base of 50 new customers, as well as expanded collaboration with multiple MNC to pioneer early technical pathways for enzyme engineering.

Our CSBT platform has possessed mature and leading technical capabilities, by building four basic technology pillars, including artificial intelligence (“AI”) technology, cell biosynthesis, high throughput screening (“HTS”), and continuously enzymatic catalysis technology. So far, the Company has developed a library consisting of over 3,000 engineered enzymes, over 1,100 protected by the Company’s IP rights, covering more than 20 enzyme classes and fulfilling over 30 regular reactions.

During the Reporting Period, we achieved the following milestones: i) our developed immobilized enzyme continuous reaction technology has successfully been applied in the production of multiple ton-scale products. Compared to batch reactions, this technology elevates production capacity ranging from 20 to 1,000 times, significantly reducing costs, improving efficiency, and reduces three wastes; ii) leveraging our established peptide biosynthesis technology platform, we have implemented biocatalytic synthesis technology using non-natural amino acid raw materials, microbial fermentation for peptides, and enzyme ligation technology for peptide fragments in the projects. These technologies offer clear advantages in cost and yield compared to previous technologies, earning recognition from our major overseas customers; iii) Utilizing our strategically built microbial cell factory technology platform, combined with core advantages such as enzyme evolution technology, we have developed a series of efficient strain modification technologies and HTS technologies, and possessed the capability to utilize a variety of microorganisms such as *E. coli*, *Saccharomyces cerevisiae*, *Yarrowia lipolytica*, and *Actinomycetes* for product development. With these advantages above, we have established the layout of diverse product pipelines and continue to advance related research and development efforts.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Clinical Research Service*

During the Reporting Period, while CRO business revenue experienced a 23.39% period-on-period decrease, we successfully undertook 159 new projects. Through the continuous market expansion and streamline of revenue versus efficiency, we have reinforced our strengths in oncology, immunology, infectious diseases, orthopedics, respiratory, hematology disease areas, while achieving breakthroughs in metabolism, digestion, dermatology, and urology. Additionally, we advanced further in rare diseases, and notably, we have been awarded projects in amyotrophic lateral sclerosis (“**ALS**”), immune pulmonary alveolar proteinosis (“**IPAP**”), brain glioma, idiopathic pulmonary fibrosis (“**IPF**”), castleman disease (“**Castleman**”), transthyretin cardiac amyloidosis (“**ATTR-CM**”), phenylketonuria (“**PKU**”) and other fields, accumulating extensive experience and expertise.

During the Reporting Period, we continued to implement our “One-stop Integrated Development Services” Grand Strategy, seamlessly connecting CMC, non-clinical, and clinical services to support customers in new drug research and development. We undertook 19 integrated service orders and successfully obtained 3 implied China IND approvals. Our global business continued to grow with 12 new global regulatory and clinical services orders. We have initiated 2 cell therapy U.S. IND preparation for customers, contributing to 3 successful FDA submissions for customers. Additionally, our regulatory affairs services facilitated 10 projects to obtain China IND approvals. The Company assisted one phase III oncology project IDMC to pass EMA review. As of 30 June 2024, the Company was conducting 281 clinical research projects, including 103 phase II and later-stage projects.

### *Biological macromolecules CDMO*

Based on our extensive accumulation of small molecule business and leveraging rich project experience and specialized expertise in the toxin-linker sub-field, we swiftly developed a one-stop antibody-drug conjugate (“**ADC**”) service capability. We have established a diverse and sophisticated conjugate process platform, enabling us to offer a full range of CMC services, from IND to BLA for antibody-drug conjugates.

Supported by Asymchem’s renowned quality management system, we have fully established an international biopharmaceutical quality management system upon the characteristics of biopharmaceutical macromolecules. This system passed the EU QP audit and obtained the EU QP GMP Compliance Statement in February 2024. In 2024H1, we underwent over 10 customer audits and third-party joint audits, with no major findings.

As of the date of this interim report, the biological macromolecule business has amassed nearly 100 orders in hand, including IND, clinical and multiple BLA stage projects, with ADC projects accounting for over 50% of the total. In 2024H1, we achieved a 1.90% increase in revenue compared with the corresponding period and successfully securing orders from several overseas customers. Our ongoing optimization of supply chain management capability helps us to provide customers with enhanced R&D and technical services, as well as driving momentum for innovation development in the biopharmaceutical industry ecosystem.

## MANAGEMENT DISCUSSION AND ANALYSIS

### iii. Investments and Constructions of Capacity Expansion

We maintain advanced manufacturing sites built from the ground up to stringent standards. As of 30 June 2024, we had multiple R&D centres, manufacturing sites, production facilities and branches/offices across China, the United States, the United Kingdom, and other regions, and secured the first research and manufacturing site in Europe. The following map illustrates the locations of our manufacturing sites, as well as our offices in across China, the United States and the United Kingdom.



In the small molecule CDMO business segment, the continuous reaction plant area experienced a remarkable period-on-period growth in the past three years, accompanied by a reasonable percentage increase in the number of continuous equipment units. This significant expansion of continuous reaction capabilities plays a vital role in enhancing the Company's production efficiency and facilitating capacity release. In the following period, we will actively absorb newly added productions from the past three years, minimize raw material waste, reduce the operation cost, and boost gross profits.

We have successfully secured a research and API pilot production located in Sandwich, U.K. facilities, establishing Asymchem's first research and manufacturing base in Europe. The research and production site commenced operations on 2 August 2024, further enhancing our global supply chain system and meeting a wider range of global partners' needs. It signifies a significant milestone in our global expansion strategy. Over the years, Sandwich Site has consistently upheld a world-class capability in drug synthesis rapid route design, HTS, mature process, analysis and development as well as production and operational management. Combining Asymchem's quality system and operation management system, Sandwich Site's foundational capabilities have been aligned, enabling comprehensive CDMO services for small molecule drugs.

We will continue to operate the site in Sandwich, Kent, as a clinical small molecule development and manufacturing facility to meet global client demands for pharmaceutical services and supplies. Additionally, plans are underway to expand the site include capabilities for peptides and oligonucleotides production, utilizing continuous flow and biocatalysis technologies to enhance sustainability.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the emerging services business segment, significant progress was made in the chemical macromolecule project. During the Reporting Period, we generally achieved the construction of our planned solid-phase polypeptide synthesis capacity. To prioritize the development of peptide CDMO business, we will expedite the construction of peptide commercial production facilities in anticipation of the escalating order demands and strategic plan. This will enable us to meet the demand for commercial production of hundred-kilogram-level solid-phase peptides.

In light of the growth trends observed in 2024 within the solid and parenteral formulations of drug products, aimed at further penetrating overseas markets and maintaining a strong presence in the China domestic market, the new production capacity for drug product business, encompassing pre-filled syringes and pen syringes, has been initiated and is expected to commence operation by 2025, with an annual output of up to 40 million units per single production line, providing a robust assurance for undertaking new projects.

To promote the synthetic biology technology, expanding on the current capacities, new 500L GMP fermentation workshop and 5,000L GMP workshop are currently undergoing test and validation. Simultaneously, supporting drug product facilities are being planned, laying the foundation for better providing customers with comprehensive and one-stop services.

We generally expand and build our development and manufacturing facilities in anticipation of increased demand arising from new customer engagements and strategic plan. For details, please refer to the chapter of “Use of Net Proceeds from the Issuance of Securities” in this interim report. We are strategically focusing on further expanding our overseas capacity in the small molecule business segment. Recognizing the growing global demand for our services, we aim to strengthen our presence in international markets by establishing production facilities abroad or through the acquisition of suitable production base. This approach will enable us to effectively cater to the needs of our overseas core clients base and enhance our competitiveness on a global scale. By leveraging our expertise, advanced technologies, and efficient processes, we are committed to providing high-quality small molecule CDMO solutions to customers worldwide. Through overseas capacity expansion, we aim to optimize our supply chain, shorten lead times, and improve overall operational efficiency. This strategic initiative aligns with our commitment to delivering exceptional services to our clients while solidifying our position as a leader in the small molecule CDMO industry.



## MANAGEMENT DISCUSSION AND ANALYSIS

### iv. Cultivation of Our Team of Talents

The highly competitive and rapidly evolving pharmaceutical industry requires an effective talent management strategy to succeed. As a leading CDMO company, we recognize the importance of cultivating and retaining a diverse pool of professionals with multi-disciplinary expertise. Our global team possesses advanced technical knowledge, strong execution capabilities, and a customer-centric culture, which enables us to help our clients overcome complex process development and manufacturing challenges through teamwork and collaboration. We attract and cultivate talent globally by offering a collaborative work environment, cutting-edge projects, a reasonable competitive remuneration package, and a community-driven career development platform.

In 2024, to achieve our goals, we implemented a tailored talent strategy for each of our key business segments. We offered internal training programs to equip our employees with the latest technology advancements, industry know-how, and regulatory developments. We inspired our employees to develop a strong sense of ownership and encourage them to work on industry-defining and landmark projects. Moreover, we offered competitive compensation and compelling career development opportunities to motivate and retain our high-quality talent base.

Our Company firmly grasps and adheres to the strategy of talent introduction by optimizing various employment mechanisms such as talent selection, training, utilization, evaluation, incentive, and retention. We 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. In the 2024H1, we have recruited 60 expertise, including 33 Ph.D., 10 senior executives and above, and 40 returnees and personnel with working backgrounds in overseas pharmaceutical companies. As of 30 June 2024, we had a total of 9,300 employees, of which around 78% were undergraduates and/or above, and 24% were masters/Ph. D and/or above. Additionally, our R & D and analyst employees account for approximately 45% of all employees, with 95.6% holding at least an undergraduate degree. We believe that our employees are the valuable wealth of the Company, and we serve as the platform for employees to show their talents and realize their values.

In terms of talent risk management, we have established the *Values and Code of Conduct* at the Company level integrating a *Supply Chain Code of Conduct* to ensure compliance and monitor business development comprehensively, as well as provide fundamental principles and guidelines for employees to align their actions with the Company's value. The *Diversity, Equity and Inclusion Policy* set up for employees, which undergoes periodic reviews and updates as the Company grows, aiming to safeguard fundamental rights and interests of our employees.

## MANAGEMENT DISCUSSION AND ANALYSIS

### v. 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, society and other stakeholders. The Company gives back to the society through practical action and fosters a harmonious environment for development, to achieve the ultimate goal of sustainable development.

Under the Asymchem sustainability model, there are four major elements for synergy: enabling customers, responsible for citizens, construction of community, and protecting the earth. As a leading CDMO service provider in China, we are committed to the global pharmaceutical technology innovation and commercial application. We are sincerely dedicated to providing customers with quality products and professional services, and actively fulfill and assume responsibility for our employees, shareholders, investors, and other stakeholders. While maximizing economic benefits, we pursue the collaborative development of social benefits and environmental protection, in order to achieve sustainable development. We are highly focused on protecting the interests of our shareholders, customers, all employees, suppliers, and other interest groups and stakeholders. We have established an improved corporate governance structure, a complete internal control system, and a platform to interact with investors, to assure all Shareholders of fairness, promptness, justice, transparency, and openness.

In our daily operations, we are committed to our customer-centric approach and provide our customers with high-quality services through continuous development of technologies and processes. In terms of employee rights and interests, we comply in all material respects with the PRC Company Law, Labor Contract Law and other laws and regulations, and have formed a management philosophy that “there will be no quality products without satisfactory employees”, showing that we care about the health, safety, and satisfaction of our employees. At the same time, we maintain good interaction with suppliers, especially suppliers with long-term cooperative relationships. We fully understand that most of our overseas clients have established comprehensive environmental, social and governance (“**ESG**”) management objectives, which will be communicated to Asymchem. In particular, overseas customers have put forward clear ESG expectations for supply chain companies. As part of the supply chain, we strive for the best efforts to balance the requirements while operating the business to maximize the mutual benefit. During the Reporting Period, we updated and disclosed the “*Supplier ESG Management Policy*” and the “*Supply Chain Code of Conduct*”.

We have established “Teda-Asymchem Scholarship” in several colleges and universities to support the study and research of college students, showing our concern for the growth of young students and encouragement to them. Particularly, we have set up several scholarships for college students in hardship in many universities and colleges. We have also created several fellowships for outstanding research results of drug synthesis in some universities and colleges and sponsored various academic conferences and symposiums.

For more details regarding social responsibility and sustainable development information, please refer to the 2023 ESG Report published on 24 April 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. FINANCIAL REVIEW

In 2024H1, the Company realized revenue of RMB2,655.05 million, representing a slight decrease of 0.26% compared to the same period last year excluding large orders. The gross profit margin in 2024H1 was 41.23%, down by 11.57 percentage points or 0.47 percentage points excluding large orders from the same period last year. The adjusted net profit attributable to shareholders of the listed company amounted to RMB432.72 million, representing a decrease of 73.56% as compared with the first half of 2023. During the Reporting Period, the small molecule CDMO business generated revenue of RMB2,153.42 million, a period-on-period increase of 1.09% excluding large orders. Revenue from the emerging business was RMB499.62 million in 2024H1, a decrease of 5.30% from the same period last year. Domestic revenue reached RMB689.11 million in 2024H1, showing a decrease of 9.52% from the same period last year. However, the proportion of domestic revenue increased from 16.57% in the first half of 2023 to 25.95% in 2024H1 due to the conclusion of large orders. The Company continued to invest in the R&D platform, with an expenditure of RMB328.69 million in 2024H1, an increase of 1.61% from the first half of 2023, accounting for 12.38% of the total revenue.

#### i. Revenue

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

	Six months ended 30 June				
	2024		2023		Change ratio %
	RMB'000	Proportion	RMB'000	Proportion	
Commercial stage CDMO solutions	1,365,725	51.44%	3,209,311	69.83%	(57.44)
Clinical and pre-clinical stage CDMO solutions	787,694	29.67%	854,544	18.59%	(7.82)
Emerging business	499,615	18.82%	527,592	11.48%	(5.30)
<b>Total revenue from principal business</b>	<b>2,653,034</b>	<b>99.92%</b>	<b>4,591,447</b>	<b>99.91%</b>	<b>(42.22)</b>
Other businesses	2,012	0.08%	4,261	0.09%	(52.78)
<b>Total revenue</b>	<b>2,655,046</b>	<b>100.00%</b>	<b>4,595,708</b>	<b>100.00%</b>	<b>(42.23)</b>

During the Reporting Period, the Company had 43 commercialization projects for which the revenue has been recognized, achieving revenue of RMB1,365.73 million, representing a period-on-period decrease of 57.44%. If the large orders are excluded, the other revenue represented a period-on-period increase of 7.06%. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company had a total of 310 clinical stage projects for which the revenue has been recognized, including 61 clinical phase III projects, achieving revenue of RMB787.69 million, representing a period-on-period decrease of 7.82%. 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, TYK2 and PCSK9, 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 CDMO, drug product, export of new technology, synthetic biology technology, clinical research services, biological macromolecules CDMO and other strategic emerging segments. During the Reporting Period, the strategic emerging segments recorded revenue of RMB499.62 million, representing a period-on-period decrease of 5.30%. 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				
	2024		2023		Change ratio %
	RMB'000	Proportion	RMB'000	Proportion	
Domestic (China)	687,093	25.88%	757,385	16.48%	(9.28)
Foreign countries (including North America, Europe, and Asia Pacific except China)	1,965,941	74.05%	3,834,062	83.43%	(48.72)
<b>Total revenue from principal business</b>	<b>2,653,034</b>	<b>99.92%</b>	4,591,447	99.91%	(42.22)
Domestic revenue from other businesses	2,012	0.08%	4,261	0.09%	(52.78)
<b>Total revenue</b>	<b>2,655,046</b>	<b>100.00%</b>	4,595,708	100.00%	(42.23)

In 2024H1, our revenue in domestic (China) market decreased 9.28% compared with the same period last year. Our revenue in foreign countries (including North America, Europe and Pan-Asia ex China) reached RMB1,965.94 million in 2024H1, representing a decrease of 48.72% from the same period of 2023, or a period-on-period increase of 3.45% after excluding large orders. The Group is prioritizing market development, and its market business has shown positive progress. During the Reporting Period, revenue from American customers amounted to RMB1,741.52 million, and if the large orders are excluded, the other revenue represented a period-on-period increase of 24.78%; revenue from Asia Pacific (except China) customers amounted to RMB47.99 million, representing a period-on-period decrease of 86.68% due to the macroeconomics and currency volatility; revenue from European customers amounted to RMB176.43 million, representing a favorable period-on-period increase of 22.07%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ii. Cost of Sales and Services

Our costs of sales include costs of raw materials, direct personnel costs, manufacturing expenses and other related expenditures. Raw materials costs cover direct and indirect materials required for production. Manufacturing expenses include depreciation of plant and equipment, energy cost, testing and release expenses, among others. The category of “Others” includes transportation and insurance costs directly linked to sales, as well as associated taxes and fees. In 2024H1, our cost of sales was RMB1,560.35 million, representing a decrease of 28.06% from the first half of 2023, primarily attributed to revenue declined in the first half of the year compared to the same period last year.

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

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Change ratio %
Commercial stage CDMO solutions	692,268	1,319,523	(47.54)
Clinical and pre-clinical stage CDMO solutions	467,054	493,840	(5.42)
Emerging business	398,532	351,536	13.37
<b>Total cost of principal business</b>	<b>1,557,854</b>	<b>2,164,899</b>	<b>(28.04)</b>
Other business costs	2,491	4,124	(39.60)
<b>Total operating cost</b>	<b>1,560,345</b>	<b>2,169,023</b>	<b>(28.06)</b>

### 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		
	2024 %	2023 %	Change %
Commercial stage CDMO solutions	49.31	58.88	(9.57)
Clinical and pre-clinical stage CDMO solutions	40.71	42.21	(1.50)
Emerging business	20.23	33.37	(13.14)
<b>Total gross profit margin of principal business</b>	<b>41.28</b>	<b>52.85</b>	<b>(11.57)</b>

During the Reporting Period, the Group’s revenue of principal business decreased by 42.22% and the cost decreased by 28.04%, leading to the decrease of principal business gross profit margin by 11.57 percentage points compared with the same period last year. The decrease is primarily due to the delivery of large orders with relatively high gross margins in 2023, as well as a significant decline in the gross margins of emerging businesses.

## MANAGEMENT DISCUSSION AND ANALYSIS

At a consistent exchange rate, the overall revenue gross profit margin for our Company was 40.45% in 2024H1. Similarly, under a constant exchange rate, the gross profit margin for small molecule CDMO clinical projects stood at 39.89%, reflecting a decrease of 2.32% compared to the same period previous year, while the gross profit margin for small molecule CDMO commercialized projects stood at 48.47%, reflecting a decrease of 10.41% compared to the same period previous year.

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		
	2024	2023	Change
	%	%	%
Domestic (China)	19.13	33.51	(14.38)
Foreign countries (including North America, Europe, and Asia Pacific except China)	49.02	56.67	(7.65)
<b>Total gross profit margin of principal business</b>	<b>41.28</b>	52.85	(11.57)

Notes:

- (1) Our gross profit margin of principal business from domestic (China) in 2024H1 was 19.13%, decreased by 14.38 percentage points compared with the same period last year.
- (2) Our gross profit margin of principal business from foreign countries (including North America, Europe and Pan-Asia ex China) in 2024H1 was 49.02%, with a decrease of 7.65 percentage points compared to the same period last year, mainly due to the conclusion of large orders.

#### iv. Other Income and Gains

The decrease in other income and gains from RMB289.18 million in the first half of 2023 to RMB258.89 million in 2024H1 was primarily attributed to the lack of gains on disposal of an associate in 2024H1.

#### v. Selling and Marketing Expenses

In 2024H1, our sales expense was RMB102.42 million, demonstrating an increase of 24.86% 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 and publicity efforts. Our overall sales activities increased compared with the same period last year.

#### vi. Administrative Expenses

Our administrative expense in 2024H1 was RMB376.64 million, which remained flat compared with the RMB350.84 million for the same period last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## vii. R&D Expenses

Our R&D expense amounted to RMB328.69 million in 2024H1, remaining consistent with the same period last year. This stability can be attributed to the Group's commitment to its core principle of being technology-driven, maintaining investments in technology innovation and independent research and development of core technologies, fostering eight innovation R&D platform, and enhancing related R&D investment.

## viii. Impairment Loss on financial and contract assets

The Group recorded an impairment provision for credit losses on financial assets measured and recognized using the expected credit loss approach. In 2024H1, reversal of our impairment losses amounted to approximately RMB7.30 million, comparing with the recognition amounted to RMB16.10 million in the same period of 2023, mainly attributed to the decrease of trade receivables.

## ix. Finance Cost

Our finance costs primarily consist of interest expenses on bank borrowings and interest expenses on lease liabilities. In 2024H1, our finance cost totaled RMB2.53 million, remaining stable compared with the RMB2.78 million for the same period last year.

## x. Income Tax Expense

Our income tax expense amounted to RMB40.24 million in 2024H1, reflecting a decrease of 83.68% in 2024. This reduction aligns with the Group's profit growth trend and is primarily attributed to the decrease in revenue.

## xi. Net Profit and Net Profit Margin

Our net profit decreased by 70.72% from RMB1,681.99 million in the first half of 2023 to RMB492.42 million in 2024H1. In 2024H1, the net profit attributable to shareholders of the listed company amounted to RMB499.13 million, representing a decrease of 70.40% as compared with the RMB1,686.37 million for the first half of 2023. In 2024H1, the net profit margin attributable to shareholders of the listed company was 18.80%, representing a decrease of 17.89 percentage points as compared with the 36.69% for the first half of 2023.

## xii. Basic and Diluted Earnings per Share

Our basic earnings per share decreased from RMB4.65 in the first half of 2023 to RMB1.40 in 2024H1. Our diluted earnings per share decreased from RMB4.65 in the first half of 2023 to RMB1.40 in 2024H1. The decrease of basic and diluted earnings per share was mainly due to the decrease of net profit.

## xiii. Liquidity and Financial Resources/Cash and Bank Balances

During the Reporting Period, the Group's operations and investments were supported by our internal resources. The cash and bank balances of the Group, mainly denominated in RMB, as at 30 June 2024 decreased by RMB1,431.06 million or 20.13% from 31 December 2023, mainly due to the cash outflow used for share repurchase in the first half 2024. We believe the Group has sufficient liquidity to meet the requirements of its daily liquidity management and capital expenditure, and to control internal operating cash flows.

As of 30 June 2024, we had bank borrowings of RMB0.00 million (as at 31 December 2023: approximately RMB12.23 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### xiv. Analysis on Assets and Liabilities

	As of 30 June 2024 RMB'000	As of 31 December 2023 RMB'000	Change ratio %	Reason
<b>Current Assets</b>				
Inventories	997,959	945,347	5.57	Mainly due to the fluctuations resulting from the delivery time of orders.
Trade and bill receivables	1,483,415	2,010,989	(26.23)	As a result of the recovery of accounts receivables.
Prepayments, other receivables and other assets	320,758	296,573	8.15	Mainly due to the increase of value-added tax recoverable.
<b>Non-Current Assets</b>				
Property, Plant and Equipment	5,855,102	5,366,081	9.11	Primarily resulting from the construction of research and development equipment and plant infrastructure for operation.
Deferred tax assets	257,883	213,215	20.95	Primarily attribute to the increase in deferred tax assets recognized for deductible losses.
Prepayments, deposits and other receivables	636,894	688,479	(7.49)	Primarily attributed to the decrease of prepayment for the purchase of equipment and construction.
<b>Current Liabilities</b>				
Trade payables	386,966	452,365	(14.46)	By reason of the decrease in purchase of raw materials at the end of the period.
Other payables and accruals	1,446,871	1,275,184	13.46	Mainly due to the increase payment of purchase for construction and equipment.
Tax Payable	26,075	31,235	(16.52)	Mainly due to the decrease of profit.
Interest-bearing bank borrowings	-	12,228	(100)	There was no Interest-bearing bank borrowings which are recognized by note receivable discounted with recourse as at the end of the period.
<b>Non-Current Liabilities</b>				
Deferred income	253,429	232,599	8.96	Including grants receive during the Reporting Period.
Deferred tax liabilities	125,551	117,292	7.04	Mainly recorded in respect of taxable temporary differences existing in the accelerated depreciation of fixed assets.



## MANAGEMENT DISCUSSION AND ANALYSIS

### xv. Investment Analysis & Income Analysis of Long-term Equity Investment Under Equity Method

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

Financial assets at fair value through profit or loss mainly consisted of short-term and low-risk wealth management products purchased from banks and investment in Sany Zhongzhi (Tianjin) Venture Capital Center (L.P.) and Sany Zhongzhi Phase II (Tianjin) Venture Capital Center (L.P.). The Group's financial assets at fair value through profit or loss among current and non-current assets increased from RMB2,036.26 million as of 31 December 2023 to RMB2,196.27 million as of 30 June 2024, mainly due to the increase in the purchase of short-term and low-risk wealth management products of the banks.

#### *Income from long-term equity investment under equity method*

During the Reporting Period, the loss from long-term equity investment under equity method amounted to RMB5.46 million, compared with RMB3.03 million in the first half of 2023. This increase was mainly driven by the changes in net assets of Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("**Haihe Asymchem Fund**") (天津海河凱萊英生物醫藥產業創新投資基金(有限合夥)) and Tianjin Yugen Medtech Co., Ltd ("**Yugen Medtech**"), in which the Group has invested, multiplied by the Group's shareholding ratio during the Reporting Period.

The Group's major joint venture, Tianjin Haihe Asymchem Fund, primarily invests in the commercialization project of the innovative field of biological medicine in the clinical stage. It is accounted for using the equity method and strategically important to the Group's operations. The Group's other joint venture, Yugen Medtech, serves as a platform for scientific research CRO technology services, integrating innovative drug druggability research, pre-clinical and clinical stage systematic evaluation and registration services. It is also accounted for using the equity method and is strategically significant to the Group's operations. The Group's joint venture, Tianjin Haihe Asymchem Medical and Health Industry Investment Fund Partnership Enterprise (Limited Partnership) ("**Haihe Asymchem Medical and Health Fund**") (天津海河凱萊英醫療健康產業投資基金合夥企業(有限合夥)), primarily invest in the innovative biopharmaceutical industry. It is accounted for using the equity method and strategically important to the Group's operation.

### xvi. Goodwill

Goodwill with net carrying amount of approximately RMB146.18 million as at 30 June 2024, (as at 31 December 2023: approximately RMB146.18 million) is acquired through the Group's acquisition of GoalGen Biotechnology and Improve Quality.

### xvii. Pledge of Assets

As at 30 June 2024, the net book value of buildings, land and equipment pledged by the Group amounted to approximately RMB0.00 million (as at 31 December 2023: approximately RMB0.00 million), and the pledged deposits amounted to approximately RMB47.31 million (as at 31 December 2023: approximately RMB8.96 million), primarily for letter of credit guarantees.

## MANAGEMENT DISCUSSION AND ANALYSIS

### xviii. Funding and Treasury Policies

The Group's finance department is responsible for the funding and treasury policies with regard to the overall business operation of the Group. The Company expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates. The Group continues to seek improving the return of equity and assets while maintaining prudent funding and treasury policies.

### xix. 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 RMB653.67 million (from January 2023 to June 2023: approximately RMB530.44 million).

### xx. Capital Commitments

As at 30 June 2024, the Group had capital commitments of approximately RMB562.68 million (as at 31 December 2023: approximately RMB552.01 million), all of which were used for the purchase of property, plant and equipment.

### xxi. Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities and guarantees that would have a material impact on the financial position or operations of the Group.

### xxii. Subsequent Events

Please refer to the paragraph "Corporate Governance and Other Information – (XIX) Events After the Reporting Period" of this interim report for the details.

### xxiii. Gearing Ratio

As at 30 June 2024, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 12.76% (as at 31 December 2023: 11.42%).

### xxiv. Adjusted Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group 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. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

These non-IFRS financial measures, which the Group's management considers widely accepted and adopted in the industry, are provided to supplement the financial information prepared in accordance with IFRS. It is important to note that the presentation of these non-IFRS financial measures is not intended to be viewed in isolation or as a replacement for the IFRS-compliant financial information. Shareholders of the Group and potential investors should not solely rely on the adjusted results but should consider them in conjunction with the results reported under IFRS. Furthermore, these non-IFRS financial measures may not be directly comparable to similar measures used by other companies in the industry.

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.

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(except</b>	(except
	<b>percentage)</b>	percentage)
Net profit attributable to the shareholders of the listed companies	<b>499,131</b>	1,686,368
Add: equity incentive amortization expense	<b>33,966</b>	22,974
Gain or loss on exchange rate fluctuations	<b>(112,093)</b>	(81,730)
Income tax effect	<b>11,719</b>	8,814
<b>Adjusted net profit attributable to shareholders of the listed company</b>	<b>432,723</b>	1,636,426
<b>Adjusted net profit margin attributable to shareholders of the listed company</b>	<b>16.30%</b>	35.61%

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### xxv. Foreign Exchange Risk

The majority of our revenues are derived from sales denominated in USD, while most of our service and operating costs and expenses are denominated in Renminbi, and our financial data is presented in Renminbi. Consequently, when the Renminbi strengthens against the USD, our margins come under pressure, potentially limiting our ability to price our service contracts, especially those with our U.S. customers, in currencies other than the USD.

### xxvi. Cash Flows

During the Reporting Period, the Group's net cash flows operating activities amounted to RMB873.56 million, representing a decrease of RMB1,379.62 million as compared to the Corresponding Period of last year, mainly due to the decrease in our revenue and profit in 2024H1.

During the Reporting Period, the Group's net cash flows used in investing activities amounted to RMB700.77 million, remained stable compared with RMB695.89 million of the same period last year.

During the Reporting Period, the Group's net cash flows used in financing activities amounted to RMB1,418.49 million, as compared to RMB470.29 million for the net cash flows from financing activities of the Corresponding Period of last year. The change was mainly due to the cash outflow for share repurchase in 2024H1.

### xxvii. Capital Structure

Total equity attributable to Shareholders amounted to approximately RMB16,453.04 million as at 30 June 2024, as compared to approximately RMB17,509.98 million as at 31 December 2023.

## III. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the Reporting Period, the Group did not have any significant acquisitions or disposals of subsidiaries, associates and joint ventures of the Company. As of 30 June 2024, the Group didn't hold any 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 2024).

# MANAGEMENT DISCUSSION AND ANALYSIS

## IV. EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2024, the Group had 9,300 employees, whose salaries and allowances were determined based on their performance, experience and the prevailing market remuneration. We have invested in continuing education and training programs for all employees, which encompass a leadership development program and a structured three-stage skills training program consisting of orientation training, probation basic skills training and on-the-job training skills enhancement training. In response to multiple business demands, we have also tailored specific personnel training programs for targeted departments. These initiatives form a dedicated talent development framework aimed at cultivating specific talents within our management team and other employees to elevate their skills and knowledge continuously.

We also offer competitive salaries, packages and equity incentive plans to our employees, especially key employees. Our employees' remuneration comprises salaries, bonuses, social security contributions and other welfare benefits. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

The Company also has adopted the A Share Incentive Schemes and 2022 Employee Share Ownership Plan. For further details, please refer to the section headed "A Share Incentive Schemes" and "Employee Share Ownership Plan" in this interim report.

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

## V. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of the date of this interim report, the Company did not have any existing plan for material investments or acquisition of capital assets in the second half of 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## VI. OUTLOOK AND PROSPECT

### i. Core Advantages

Asymchem is a leading, technology driven CDMO providing comprehensive solutions and services throughout the drug development and manufacturing process. Our Company's industry experience covers more than two decades in small molecule drugs development and manufacturing and has become an integral part of the global value chain for innovative drugs. With extensive know-how and advanced technologies, the Company has collaborated with diversified largest global pharmaceutical companies and has become the leading small molecule CDMO in China.

Drawing on our extensive industry knowledge, well-established R&D platforms, manufacturing capabilities, and stellar reputation with customers, we have enhanced our CDMO offerings to encompass cutting-edge drug modalities. These include peptides, oligonucleotides, monoclonal antibodies ("mAbs"), antibody-drug conjugates, and messenger RNA ("mRNA"). Furthermore, we have expanded our service portfolio to encompass chemical macromolecule CDMO solutions, drug product solutions, biosynthesis solutions, and clinical CRO solutions, collectively referred to as our Emerging Services. Our vision is to become a reliable partner for the global pharmaceutical industry providing superior one-stop CDMO services and solutions throughout the full lifecycle of drugs from their development to commercialization.

Leveraging our management team's global vision, intensive strategy, and local expertise, Asymchem is well positioned to capture the growing trend of global CDMO outsourcing to China, with its technological leadership and extensive know-how, established long-term relationships with global leading biopharma/ Biotech Companies, as well as service capability expansion into new modalities and service types. During the past three years for the outbreak of public healthcare emergency, the recent commercial contracts with a leading global pharma company were further validating our leading services and delivery capabilities in the result of bringing the Company up to the next level.

- **We have continued to develop as a technology driven CDMO providing comprehensive solutions with strong revenue growth performance of the flagship services under the dual-engine strategy through small molecule and emerging business services.** Asymchem has amassed over decades of experience and solidified its position in the small molecule business. Our collaborations with international multinational pharmaceutical companies have grown stronger. The gradual resumption of international business travel enables more clients to witness our capabilities firsthand, while an increasing number of advanced projects, including API verification initiatives, are successfully being implemented. We have effectively addressed external apprehensions regarding the partnerships between multinational pharmaceutical firms and Asymchem through tangible outcomes. Moreover, the enhancement of research and development production efficiency for small molecules, driven by collective efforts, coupled with ongoing cost reductions, ensures our sustained competitiveness. Serving as the foundational business of Asymchem, the prospects for small molecule CDMO remain promising with ample space for further growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

We strive to further advance our market leadership in the small molecule CDMO market through the established reputation, advanced R&D platforms, robust manufacturing capabilities and high-quality customer services to diversified multinational pharmaceutical companies and leading Biotech Companies across different jurisdictions. Derived from six business lines of the emerging services segment, we spotted on peptide and oligonucleotide in chemical macromolecules, captured the blooming of biological macromolecules through integration service of ADC, various conjugated drugs, and payload linkers, and promoted export continuous flow technology and synthetic biology Technology. The two flagship technologies have evolved from individual components into full-fledged technological platforms. We can now offer external technology output, enabling partners from diverse fields to leverage our cutting-edge technological achievements to address their own pain points, leading to notable enhancements in efficiency and safety while significantly reducing costs. By leveraging the deep industry insights, we will continue to push forward the three business lines as the priorities among emerging services, which we believe will drive the diauxic growth curve of the Company through the number of blockbuster drugs and several drug candidates of our other innovative projects which hold great promise to become blockbuster drugs in the future.

- **We have laid the groundwork for revenue growth and a broad project funnel through strong customer retention and expanding customer base.** Our Company has been able to retain its top global pharma companies' client base, which are favorable diversified multinational pharmaceutical companies, through a cooperative relationship of more than ten consecutive years which demonstrate very strong customer loyalty. We have established partnerships with 16 out of the Top 20 global pharmaceutical companies and have been providing continuous service to 8 of these companies for over a decade. Besides large pharmacies clients, our Company is also gaining traction in small to midsize pharmaceutical companies and leading Biotech Companies by upholding a customer-centric business philosophy. The robust customer base with expansion allows us to have an extensive pipeline of projects at various stages creating a broad funnel to maintain a steady stream of small molecules business segments and increment of emerging services. Our commercial stage projects and late-stage clinical project continue to increase, which substantially improved the stability and predictability of our revenue growth.
- **We have continued to focus on advancing and evolving eight R&D platforms for technology leadership based on our customer-focused innovation root.** With a strategic emphasis on the “development” component of CDMO, our Company has been focusing on developing a top-tier technology platform and is among the CDMO companies that contribute the most to R&D per Frost & Sullivan Analysis. Our Company was one of the earliest CDMOs to apply continuous flow technology in drug production and is also one of the few that can apply the technology at the ton-level instead of gram-level, leading to simplified procedures, reduced processing duration and raw material cost, enhancement of yield and safety, and eventually turning out to be a cost efficiency to clients. As of 30 June 2024, certain number of our middle and late-stage clinical projects and commercial stage projects of the Company applied key technologies for green pharmaceuticals, generating favorable economic benefits and efficiency including but not limited to continuous flow technology and synthetic biology technology, etc. CBTI was launched to enhance internal R&D, strengthen forward-looking capabilities, and streamline process development. This continued focus on R&D has enabled Asymchem to maintain its competitive edge and technology leadership in small molecule CDMO space and further development of emerging businesses. Meanwhile, promoting the export of green technologies i.e., continuous flow technology and synthetic biology technology to external clients allows Asymchem to enhance the industrial image, drive the industrial trend, and elevate to a higher level of source of revenue through technologies rather than customized manufacturing.

## MANAGEMENT DISCUSSION AND ANALYSIS

- **We have enriched the first-class operational and quality management capabilities meeting the stringent requirements from clients and global industry standards and have built a decent industry reputation.** Our extensive technical know-how in process development makes us a preferred choice for large customers. We can expediently solve a variety of complex process challenges in the scale-up production of innovative drugs, accelerating clinical development process and providing high-quality enhancement of yield and stable production during the commercial stage. Based on years of large-scale manufacturing experience, we have established a comprehensive, rigorous Current Good Manufacture Practices (“cGMP”) quality system and a first-class environmental, health, and safety (“EHS”) and quality assurance (“QA”) system. In the past, we have an outstanding track record of ESH and EA system compliance and further extensive improvement and development on the rapid upgrading of supplier requirements from several clients i.e. multiple pharmaceutical companies through their individual ESG standards.
- **We have further enhanced our fully integrated platform from different aspects including talent introduction and capacities expansion.** In 2024H1, while keeping our cost-effective and cost-efficient as one of our core principles, we continuously strengthened talent recruitment and cultivation, and constantly improved the employment mechanisms, accelerating the embracing talents including key technical personnels in emerging business segments and senior executive talents with professional working backgrounds and extensive experience in overseas pharmaceutical companies. In addition, we accelerated construction of multiple production capacity expansion including but not limited to the peptide commercial production aiming for a commercialized solid-phase synthesis capacity reach approximately 20,000L meeting the demand for unmet clinical needs of peptide production at the end of 2024, prioritized the development of the exclusive production workshop for multiple pilot-to-commercialization production lines for oligonucleotide, initiated commercial production capacity renovation and expansion in biological macromolecules CDMO business. As of 30 June 2024, we had multiple R&D centres, manufacturing sites, production facilities and branches/offices across China, the United States, the United Kingdom, and other regions.
- **We have maintained a stable, visionary, experienced senior executive management team who have long-term industry and operation experience with a sophisticated corporate governance sense, supported by talented and dedicated employees.** Our Company is led by the founder, Chairperson, and CEO Dr. Hao Hong and a group of senior executives with an average of more than 20 years of profound experience in their respective fields. The management team is also very stable with multiple members joined during the early days of the Company and several others who have been at the Company for over 10 years. Combined with the diversified talent pool and employees with a global vision, advanced technical knowledge, sturdy execution capabilities, and a strong sense of ownership, it is likely to continue driving the Company’s growth.



## MANAGEMENT DISCUSSION AND ANALYSIS

- **We have maintained a healthy financial position with a long-term cash runway which provides flexibility for further development and overseas expansion.** After the global offering of the Company, having been successfully dual listed on the Main Board of the Hong Kong Stock Exchange, we have more than RMB5.60 billion cash and bank balances. The healthy financial positions and consistently efficient capital allocation provide us with flexibility on the long-term strategy i.e. roll out our global footprint through overseas capacities, dual stock markets employees share schemes, and share buyback, etc.

### ii. Long Term Development Strategy

We aim to build and solidify Asymchem as a premium global CDMO brand and establish an advanced manufacturing technology platform by executing the following long-term strategies:

#### *Continue to Invest in R&D and Reinforce the “Technology-driven” Efforts*

As a current global provider of CDMO solutions integrated within an innovative technological framework, our Company is dedicated to driving technological innovation and global pharmaceutical process commercialization. We have embraced a business development philosophy centered on “international standards, industrial advantages, technology driven, and environmental sustainability.” Technological innovation has always been the cornerstone of our operations, and we have successfully developed several internationally recognized patented technologies applied in commercial manufacturing, establishing ourselves as a respected leader in outsourced integrated pharmaceutical services. Ultimately, we aim to accumulate advanced technologies and establish an advanced manufacturing technology platform.

#### *Continue to Strengthen Our Service Capabilities and Advance Our Leadership Position for Small Molecule CDMO Solutions*

We will continue to optimize and upgrade our backbone – small molecule CDMO solutions to maintain and advance our leadership position. Pressing demand from pharmaceutical and Biotech Companies to improve R&D efficiency, accelerate commercial launch and enhance product competitiveness continue to increase their reliance on outsourcing to comprehensive CDMO platforms. In the highly fragmented small molecule CDMO industry, we believe that companies that possess competitive strengths in technology, operational and cost efficiency and can seamlessly meet customer demand will set themselves apart from competitors and acquire a larger market share. To capture the massive opportunity for consolidation, we will continue to strengthen our process development capabilities and to develop leading technical expertise and industry know-how.

#### *Deepen Our Relationship with Existing Customers and Broaden Our Customer Base Globally*

We firmly believe in proactive preparation, calculated risk-taking, and leveraging our accumulated strength for rapid growth. Our ongoing efforts are focused not only on exploring cutting-edge technologies, effectively implementing them in large-scale production, improving target management approaches for research and production, but also continually enhancing 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, aiming to broaden the scope of our services.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Accelerate Our Expansion into New Drug Modalities and Service Types*

Drawing on the competitive strengths of our small molecule CDMO business, consisted with our dual-engine business strategy, we are proactively diversifying into fields such as chemical macromolecules, drug product service, exporting continuous flow technology, synthetic biology, clinical research services and biological macromolecules CDMO. These strategic imperatives not only cultivate fresh avenues for growth but also play a pivotal role in shaping a fully integrated closed-loop industrial chain.

### *Enrich Our Services Offerings & Capacities and Expand Our Global Footprint*

To grow our customer base and broaden our service capabilities, we intend to actively pursue investments that can enrich our service offerings and expand our global footprint. We have set strategic overseas capacity expansion as a key strategy in our next stage of development. This involves enhancing collaboration with customers, particularly in the commercial production of APIs for MNCs and addressing potential risks and concerns through self-construction and acquisitions to drive the development and expansion of overseas production capacity.

### *Continue to Attract, Retain and Incentivize Talent*

Our dedicated talent base is crucial to our ability to provide consistent high-quality services to customers. We will continue to attract, retain, and incentivize qualified employees to fulfill our vision and capture the growth opportunities in the global pharmaceutical industry. We have implemented a tailored talent strategy for each of our key business segments. We have established internal training programs to equip our employees with the latest technology advancements, industry know-how and regulatory developments. We will continue to implement a “hire well, manage little” code and inspire our employees to develop a strong sense of ownership. In addition, we will motivate and retain our high-quality talent base by offering them opportunities to work on industry-defining and landmark projects, and by offering competitive compensation and compelling career development opportunities.

### iii. 2024 Strategy Highlights

The key words of Asymchem in 2024 is global footprint positioning and expansion.

#### *Accelerating Overseas Expansion: Expanding Global Footprint in Production Capacities*

As a leading Chinese CDMO company that was originally established in the United States early on and later built its own production capacities upon returning to China, Asymchem has been seeking suitable production capacities or bases outside of China in previous years to maintain robust production support. In 2024H1, we succeeded to secure our first research and manufacturing base in Europe. This will expand our advantageous business areas, extend our service radius, deepen cooperation with overseas customers, especially multinational pharmaceutical companies. Meanwhile, we will expedite the Boston R&D center to drive the expansion of American Biotech Clients. We anticipate utilizing this as a lever to broaden our service areas and customer base, further attract domestic and international orders, continuously penetrate into the international market, accelerate our global footprint, and thereby further ensure future growth certainty and increase order visibility.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Optimizing Profitability: Reinforcing Backbone Business and Overall Operation*

Adhering to years of leading professional accumulation and profound experience in the small molecule CDMO industry, Asymchem will i) consistently prioritize to steadily increase the gross profit margin of small molecule CDMO business, strictly control production costs by improving efficiency and management optimization, further reduce raw material costs through technological research and development; ii) under the premise of prioritizing development, reasonably control the various costs of emerging businesses, especially the growth of fixed costs; iii) rigorously control unnecessary operational, financial, and other administrative expenses to optimize the overall profitability of the Company.

### *Building Capability: Advancing Emerging Services Offerings*

Aligned with our dual-engine driven Business Strategy, we will vigorously accelerate the development of Emerging Services, striving to significantly enhance delivery capability and swiftly expand overseas markets. We will i) enhance management and operational systems, allocate resources synergistically, focus on delivering emerging business projects and capability building; ii) expedite the rapid establishment of commercial production capacity for small nucleic acids, peptides, and ADCs, and achieve further breakthroughs in commercial project undertakings; iii) leverage recent technological accumulation and performance records, synergize with the Company's accumulated customer resources and reputation, accelerate the exploration of overseas markets for emerging businesses; and iv) further enhance the design and manufacturing of continuous flow reaction equipment, vigorously promote the application of continuous flow technology in multiple fields and strengthen the cooperation model with clients for the output of continuous flow reaction technology.

### *Technology Driven: Strengthen R&D Platform Capabilities*

We will i) maintain a substantial commitment to research and development investment, establish an iteratively evolving research and development platform, create cross-department collaboration models for processes, engineering, and equipment, fortify process synthesis route design and optimization using state-of-the-art research and development methodologies to facilitate order fulfillment; ii) continually bolster the development of synthetic biology technology platforms, advocate for the integration of these platforms across different sectors, and cultivate manufacturing capabilities for synthetic biology products; and iii) prioritize research and application in intelligent technology, digital platform construction, etc., leveraging advanced control methods to drive the advancement of intelligent manufacturing technology and the implementation of intelligent production in factories.

### *Operational Excellence: Enhancing Efficiency and Cost-effectiveness through System Upgrades*

Looking back over the past decade, Asymchem has been able to seize opportunities every few years, undertaking and seamlessly completing high-quality orders with substantial amounts. Benefiting from the support of epic-scale orders in the past nearly three years, the CAGR from 2021 to 2023 reached 29.61%, with Asymchem advancing step by step and remaining grounded, striving to maintain a strong position in revenue. Facing the elimination of epic-scale large orders in 2023 presents a new challenge and opportunity for the Company. We will consistently enhance the organizational and procedural development of operational management systems to drive continuous improvements in management efficiency; reinforce the cultivation of corporate culture, emphasizing a people-centric approach to recruitment, ongoing enhancement of management talent, refinement of incentive structures, productivity enhancement, fostering unity, and boosting overall staff effectiveness. Additionally, we will retain a focus on excelling in the implementation of management digitization and digital transformation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### iv. Potential Risk Factors and Solutions

The Company is a global industry leading CDMO enterprise, specializing in the technological innovation and commercialization of global pharmaceutical processes. It also serves as a one-stop provider of drug development and manufacturing services for large and medium-sized pharmaceutical and Biotech Companies both domestically and internationally. Potential risks that the Company may encounter include issues related to the withdrawal or large-scale recall of major innovative drugs, operational challenges during clinical project stages, life cycle turnover, lower than anticipated market sales of key innovative drugs, failure to pass ongoing review by international drug regulatory authorities, loss of essential technical personnel, environmental protection and safety in production, as well as geopolitical issues, international trade disputes and exchange rate fluctuations.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### I. AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

At the Company's first and third extraordinary general meeting of 2024 held on 22 January 2024 and 19 July 2024 respectively, the Shareholders passed two amendments to the Articles of Association as special resolutions. For details, please refer to the relevant announcements of the Company dated 22 December 2023, 22 January 2024, 21 June 2024 and 19 July 2024 and the circulars of the Company dated 2 January 2024 and 28 June 2024 respectively.

### II. RAISING FUNDS

During the Reporting Period, there was no fund-raising activity carried out by the Company.

### III. CONVERTIBLE BONDS

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

### IV. SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1)(b) of the Listing Rules, subject to the minimum public float of the Company being the highest of (a) 7.0% of the total issued share capital of the Company, or (b) such higher percentage of H Shares held by the public immediately after the completion of the Global Offering as a result of the issue of H Shares upon the exercise of the Over-allotment Option, and the minimum percentage of H Shares of the Company from time to time not subject to lock-up (i.e. free float) being the highest of (a) 7.0% of the total issued share capital of the Company, or (b) such increased percentage of free float H Shareholders as a result of the issue of H Shares upon the exercise of the Over-allotment Option immediately following the completion of the Global Offering. Based on the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the prescribed minimum public float and free float required by the Stock Exchange during the Reporting Period and as at the date of this interim report.

### V. PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### VI. CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

During the Reporting Period and up to the date of this interim report, the composition of the Board of Directors changed as follows:

- Mr. Wang Qingsong – Mr. Wang Qingsong tendered to the Board his resignation from the positions of an independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and the chairperson of the Remuneration and Examination Committee on 5 February 2024 with effect from 29 February 2024. For further details, please refer to the relevant announcements of the Company dated 5 February 2024 and 29 February 2024.
- Mr. Hou Xinyi – Mr. Hou Xinyi was appointed on 29 February 2024. Following the resignation of Mr. Wang Qingsong, Mr. Hou Xinyi filled his vacancy as an independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and the chairperson of the Remuneration and Examination Committee with effect from 29 February 2024. For further details, please refer to the relevant announcements of the Company dated 5 February 2024 and 29 February 2024.

Save as disclosed in this interim report, there were no other changes to the Directors', Supervisors' and chief executive's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### VII. A SHARE INCENTIVE SCHEMES

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

As of 30 June 2024, the Company had two effective A Share Incentive Schemes, namely the 2020 Restricted A Share Incentive Scheme and the 2021 Restricted A Share Incentive Scheme (collectively, the “**A Share Incentive Schemes**”), which were adopted and approved by the Shareholders' meetings held on 9 July 2020 and 5 July 2021, respectively. On 21 June 2024, the Company decided to terminate the implementation of the 2021 A Share Incentive Plan, with the Shareholders' approval obtained on 19 July 2024. For further details, please refer to the relevant announcements of the Company dated 21 June 2024 and 19 July 2024, and the circular of the Company dated 28 June 2024.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### i. Terms of each A Share Incentive Schemes

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

#### *Purpose*

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

#### *Type of Awards*

The A Share Incentive Schemes provide for awards of restricted A Shares (the “**Awards**”).

#### *Administration*

The Shareholders’ meeting is the highest authority of the A Share Incentive Schemes. The Board is the managing authority of the A Share Incentive Schemes. The board of Supervisors of the Company (the “**Board of Supervisors**”) and independent non-executive Directors are the supervising authorities of the A Share Incentive Schemes.

#### *Scope of Participants*

The Directors, senior or mid-level management and key technical employees of the Company (excluding independent non-executive Directors, Supervisors, Shareholders that hold more than 5% of the Company’s Shares and the controlling Shareholders (as defined in the Listing Rules) and their spouses, parents, and children) (the “**Participants**”).

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### *Source of Shares*

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

### *Maximum Number of Shares*

A total of 1,425,200, 246,400 and 2,867,480 restricted A Shares under the initial grant and reserved grant of 2020 Restricted A Share Incentive Scheme and 2021 Restricted A Share Incentive Scheme were granted to the Participants as of the date of this interim report. The maximum number of Shares involved with the Awards to be granted to an eligible employee under all effective A Share Incentive Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of Shares involved with all effective A Share Incentive Schemes shall not exceed 10% of the total outstanding share capital of the Company.

### *Validity Period of the A Share Incentive Schemes*

Subject to the termination provisions under the A Share Incentive Schemes, the A Share Incentive Schemes shall be valid and effective commencing on the date that the Awards are granted (the “**Initial Grant**”) to when such Awards are no longer under any lock-ups, fully exercised or cancelled. The term of validity underlying the outstanding A Share Incentive Schemes shall not exceed 60 months. The remaining life of the 2020 Restricted A Share Incentive Scheme was approximately 11 months as of the date of this interim report, subject to the unlocking of the last batch of the Restricted A Shares. On 21 June 2024, the Company decided to terminate the implementation of the 2021 A Restricted Share Incentive Plan, with the Shareholders’ approval obtained on 19 July 2024.

### *Date of Grant*

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

### *Grant and Exercise of Awards*

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### *Grant Price and the Basis of Determining the Grant Price*

Subject to adjustments according to the terms of the A Share Incentive Schemes, the grant price of the Restricted A Shares under the A Share Incentive Schemes shall be RMB117.07 per Share and RMB149.88 per Share for the initial grant and reserved grant, respectively, under the 2020 Restricted A Share Incentive Scheme and RMB186.12 per Share for the 2021 Restricted A Share Incentive Scheme.

The grant price of the Restricted A Shares under the 2020 Restricted A Share Incentive Scheme should be no lower than the par value of the A Shares and the higher of:

- (1) 50% of the average trading price of the Company's A Shares on the trading day immediately preceding the date of the announcement of the grants, being RMB117.07 per Share for the initial grant and RMB149.88 per Share for the reserved grant; and
- (2) 50% of the average trading price of the Company's A Shares for the 20 trading days immediately preceding the date of the announcement of the grants, being RMB110.21 per Share for the initial grant and RMB145.26 per Share for the reserved grant.

The grant price of the Restricted A Shares under the 2021 Restricted A Share Incentive Scheme should be no lower than the par value of the A Shares and the higher of:

- (1) 50% of the average trading price of the Company's A Shares on the trading day immediately preceding the date of the announcement of the draft 2021 Restricted A Share Incentive Scheme, being RMB186.12 per Share; and
- (2) 50% of the average trading price of the Company's A Shares for the 60 trading days immediately preceding the date of the announcement of the draft 2021 Restricted A Share Incentive Scheme, being RMB162.41 per Share.

The grant prices were determined in accordance with the pricing methods above under the relevant provisions of the A Share Incentive Schemes. They were also determined with a view to stabilize talents and effectively incentivize the Participants, taking into consideration the level of difficulty of the performance targets which the Participants must achieve for the restricted A Shares to be unlocked.

### *Amendment or Termination of the A Share Incentive Scheme*

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### ii. Restricted A Shares Granted

As of 30 June 2024, a total of 1,812,650 outstanding restricted A Shares, were granted to 273 eligible Participants under the A Share Incentive Schemes other than certain restricted A Shares repurchased and cancelled by the Company due to resignation of certain Participants. The following table sets forth the restricted A Shares held by relevant Participants under the A Share Incentive Schemes as at 30 June 2024:

Category of grantee	Date of grant	Grant price (RMB per Share)	Number of outstanding Awards as of 1 January 2024	Granted during the Reporting Period	Unlocked during the Reporting Period <sup>(2)</sup>	Cancelled/ lapsed during the Reporting Period	Number of outstanding Awards as of 30 June 2024	Lock-up period
<b>Senior Management</b>								See Note <sup>(3)</sup>
Jiang Yingwei (under the initial grant under the 2020 Restricted A Share Incentive Scheme)	9 September 2020	80.46	75,600	-	75,600	-	-	
<b>Members of senior or mid-level management (excluding senior management) and key technical employee of the Company (totalling 413 staffs) <sup>(1)</sup></b>								
Participants under the initial grant under the 2020 Restricted A Share Incentive Scheme (214 staffs)	9 September 2020	80.46	311,430	-	297,570	13,440	420	
Participants under the reserved grant under the 2020 Restricted A Share Incentive Scheme (35 staffs)	9 February 2021	104.26	87,360	-	-	28,140	59,220	
Participants under the 2021 Restricted A Share Incentive Scheme (263 staffs)	24 September 2021	130.14	1,895,278	-	-	142,268	1,753,010	
<b>Total</b>	N/A	N/A	2,369,668	-	373,170	183,848	1,812,650	

Notes:

- (1) None of the Participants is an independent non-executive Director, a Supervisor, a Shareholder that holds more than 5% of the Shares, a controlling Shareholder or his/her spouse, parents, or child.
- (2) The weighted average closing price of the A Shares immediately before the date of unlocking during the Reporting Period was RMB79.40 per A Share.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

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

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

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

For details of the restricted A Shares repurchased and cancelled during the Reporting Period, please refer to the section headed “- Purchase, Sale or Redemption of the Listed Securities of the Company”.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### VIII. EMPLOYEE SHARE OWNERSHIP PLAN

The Company's 2022 Employee Share Ownership Plan ("**2022 ESOP**") was approved and adopted at the Shareholders' meeting held on 16 December 2022.

The purpose of the 2022 ESOP is to establish and improve the benefit sharing mechanism of employees and Shareholders, improve the corporate governance level of the Company, enhance the cohesion of employees and the competitiveness of the Company, mobilize the enthusiasm and creativity of employees, and promote the long-term, sustainable, and healthy development of the Company. The participants of the 2022 ESOP are Directors (excluding independent non-executive Directors), senior management or core technology (business) personnel of the Company. The total number of participants shall not exceed 608, including four Directors (excluding independent non-executive Directors) and six senior management personnel. The final participants will be determined according to the actual payments of the 2022 ESOP.

The size of the underlying Shares involved in the 2022 ESOP shall not exceed 4,454,800 A Shares. The maximum number of Shares under the 2022 ESOP together with all other effective share incentive schemes of the Company granted to an eligible employee shall not exceed 1% of the total outstanding share capital of the Company. The source of the underlying Shares involved in the 2022 ESOP is the A Shares repurchased by the Company from the secondary market through the special account for share repurchase. The average repurchase price of the underlying Shares under the 2022 ESOP was approximately RMB152.9 per Share. The 2022 ESOP is funded through the legal compensation of the Company's employees, self-raised funds and other means permitted by laws and regulations. The Company does not provide financial assistance such as advance fund, guarantee, loan, or other financial support to the participants in any way. The 2022 ESOP does not involve leveraged funds, and there is no third-party arrangement to provide incentives, subsidies, or guarantees for employees to participate in the 2022 ESOP. The total amount of funds raised by the 2022 ESOP shall not exceed RMB155,918,000.00, which shall be subscribed and held by units of RMB1.00 per unit. The maximum number of units held by the 2022 ESOP shall not exceed 155,918,000.00 units. On 22 May 2023, the 2022 ESOP had gone through the relevant procedures of the registration of the transfer of the A Shares held by the Company's special account for Share repurchase at the price of RMB35.00 per Share through non-transaction transfer and other ways permitted by laws and regulations. For further details, please refer to the relevant announcements of the Company dated 17 November 2022 and 16 December 2022, and the circular of the Company dated 28 November 2022. The initial duration period of the 2022 ESOP is 54 months commencing from the date when the Company announces that the last batch of the underlying A Shares has been transferred to the 2022 ESOP (the "**Starting Date**"), the remaining life of which was 38 months as of the date of this interim report, subject to early termination under the relevant provisions of the 2022 ESOP.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

As of 30 June 2024, a total of 93,025,800 outstanding units, representing 4,429,800 underlying restricted A Shares, were granted to 588 participants under the 2022 ESOP. Set out below are the details of the movements of the outstanding units granted under the 2022 ESOP throughout the Reporting Period:

Name/Category of participants	Number of units outstanding as of 1 January 2024	Granted during the Reporting Period	Unlocked during the Reporting Period	Cancelled/lapsed during the Reporting Period <sup>(2)</sup>	Number of units outstanding as of 30 June 2024	Lock-up period
<b>Directors and Senior Management:</b>						See Note <sup>(1)</sup>
Ms. Yang Rui	5,250,000	–	–	2,100,000	3,150,000	
Mr. Zhang Da	7,000,000	–	–	2,800,000	4,200,000	
Dr. HU XINHUI	9,800,000	–	–	3,920,000	5,880,000	
Mr. Hong Liang	5,250,000	–	–	2,100,000	3,150,000	
Mr. Chen Chaoyong	5,250,000	–	–	2,100,000	3,150,000	
Mr. Jiang Yingwei	4,200,000	–	–	1,680,000	2,520,000	
Dr. Xiao Yi	700,000	–	–	280,000	420,000	
Dr. Zhou Yan	2,800,000	–	–	1,120,000	1,680,000	
Mr. Xu Xiangke	2,800,000	–	–	1,120,000	1,680,000	
Mr. Zhang Ting	1,750,000	–	–	700,000	1,050,000	
<b>Core technical (business) personnel (totalling 578 staffs)</b>	110,243,000	–	–	44,097,200	66,145,800	
<b>Total</b>	155,043,000	–	–	62,017,200	93,025,800	

Notes:

(1) The lock-up period of the 2022 ESOP is as follows:

- (a) the lock-up period of the first batch of the underlying Shares, accounting for 40% of the total underlying Shares of the 2022 ESOP, shall be 12 months commencing from the Starting Date;
- (b) the lock-up period of the second batch of the underlying Shares, accounting for 30% of the total underlying Shares of the 2022 ESOP, shall be 24 months commencing from the Starting Date; and
- (c) the lock-up period of the third batch of the underlying Shares, accounting for 30% of the total underlying Shares of the 2022 ESOP, shall be 36 months commencing from the Starting Date.

The participants of the 2022 ESOP have also undertaken the following additional lock-up period voluntarily:

- (a) all the holders of the units have voluntarily undertaken not to allocate the interests of the underlying Shares in any form, which have satisfied the above unlocking conditions, within three months from the date of expiry of the lock-up period of each batch;
- (b) on the basis of the arithmetic average of the closing market value of the Company for the 20 trading days prior to the approval of the Employee Share Ownership Plan by the Board, namely RMB54.889 billion, if the growth rate of such arithmetic average of the closing market value of the Company for the 20 trading days before the expiry of the additional three-month lock-up period following the expiry of the lock-up period of each batch is less than 45%, 55% and 65%, respectively, then the corresponding batch of the underlying Shares shall be locked up within another three months after the expiry of the additional lock-up period; and
- (c) upon the expiry of the additional lock-up period and prior to the expiry of the 2022 ESOP, the 2022 ESOP shall decide whether to dispose of the underlying A Shares and handle all disposals satisfying the unlocking conditions with each batch in accordance with the arrangements of the 2022 ESOP and the prevailing market conditions.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

- (2) Pursuant to the relevant provisions of the 2022 ESOP, the lock-up period of the first batch of the underlying Shares expired on 23 May 2024 without satisfying the target performances. A total of 1,771,920 Shares scheduled to be unlocked upon satisfying the unlocking conditions with the first batch, accounting for 40% of the total number of underlying Shares in the 2022 ESOP, shall not be unlocked. For further details, please refer to the relevant announcement of the Company dated 24 May 2024.

No restricted A Shares or units were granted during the Reporting Period. Accordingly, the number of Shares that may be issued in respect of awards and options granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue (excluding treasury Shares) for the Reporting Period is not applicable. For more details, please refer to the sections headed “- A Share Incentive Schemes” and “- Employee Share Ownership Plan” in this report.

### IX. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

#### i. A Share Repurchase

Pursuant to the repurchase plan as approved by the Shareholders on 29 February 2024, the Company is in the process of repurchasing part of the A Shares with self-owned funds through centralized price bidding which will be used to implement the employee share ownership plan or the share incentive scheme of the Company and cancellation and reduction of the registered capital. The number of repurchased A Shares used to implement the employee share ownership plan or the share incentive scheme is no more than 60% of the total number of repurchased A Shares, and the number of repurchased A Shares used for cancellation and reduction of the registered capital is not less than 40% of the total number of repurchased A Shares. Such repurchase was financed entirely with the Company’s self-owned funds, ensuring that the transaction price did not surpass the stipulated maximum limit of RMB157.00 per Share (inclusive) as outlined in the repurchase plan. For more details, please refer to the relevant announcements of the Company dated 31 January 2024 and 29 February 2024, and the circular of the Company dated 6 February 2024.

In light of the 2023 annual distribution of dividends, the Company adjusted such maximum repurchase price of the A Shares to RMB155.27 per Share accordingly pursuant to the requirements of the CSRC and the Shenzhen Stock Exchange, with effective from 28 June 2024 (ex-rights and ex-dividend date). For further details, please refer to the relevant announcement of the Company dated 27 June 2024.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

As of 30 June 2024, the Company had successfully accumulatively repurchased 12,300,701 A shares, representing 3.5976% of the Company's total A Share capital, through the centralized competitive bidding process on the Shenzhen Stock Exchange. The repurchase prices ranged from a minimum of RMB71.65 to a maximum of RMB102.00 per Share, utilizing a total of RMB999,644,601.56 in funds (excluding commissions and additional fees). The operation was conducted in full compliance with applicable laws and regulations, aligning with the predetermined repurchase strategy. For further details on the A Share repurchase through centralized price bidding, please refer to the relevant next day disclosure returns of the Company for share buybacks during the relevant period and other follow-up announcements will be published in due course based on the progress of the repurchase.

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

As certain participants of the A Share Incentive Scheme resigned, on 22 December 2023, the Board considered and approved the repurchase and cancellation of 1,260 restricted A Shares under the reserved grant of 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB104.26 per A Share and the repurchase and cancellation of 100,520 restricted A Shares under the initial grant of the 2021 Restricted A Share Incentive Scheme at a repurchase price of RMB130.14 per A Share, respectively. All funds required for such repurchase and cancellation (i.e. RMB13,213,040.40) are derived from our internal funds. On 22 January 2024, the first extraordinary general meeting of 2024, the first A Shares class meeting of 2024 and the first H Shares class meeting of 2024 considered and approved such repurchase and cancellation of restricted A Shares. Such repurchase and cancellation of restricted A Shares 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 of the Company dated 22 December 2023 and 22 January 2024, and the circular of the Company dated 2 January 2024. The above repurchase and cancellation of restricted A Shares had been completed as of 26 March 2024. For further details, please refer to the relevant announcement of the Company dated 26 March 2024.

As certain participants of the A Share Incentive Scheme resigned, on 15 March 2024, the Board considered and approved the repurchase and cancellation of a total of 420 restricted A Shares under the initial grant of the 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB80.46 per A Share. All funds required for such repurchase and cancellation (i.e. RMB33,793.20) are derived from our internal funds. On 19 July 2024, the third extraordinary general meeting of 2024, the fourth A Shares class meeting of 2024 and the fourth H Shares class meeting of 2024 considered and approved such repurchase and cancellation of restricted A Shares. For details, please refer to the relevant announcements of the Company dated 15 March 2024 and 19 July 2024, and the circular of the Company dated 28 June 2024. The above repurchase and cancellation of restricted A Shares had been completed as of 14 August 2024. For further details, please refer to the relevant announcement of the Company dated 14 August 2024.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### iii. Termination of the Implementation of the 2021 A Share Incentive Scheme and the Repurchase and Cancellation of Restricted A Shares

On 21 June 2024, the Board approved to terminate the 2021 Restricted A Share Incentive Plan. A total of 1,753,010 restricted A Shares under the initial grant of the 2021 Restricted A Share Incentive Scheme held by 245 eligible participants were proposed to be repurchased and cancelled. The repurchase price of the restricted A Shares under the initial grant of the 2021 A Share Incentive Scheme had been adjusted to RMB128.34 per restricted A Share according to the 2022 and 2023 Profit Distribution Plan of the Company as considered and approved at the 2022 and 2023 Annual General Meeting of the Company dated 9 June 2023 and 6 June 2024, respectively. The total amount of the funds to be used for such repurchase and cancellation, after the aforementioned adjustments, is RMB224,981,303.40, which will be derived from the Company's internal funds. On 19 July 2024, the "Proposal on the Termination of the Implementation of the 2021 A Share Incentive Scheme and the Repurchase and Cancellation of Restricted A Shares" was considered and approved at the third extraordinary general meeting of 2024, the fourth A Shares class meeting of 2024 and the fourth H Shares class meeting of 2024. For further details, please refer to the relevant announcements of the Company dated 21 June 2024 and 19 July 2024, and the circular of the Company dated 28 June 2024. The above repurchase and cancellation of restricted A Shares had been completed as of 14 August 2024. For further details, please refer to the relevant announcement of the Company dated 14 August 2024.

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 (including sale of treasury Shares). As of 30 June 2024, the Company held 12,838,703 treasury Shares which will be used to implement the employee share ownership plans or share incentive schemes of the Company and cancellation and reduction of the registered capital.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### X. USE OF NET PROCEEDS FROM THE ISSUANCE OF SECURITIES

#### i. Use of Net Proceeds from the Global Offering

The net proceeds from the Global Offering (after deducting the underwriting fees and related listing expenses) (the “**Global Offering Proceeds**”) amounted to approximately HKD7,318.06 million<sup>(1)</sup>, and the balance of unutilized Global Offering Proceeds of approximately HKD1,949.85 million as of 30 June 2024.

The Global Offering Proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus, except for the changes the Company made to the main purposes of several projects in January 2024. The table below sets out the planned applications of the Global Offering Proceeds and actual usage up to 30 June 2024:

Use of Global Offering Proceeds		Allocation of Global Offering Proceeds (HKD million)	Allocation of Global Offering Proceeds (RMB million)	Unutilized amount (as of 1 January 2024) (HKD million)	Utilized amount		Unutilized amount (as at 30 June 2024) (HKD million)	Expected timeline for utilizing the remaining allocated Global Offering Proceeds
					during the Reporting Period (HKD million)	Utilized amount (up to 30 June 2024) (HKD million)		
<b>To further enhance the manufacturing capacity and capabilities of our small molecule CDMO solutions</b>	20%	1,463.61	1,195.82	1,097.71	346.65	712.55	751.06	
- To construct comprehensive small molecule R&D and manufacturing site and to purchase relevant equipment and machinery	15%	1,097.71	896.86	1,097.71	346.65	346.65	751.06	In or before December 2025
- To upgrade the equipment and machinery and expand the capacity of our existing manufacturing sites in Tianjin and Dunhua	5%	365.90	298.96	-	-	365.90	-	N/A
<b>To strengthen our Emerging Services and expand our service offerings</b>	35%	2,561.32	2,092.68	365.90	207.65	2,403.07	158.25	
- To construct a R&D and manufacturing facility for oligonucleotides and polypeptides in Tianjin and invest in R&D and manufacturing facilities for recombinant DNA products (including mAb) and ADC	20%	1,463.61	1,195.82	-	-	1,463.61	-	N/A
- To improve our capabilities related to our biosynthesis solutions and drug products solutions	10%	731.81	597.91	-	-	731.81	-	N/A

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Use of Global Offering Proceeds		Allocation of Global Offering Proceeds (HKD million)	Allocation of Global Offering Proceeds (RMB million)	Unutilized amount (as of 1 January 2024) (HKD million)	Utilized amount during the Reporting Period (HKD million)	Utilized amount (up to 30 June 2024) (HKD million)	Unutilized amount (as at 30 June 2024) (HKD million)	Expected timeline for utilizing the remaining allocated Global Offering Proceeds
- To improve our capabilities related to our biosynthesis solutions and drug products solutions and construct a R&D and manufacturing facility in Tianjin for oligonucleotides and polypeptides	5%	365.90	298.95	365.90	207.65	207.65	158.25	In or before December 2025
<b>To invest in R&amp;D initiatives and maintain our technology leadership</b>	20%	1,463.61	1,195.82	-	-	1,463.61	-	
- To upgrade our flow and continuous technology platform	10%	731.81	597.91	-	-	731.81	-	N/A
- To fund the R&D initiatives led by our Center of Biosynthesis Technology (CBST)	10%	731.80	597.91	-	-	731.80	-	N/A
To strategically set up foreign subsidiaries, engage in overseas investments to further expand production capacities, enhance overseas sales centers, and acquire equity interests in target companies	15%	1,097.71	896.86	1,097.71	57.17	57.17	1,040.54	In or before December 2025
<b>For working capital and general corporate purposes</b>	10%	731.81	597.91	-	-	731.81	-	N/A
	100%	7,318.06	5,979.09	2,561.32	611.47	5,368.21	1,949.85	

Note:

- (1) The total Global Offering Proceeds included approximately HKD6,844.27 million from the Global Offering in December 2021 and HKD473.79 million from the partial exercise of over-allotment option in January 2022 as disclosed in the announcement of the Company dated 2 January 2022.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### ii. Changes in Part of the Uses of Global Offering Proceeds

In light of market conditions and the Company's business needs, the Board proposed with the Shareholders' approval obtained on 22 January 2024 the below changes in part of the uses of the Global Offering Proceeds.

Original proposed main purposes	Proposed main purposes after the changes	Proportion	Amount of the allocated Global Offering Proceeds (RMB million)
To construct phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang, and purchase relevant equipment and machinery (the " <b>Zhenjiang Project</b> ")	To construct comprehensive small molecule R&D and manufacturing site and to purchase relevant equipment and machinery	15%	896.86
To build up our capabilities related to advanced therapy medicinal products (the " <b>ATMP Project</b> ")	To improve our capabilities related to our biosynthesis solutions and drug products solutions and construct a R&D and manufacturing facility in Tianjin for oligonucleotides and polypeptides	5%	298.95
To selectively pursue strategic investments and acquisitions (the " <b>Strategic Investments and Acquisitions Project</b> ")	To strategically set up foreign subsidiaries, engage in overseas investments to further expand production capacities, enhance overseas sales centers, and acquire equity interests in target companies	15%	896.86

#### *Reasons For Changes*

##### *The Change to the Zhenjiang Project*

During the early stage of implementing the Zhenjiang Project, the Company came to note that the geological conditions of the potential site could not meet the construction requirements of this project. After a comprehensive assessment of our overall development strategy, the Company proposed to redirect the Global Offering Proceeds initially allocated to the Zhenjiang Project to the construction of a comprehensive small molecule R&D and manufacturing site and the purchase of relevant equipment and machinery. The aforesaid proposed change will significantly enhance the R&D capabilities of our small molecule CDMO business, solidify our market share and provide a robust foundation for the Company's long-term and stable growth.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### *The Change to the ATMP Project*

Our biomacromolecule business segment introduced several external investors in March 2022, aiming to leverage a high-level, one-stop specialized R&D service to tap into the rapidly growing domestic and international CDMO market for advanced therapy medicinal products. This has supplemented our funding source for the biomacromolecule business segment. To efficiently utilize the Global Offering Proceeds, the Company proposed to redirect the Global Offering Proceeds initially allocated to the ATMP Project to the improvement of our capabilities related to our biosynthesis solutions and drug products solutions and the construction of an R&D and manufacturing facility in Tianjin for oligonucleotides and polypeptides. The aforesaid proposed change will further elevate our existing integrated R&D and production service capabilities to a higher level and a larger scale.

### *The Change to the Strategic Investments and Acquisitions Project*

The Company proposed to redirect the Global Offering Proceeds initially allocated to the Strategic Investments and Acquisitions Project to strategically set up foreign subsidiaries, engaging in overseas investments to further expand production capacities, enhancing overseas sales centers, and acquiring equity interests in target companies. The aforesaid proposed change is rooted in the Company's existing overseas framework, aiming to continuously deepen the expansion into international markets and generate effective synergy with the existing platform.

For more details on the changes in part of the use of the Global Offering Proceeds, please refer to the announcements of the Company dated 22 December 2023 and 22 January 2024, and the circular of the Company dated 2 January 2024.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### iii. Use of Net Proceeds from A Share Non-Public Offering

The Company issued 10,178,731 A Shares with an offering price of RMB227.00 per Share to designated investors in September 2020 and raised net proceeds (the “A Share Non-Public Offering Proceeds”) of RMB2,274,960,656.06 (net of expenses related to the A Share Non-Public Offering). The following table sets out the projects funded by the A Share Non-Public Offering Proceeds and the use of the A Share Non-Public Offering Proceeds for such projects as of 30 June 2024:

Project name	Investment amount proposed to be funded by the A Share Non- Public Offering Proceeds (RMB0'000)	Accumulated investment amount as of 30 June 2024 (RMB0'000)	Expected timeline to fully utilize the allocated A Share Non-Public Offering Proceeds
Expansion Project of One-stop Service Platform for Innovative Drugs of Asymchem Life Science (Tianjin) Co., Ltd.	2,204.63	2,204.63	N/A
Construction Project of R&D and Production Platform for Biological Macromolecule Innovative Drugs and Preparations	6,551.69	6,551.69	N/A
Biomedical R&D and Production Integration Base Project of Asymchem Pharmacy (Jiangsu) Co., Ltd.	60,000.00	5,153.57	On or before 30 June 2026
Chemical Macromolecule Project of Asymchem Life Science (Tianjin) Co., Ltd.	40,000.00	40,000.00	December 2023
Key Green Technology Development and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd.	13,257.10	13,257.10	June 2024
To supplement working capital	66,057.20	66,057.20	N/A
Pharmaceutical R&D Center Project of Asymchem Life Science (Jiangsu) Co., Ltd.	20,000.00	-	On or before 30 June 2026
High-end Formulation Pilot and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd.	10,000.00	-	On or before 30 June 2026
Phase I Project of the Construction of Continuous Reaction Technology Service Platform of Asymchem Life Science (Tianjin) Co., Ltd.	10,000.00	-	On or before 30 June 2025
	228,070.62	133,224.19	

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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### iv. Changes in Part of the Uses of A Share Non-Public Offering Proceeds

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 A Share Non-Public Offering Proceeds, on 26 June 2024, the Board proposed, with the Shareholders' approval obtained on 19 July 2024, to reduce the investment amount of A Share Non-Public Offering 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. The reduced amount will be used to fund 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"**).

Project name	Investment amount proposed to be funded by the A Share Non-Public Offering Proceeds (before the Proposed Change) (RMB0'000)	Unused A Share Non-Public Offering Proceeds (before the Proposed Change) (RMB0'000)	Investment amount proposed to be funded by the A Share Non-Public Offering Proceeds (after the Proposed Change) (RMB0'000)	Expected timeline to fully utilize the allocated A Share Non-Public Offering Proceeds
The Taixing Project	100,000.00	5,153.57	60,000.00	on or before 30 June 2026
The R&D Center Project	-	-	20,000.00	on or before 30 June 2026
The Formulation Pilot and Industrialization Project	-	-	10,000.00	on or before 30 June 2026
The Continuous Reaction Technology Project	-	-	10,000.00	on or before 30 June 2025

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### *The R&D Center Project*

- Project name: the Pharmaceutical R&D Center Project of Asymchem Life Science (Jiangsu) Co., Ltd.
- Project implementation entity: Asymchem Life Science (Jiangsu) Co., Ltd. (凱萊英生命科學技術(江蘇)有限公司)
- Project implementation location: Suzhou Industrial Park, Jiangsu, China
- Project construction period: 36 months
- Project investment amount: RMB300.00 million, including approximately RMB284.74 million for fixed assets investment and approximately RMB15.26 million for initial working capital. The Company intends to use RMB200.00 million of the A Share Non-Public Offering Proceeds to implement the project, with the remaining balance settled through self-financing of the Company
- 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

### *The Formulation Pilot and Industrialization Project*

- Project name: High-end Formulation Pilot and Industrialization Project of Tianjin Asymchem Biotechnology Co., Ltd.
- Project implementation entity: Tianjin Asymchem Biotechnology Co., Ltd. (天津凱萊英生物科技有限公司)
- Project implementation location: No. 6, Xinzhang Road, Western District of the Economic – Technological Development Area, Tianjin, China
- Project construction period: 24 months
- 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 A Share Non-Public Offering Proceeds to implement the project, with the difference settled through self-financing of the Company
- 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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### *The Continuous Reaction Technology Project*

- Project name: Phase I Project of the Construction of Continuous Reaction Technology Service Platform of Asymchem Life Science (Tianjin) Co., Ltd.
- Project implementation entity: Asymchem Life Science (Tianjin) Co., Ltd. (凱萊英生命科學技術(天津)有限公司)
- Project implementation location: Western District of the Economic – Technological Development Area, Tianjin, China
- Project construction period: 12 months
- 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 RMB100.00 million of the A Share Non-Public Offering Proceeds to implement the project, with the difference settled through self-financing of the Company.
- 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.

For more details on the change and delay in the use of the A Share Non-Public Offering Proceeds and relevant new projects, please refer to the announcements of the Company dated 26 June 2024 and 19 July 2024, and the circular of the Company dated 28 June 2024.

## **XI. INTERIM DIVIDENDS**

The Board has resolved not to declare the payment of an interim dividend to the Shareholders for the six months ended 30 June 2024 (2023: Nil).

## **XII. MATERIAL LITIGATION**

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### i. Interests in Shares or Underlying Shares of our Company

Name of Director and chief executive	Nature of interest	Class of shares	Number of Shares interested <sup>(1)</sup>	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued shares
Dr. Hao Hong	Beneficial owner	A Shares	14,268,699 (L)	4.17%	3.86%
	Interests of controlled corporation	A Shares	115,133,168 (L) <sup>(2)</sup>	33.67%	31.16%
Dr. Ye Song	Interests of spouse	A Shares	129,401,867 (L) <sup>(3)</sup>	37.85%	35.02%
Mr. Zhang Da	Beneficial owner	A Shares	252,000 (L)	0.07%	0.07%
Mr. Hong Liang	Interests of controlled corporation	A Shares	6,555,504 (L) <sup>(4)</sup>	1.92%	1.77%

Notes:

- (1) (L) represents long position and (S) represents short position.
- (2) Dr. Hao Hong directly holds 71.39% equity interest in ALAB. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the Shares held by ALAB.
- (3) Dr. Ye Song is the spouse of Dr. Hao Hong. By virtue of the SFO, Dr. Ye Song is deemed to be interested in the same parcel of Shares in which Dr. Hao Hong is interested.
- (4) Mr. Hong Liang directly holds 43.46% equity interest in Tianjin Guorong Business Information Co., Ltd. Therefore, Mr. Hong Liang is deemed to be interested in the 6,555,504 A Shares held by Tianjin Guorong Business Information Co., Ltd.

As of 30 June 2024, the number of issued shares of the Company was 369,471,533, including 27,553,260 H Shares and 341,918,273 A Shares.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### ii. Interest in Associated Corporations

Name of Director and chief executive	Associated Corporations	Nature of interest	Number of Shares interested <sup>(1)</sup>	Approximate percentage of shareholding interest
Dr. Hao Hong	Tianjin Yugen Medtech Co., Ltd. (天津有濟醫藥科技發展有限公司) (“ <b>Yugen Medtech</b> ”)	Interests of controlled corporation	3,418,800 (L) <sup>(2)</sup>	10.53%
	Shanghai Asymchem Biotechnology Development Co., Ltd. (“ <b>Asymchem Biotechnology Development</b> ”)	Beneficial owner	2,289,157 (L) <sup>(3)</sup>	1.00%
Ms. Yang Rui	Asymchem Biotechnology Development	Interests of controlled corporation	13,734,940 (L) <sup>(3), (4)</sup>	6.00%
Mr. Zhang Da	Asymchem Biotechnology Development	Interests of controlled corporation	4,578,313 (L) <sup>(3), (4)</sup>	2.00%

Notes:

- (1) (L) denotes long position and (S) denotes short position.
- (2) The Company holds 29.08% of the equity interest in Yugen Medtech, and therefore Yugen Medtech is an associated corporation of the Company. Dr. Hao Hong is a limited partner of Tianjin Tianhao Management Consulting Partnership (Limited Partnership) (“**Tianjin Tianhao**”) and holds 90.70% of the limited partnership interest in Tianjin Tianhao. Yugen Medtech is a limited liability company established in the PRC with a registered capital of RMB32,478,600, of which Tianjin Tianhao contributed RMB3,418,800, representing approximately 10.53% of the registered capital of Yugen Medtech. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the limited partnership interest in Yugen Medtech held by Tianjin Tianhao.
- (3) The Company holds 83.00% of the equity interest in Asymchem Biotechnology Development, and therefore Asymchem Biotechnology Development is an associated corporation of the Company. The number of shares listed above represents only the equity shares held by Dr. Hao Hong directly of the share capital of Asymchem Biotechnology Development.
- (4) AsymCore Management Consulting Partnership (Limited Partnership) (“**AsymCore**”) (a controlled corporation of Ms. Yang Rui) and Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) (“**Haihe Asymchem Fund**”) (a controlled corporation of Ms. Yang Rui and Mr. Zhang Da) hold 4% and 2% of the equity interest in Asymchem Biotechnology Development, respectively. Ms. Yang Rui is the general partner of AsymCore and holds a 99% interest in it. Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is the general partner of Haihe Asymchem Fund, and Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is owned as to approximately 44.38% by Yunqi (Tianjin) Corporate Management Advisory Partnership (Limited Partnership) (“**Yunqi Management**”) (雲起(天津)企業管理諮詢合夥企業(有限合夥) (“**雲起管理**”)), respectively. Yunqi Management is owned as to 60% and 40% by Ms. Yang Rui and Mr. Zhang Da, respectively. By virtue of the SFO, Ms. Yang Rui (through AsymCore and Haihe Asymchem Fund) and Mr. Zhang Da (through Haihe Asymchem Fund) are deemed to be interested in Asymchem Biotechnology Development.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### iii. Interests in debentures of associated corporations

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

Notes:

- (1) The Company holds 29.08% of the equity interest in Yugen Medtech, and therefore Yugen Medtech is an associated corporation of the Company.
- (2) These bonds are convertible bonds which are not freely transferable but are convertible into shares of Yugen Medtech. The aggregate principal amount of the convertible bonds is RMB50,000,000, of which (i) RMB21,881,082 was subscribed by the Company, (ii) RMB12,198,135 was subscribed by Haihe Asymchem Fund, (iii) RMB8,000,000 was subscribed by Jihang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership) ("**Jihang Tianjin**") and (iv) RMB7,920,783 was subscribed by Tianjin Tianhao. For details of the convertible bonds, please refer to the announcement of the Company dated 11 April 2023.
- (3) The principal amount of the convertible bonds of RMB7,920,783 is held by Tianjin Tianhao. Dr. Hao Hong is a limited partner of Tianjin Tianhao and holds 90.74% of the limited partnership interest in Tianjin Tianhao. Yugen Medtech is a limited liability company established in the PRC with a registered capital of RMB32,478,600, of which Tianjin Tianhao contributed RMB3,418,800, representing approximately 10.53% of the registered capital of Yugen Medtech. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the bonds of Yugen Medtech held by Tianjin Tianhao.
- (4) The principal amount of the convertible bonds of RMB12,198,135 is held by Haihe Asymchem Fund. Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is the general partner of Haihe Asymchem Fund, and Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) is owned as to approximately 44.38% by Yunqi Management, and Yunqi Management is owned as to 60% and 40% by Ms. Yang Rui and Mr. Zhang Da, respectively. By virtue of the SFO, Ms. Yang Rui and Mr. Zhang Da (through Haihe Asymchem Fund) are deemed to be interested in the bonds of Yugen Medtech.
- (5) The principal amount of the convertible bonds of RMB8,000,000 is held by Jihang Tianjin. Ms. Yang Rui and Mr. Zhang Da are interested in 56.18% and 43.70% in Jihang Tianjin, respectively. By virtue of the SFO, Ms. Yang Rui and Mr. Zhang Da (through Jihang Tianjin) are deemed to be interested in the bonds of Yugen Medtech.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2024, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, so far as it was known to the Directors, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial Shareholder	Nature of interest	Class of Shares	Number of Shares interested <sup>(1)</sup>	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued Shares
ALAB	Beneficial owner	A Shares	115,133,168 (L)	33.67%	31.16%
Fidelity Management & Research Company LLC	Beneficial owner	H Shares	2,328,185 (L)	8.45%	0.63%
	Interests of controlled corporation	H Shares	487,415 (L)	1.77%	0.13%
JPMorgan Chase & Co.	Interests of controlled corporation	H Shares	428,828 (L)	1.56%	0.12%
		H Shares	382,940 (S)	1.39%	0.10%
	Investment manager	H Shares	4,211,140 (L) <sup>(2)</sup>	15.28%	1.14%
	Security interest in shares	H Shares	97,722 (L)	0.35%	0.03%
	Approved lending agent	H Shares	427,994 (P)	1.55%	0.12%
JPMorgan Asset Management (Asia Pacific) Limited	Investment manager	H Shares	3,867,760 (L) <sup>(2)</sup>	14.04%	1.05%
HHLR Advisors, Ltd.	Investment manager	H Shares	3,948,000 (L)	14.33%	1.07%
HHLR Fund, L.P.	Beneficial owner	H Shares	3,790,500 (L)	13.76%	1.02%
Schroders PLC	Beneficial owner	H Shares	3,452,100 (L)	12.53%	0.93%
Norges Bank	Beneficial owner	H Shares	1,566,200 (L)	5.68%	0.42%

Note:

- (1) (L) represents long position, (S) represents short position, and (P) represents lending pool.
- (2) JPMorgan Asset Management (Asia Pacific) Limited is indirectly owned by JPMorgan Chase & Co.. By virtue of the SFO, JPMorgan Chase & Co. is deemed to be interested in the Shares held by JPMorgan Asset Management (Asia Pacific) Limited.
- (3) As of 30 June 2024, the number of issued shares of the Company was 369,471,533, including 27,553,260 H Shares and 341,918,273 A Shares.

Save as disclosed above, to the best knowledge of the Company, as at 30 June 2024, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in the respective types of capital in issue of the Company.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### XV. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

### XVI. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 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 2024. 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 2024.

### XVII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix C1 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 provisions C.2.1 and B.2.2 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairperson and chief executive officer should be separate and should not be performed by the same individual. The roles of Chairperson and Chief Executive Officer of the Group are held by Dr. Hao Hong, who is the founder of the Group. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) a decision to be made by the Board requires approval by at least a majority of the Board members and that the Board comprises three independent non-executive Directors out of nine Directors, thus the Board believes that the checks and balances on the Board are sufficient; (ii) Dr. Hao Hong and the other Directors are aware of and undertake to fulfil 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Pursuant to the Articles of Association and code provision B.2.2 of the CG Code, the term of office of the Directors (including independent non-executive Directors) is three years, renewable upon re-election at its expiry, provided that the term of office of the independent non-executive Directors shall not exceed a consecutive period of six years. In accordance with the announcement of the Company dated 2 February 2024, the term of the fourth session of the Board and the Board of Supervisors expired on 9 February 2024. As the relevant nomination of candidates for a new session of the Board and the Board of Supervisors is still in process, in order to ensure the continuity and stability of the work of the Board and the Board of Supervisors, the election of the fourth session of the Board and the Board of Supervisors will be postponed, and the terms of each special committee under the Board and senior management of the Company will be extended accordingly. Before the completion of the election process, all the members of the fourth session of the Board and the Board of Supervisors, each special committee under the Board and the senior management of the Company will continue to perform their respective obligations and duties in accordance with relevant laws and regulations and the Articles of Association. The Company will fulfil the obligations of information disclosure based on the progress of the election.

The Board is committed to achieving high corporate governance standards, which 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.

### XVIII. COMPLIANCE WITH LAW AND REGULATIONS

For the Reporting Period, the Company has complied with the relevant laws and regulations that have a significant impact on the Company, including the requirements under the Hong Kong Companies Ordinance, the Listing Rules, the SFO and the CG Code in relation to, among other things, information disclosure and corporate governance. None of the Group, Directors, Supervisors and senior management of the Company had been subject to any investigation or administrative penalty by the CSRC, banned from access to the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial authorities or held criminally responsible, nor were they involved in any other litigation, arbitration or administrative proceedings that would have a material adverse effect on our business, financial condition or results of operations.

### XIX. EVENTS AFTER THE REPORTING PERIOD

#### Repurchase and Cancellation of Restricted A Shares Granted Under the 2021 A Share Incentive Scheme

On 19 July 2024, the Group held an extraordinary general meeting, which deliberated and approved the “Proposal on the Termination of the Implementation of the 2021 A Share Incentive Scheme and the Repurchase and Cancellation of Restricted A Shares”. The Group repurchased and cancelled 1,753,010 restricted A Shares granted but not yet unlocked at a repurchase price of RMB128.34 per Share. After the completion of the above repurchase and cancellation, the total share capital of the Group changed from RMB369,471,113.00 to RMB367,718,103.00. For further details, please refer to the section headed “Purchase, Sale or Redemption of the Listed Securities of the Company” in this interim report.

Save as disclosed above, subsequent to the six months ended 30 June 2024 and up to the date of this interim report, there are no other significant events affecting the Group occurred.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### XX. REVIEW OF FINANCIAL STATEMENTS

#### 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 interim report, the Audit Committee comprises one non-executive Director Ms. Zhang Ting, and two independent non-executive Directors, namely Dr. Sun Xuejiao and Mr. Hou Xinyi, with Dr. Sun Xuejiao who possesses the appropriate professional qualification serving as the chairperson of the Audit Committee. Previously, Mr. Wang Qingsong tendered his resignation as a member of the Audit Committee on 5 February 2024 with effect from 29 February 2024, and Mr. Hou Xinyi filled the vacancy.

The Audit Committee has considered and reviewed the unaudited interim results of the Group for the six months ended 30 June 2024 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 2024 are in compliance with the relevant accounting standards, laws and regulations.

#### ii. Scope of Work of Ernst & Young

The unaudited interim results of the Group for the six months ended 30 June 2024 have been reviewed by the Group'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. The work performed by the Group's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Group's auditors in this interim report.

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

Tianjin, the PRC, 28 August 2024

# INDEPENDENT REVIEW REPORT



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## To the board of directors of Asymchem Laboratories (Tianjin) Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 62 to 90, which comprises the condensed consolidated statement of financial position of Asymchem Laboratories (Tianjin) Co., Ltd. (the "Company") and its subsidiaries as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**Ernst & Young**  
Certified Public Accountants  
Hong Kong  
28 August 2024



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	4	2,655,046	4,595,708
Cost of sales		(1,560,345)	(2,169,023)
Gross profit		1,094,701	2,426,685
Other income and gains	4	258,891	289,183
Selling and distribution expenses		(102,423)	(82,031)
Administrative expenses		(374,644)	(350,841)
Research and development expenses		(328,688)	(323,471)
Losses on impairment of financial and contract assets, net		7,295	(16,104)
Other expenses		(12,496)	(9,134)
Finance costs		(2,528)	(2,778)
Share of (losses)/profits of associates		(5,457)	(3,030)
PROFIT BEFORE TAX	5	532,651	1,928,479
Income tax expense	6	(40,236)	(246,488)
PROFIT FOR THE PERIOD		492,415	1,681,991
Attributable to:			
Owners of the parent		499,131	1,686,368
Non-controlling interests		(6,716)	(4,377)
		492,415	1,681,991
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB per share)	8	RMB1.40	RMB4.65
Diluted (expressed in RMB per share)	8	RMB1.40	RMB4.65

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	492,415	1,681,991
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	1,993	11,840
Equity investments at fair value through other comprehensive income:		
Changes in fair value	4,483	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	6,476	11,840
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	498,891	1,693,831
Attributable to:		
Owners of the parent	505,607	1,698,208
Non-controlling interests	(6,716)	(4,377)
	498,891	1,693,831

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	5,855,102	5,366,081
Right-of-use assets		551,770	526,467
Goodwill		146,183	146,183
Other intangible assets		49,763	53,568
Deferred tax assets		257,883	213,215
Investments in associates		533,418	260,144
Prepayments, deposits and other receivables		636,894	688,479
Financial assets at fair value through profit or loss		155,537	130,476
Equity investments at fair value through other comprehensive income		35,761	30,488
<b>Total non-current assets</b>		<b>8,222,311</b>	7,415,101
<b>CURRENT ASSETS</b>			
Inventories		997,959	945,347
Trade and bills receivables	10	1,483,415	2,010,989
Contract assets		98,259	80,829
Prepayments, other receivables and other assets		320,758	296,573
Tax recoverable		15,978	2,554
Financial assets at fair value through profit or loss		2,040,728	1,905,779
Amounts due from related parties		314	–
Cash and bank balances		5,678,924	7,109,987
<b>Total current assets</b>		<b>10,636,335</b>	12,352,058
<b>CURRENT LIABILITIES</b>			
Trade payables	11	386,966	452,365
Other payables and accruals		1,446,871	1,275,184
Interest-bearing bank borrowings		–	12,228
Lease liabilities		32,416	28,535
Tax payable		26,075	31,235
Amounts due to related parties		1,361	1,256
<b>Total current liabilities</b>		<b>1,893,689</b>	1,800,803
<b>NET CURRENT ASSETS</b>		<b>8,742,646</b>	10,551,255
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>16,964,957</b>	17,966,356

continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		253,429	232,599
Lease liabilities		132,476	106,486
Deferred tax liabilities		125,551	117,292
Provision		459	–
Total non-current liabilities		511,915	456,377
Net assets		16,453,042	17,509,979
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	369,471	369,472
Treasury shares		(1,463,807)	(494,010)
Other reserves		17,523,375	17,604,255
		16,429,039	17,479,717
Non-controlling interests		24,003	30,262
Total equity		16,453,042	17,509,979

The consolidated financial information was approved and authorised for issue by the Board of Directors of the Company on 28 August 2024 and was signed on its behalf by:

**Hao Hong**

*Executive Director*

**Da Zhang**

*Executive Director*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent										
	Share capital	Restricted shares under share-based payment	Capital reserve	Statutory surplus reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Exchange fluctuation reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	369,472	(494,010)	9,612,482	208,970	415	22,466	-	7,759,922	17,479,717	30,262	17,509,979
Profit for the period	-	-	-	-	-	-	-	499,131	499,131	(6,716)	492,415
Other comprehensive income for the period:											
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	4,483	-	-	-	4,483	-	4,483
Exchange differences related to foreign operations	-	-	-	-	-	1,993	-	-	1,993	-	1,993
Total comprehensive income for the period	-	-	-	-	4,483	1,993	-	499,131	505,607	(6,716)	498,891
Final 2023 dividend declared and paid	-	-	-	-	-	-	-	(641,938)	(641,938)	-	(641,938)
Cancellation of restricted shares	(1)	34	(35)	-	-	-	-	-	(2)	-	(2)
Vesting of restricted shares	-	30,025	-	-	-	-	-	-	30,025	-	30,025
Equity-settled share option arrangements	-	-	33,509	-	-	-	-	-	33,509	457	33,966
Repurchase of A Shares	-	(999,856)	-	-	-	-	-	-	(999,856)	-	(999,856)
Shareholder contribution	-	-	21,814	-	-	-	-	-	21,814	-	21,814
Transfer from retained profits	-	-	-	-	-	-	163	-	163	-	163
At 30 June 2024 (Unaudited)	369,471	(1,463,807)	9,667,770	208,970	4,898	24,459	163	7,617,115	16,429,039	24,003	16,453,042

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent								Total equity RMB'000
	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	
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 STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	532,651	1,928,480
Adjustments for:		
Finance costs	2,528	2,778
Share of losses of associates	5,457	3,030
Interest income	(60,607)	(25,438)
Investment income	(28,390)	(71,115)
Fair value gain on financial assets/liabilities at fair value through profit or loss	(11,266)	(42,484)
Losses on disposal of items of property, plant and equipment	341	558
Gains on disposal of right-of-use assets	(19)	(25)
Depreciation of property, plant and equipment	226,133	213,195
Depreciation of right-of-use assets	23,512	21,935
Amortisation of other intangible assets	4,683	4,645
(Gains)/Losses on impairment of trade receivables and contract assets, net	(7,295)	16,104
Loss on impairment of inventories	9,762	–
Equity-settled share option expense	33,966	22,974
	<b>731,456</b>	2,074,637
(Increase)/decrease in pledged deposits	(23,988)	2,379
(Increase)/decrease in inventories	(62,374)	722,390
Decrease/(increase) in trade receivables	520,979	(87,690)
Increase in contract assets	(16,575)	(14,854)
(Increase)/decrease in prepayments, deposits and other receivables	(27,605)	30,072
Decrease in trade payables	(65,294)	(154,789)
Decrease in other payables and accruals	(87,021)	(162,837)
Cash generated from operations	969,578	2,409,308
Tax paid	(96,019)	(156,126)
<b>Net cash flows from operating activities</b>	<b>873,559</b>	2,253,182

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Interest received	29,404	25,438
Purchases of items of property, plant and equipment and other intangible assets	(653,671)	(530,439)
Proceeds from disposal of items of property, plant and equipment	11	10,012
Acquisition of a subsidiary	–	(10,000)
Proceeds from disposal of items of a subsidiary	3,684	71,458
Purchases of investments at fair value through profit or loss	(5,282,523)	(17,261,381)
Proceeds from disposal of investments at fair value through profit or loss	5,128,146	17,563,019
Increase in investments in associates	(240,000)	–
Dividends received from associates	6,404	–
Purchase of time deposits with original maturity of more than three months when acquired	(1,288,805)	(1,432,343)
Decrease in pledged deposits	1,596,583	868,347
Net cash flows used in investing activities	(700,767)	(695,889)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Proceeds from issue of employee stock option program	–	155,043
Share repurchase payment	(1,013,396)	–
Dividends paid to shareholders	(383,644)	(610,396)
Principal portion of lease payments	(18,926)	(12,161)
Interest paid	(2,528)	(2,778)
Net cash flows used in from financing activities	(1,418,494)	(470,292)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,245,702)	1,087,001
Cash and cash equivalents at beginning of period	4,771,612	4,418,177
Effect of foreign exchange rate changes, net	59,240	46,951
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,585,150	5,552,129
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the statement of financial position	5,678,924	7,041,483
Term deposits with original maturity of more than three months	(2,046,468)	(1,475,580)
Pledged bank balances to secure bills payable	(47,306)	(13,774)
Cash and cash equivalents as stated in the statement of cash flows	3,585,150	5,552,129



## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

## 3. OPERATING SEGMENT INFORMATION

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

### Operating segment

During the 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Chinese Mainland	689,105	761,661
Overseas	1,965,941	3,834,047
Total	2,655,046	4,595,708

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) *Non-current assets*

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Year ended 31 December 2023 RMB'000 (Audited)
Chinese Mainland	7,640,266	6,986,387
Overseas	132,864	54,535
Total	7,773,130	7,040,922

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 the six months ended 30 June 2024, revenue of approximately RMB257,775,520 (30 June 2023: 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.

## 4. REVENUE

### 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 is derived from the transfer of goods and services, which is recognised at a point in time.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 4. REVENUE (Continued)

### Emerging business:

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

### Others:

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Transfer of goods and services	2,653,034	4,591,447
Others	2,012	4,261
Total	2,655,046	4,595,708

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 4. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

(a) Disaggregated revenue information

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Types of goods or services</b>		
Clinical and pre-clinical stage CDMO solutions	787,694	854,544
Commercial stage CDMO solutions	1,365,725	3,209,311
Emerging business	499,615	527,592
Others	2,012	4,261
Total	2,655,046	4,595,708
<b>Geographical markets</b>		
Chinese Mainland	689,105	761,646
Overseas	1,965,941	3,834,062
Total	2,655,046	4,595,708
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,520,762	4,445,480
– Clinical and pre-clinical stage CDMO solutions	749,480	812,989
– Commercial stage CDMO solutions	1,365,725	3,209,311
– Emerging business	403,545	418,919
– Others	2,012	4,261
Services transferred over time	134,284	150,228
– Clinical and pre-clinical stage CDMO solutions	38,214	41,555
– Emerging business	96,070	108,673
Total	2,655,046	4,595,708

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	221,204	277,330
Total	221,204	277,330

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 5. PROFIT BEFORE TAX

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

	Note	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of sales		<b>1,560,345</b>	2,169,023
Depreciation of property, plant and equipment	9	<b>226,133</b>	213,195
Depreciation of right-of-use assets		<b>23,512</b>	21,935
Amortisation of other intangible assets		<b>4,683</b>	4,645
Research and development costs:			
Current period expenditure		<b>328,688</b>	323,471
Lease payments not included in the measurement of lease liabilities		<b>11,345</b>	1,432
Auditor's remuneration		<b>840</b>	800
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		<b>1,015,539</b>	716,117
Share-based payment expense		<b>33,966</b>	22,974
Pension scheme contributions		<b>95,049</b>	284,815
Foreign exchange differences, net		<b>(70,497)</b>	(11,840)
Bank interest income		<b>(120,702)</b>	(66,766)
Fair value gain on financial assets at fair value through profit or loss, net		<b>(11,266)</b>	(33,010)
Losses on disposal of items of property, plant and equipment and other intangible assets		<b>341</b>	12
Impairment of financial and contract assets, net		<b>(7,295)</b>	16,104

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 6. INCOME TAX

The provision for Chinese Mainland 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 Chinese Mainland, that were accredited as “High and New Technology Enterprises” and entitled to a preferential rate of 15% in the six-month period ended 30 June 2024.

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. and Asymchem Boston Corporation, subsidiaries of the Group incorporated in the United States, are based on the federal tax rate of 21% in the six-month period ended 30 June 2024. 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	77,435	249,058
Deferred	(37,199)	(2,570)
Total	40,236	246,488

As of 30 June 2024, the substantive influence that the Pillar Two income taxes legislation would have had on the Group's historical financial performance is insignificant. The Group is still assessing the impact of the Pillar Two income taxes legislation on its future financial performance.

### 7. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends declared: RMB1.80 for the six months ended 30 June 2024 and RMB1.80 for the six months ended 30 June 2023 per ordinary share	641,938	664,411

On 6 June 2024, the 2023 profit distribution plan (“2023 Profit Distribution Plan”) of the Company was approved at the 2023 Annual General Meeting. Pursuant to the 2023 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 the 2023 Profit Distribution plan was declared to both holders of A Shares and H Shares. The aggregate dividends amounted to RMB641,939,094, including A Shares dividends of RMB592,343,226 and H Shares dividends of RMB49,595,868.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 350,742,000 (Six months ended 30 June 2023: 361,231,000) in issue during the period, as adjusted to reflect the rights issue during the period.

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, adjusted to reflect the interest on the convertible bonds, where applicable (see below). 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 ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	499,131	1,686,368
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	(8,046)	(5,989)*
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	491,085	1,680,379

\* For the six months ended 30 June 2024, the restricted A Shares have an anti-diluting effect due to the cash dividend distribution plan. As the respective effect was excluded in the calculation of diluted earnings per share, the diluted earnings per share equals to the basic earnings per share.

	Number of shares	
	2024 '000 (Unaudited)	2023 '000 (Audited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	350,742	361,231
Effect of dilution – weighted average number of ordinary shares:		
Restricted A Shares	20	267
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	350,762	361,498



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Office equipment	Motor vehicles	Construction in progress ("CIP")	Total
30 June 2024 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2024:</b>							
Cost	2,060,084	166,073	3,183,783	116,184	25,384	1,330,742	6,882,250
Accumulated depreciation and impairment	(401,509)	(43,685)	(966,921)	(83,897)	(20,157)	–	(1,516,169)
Net carrying amount	1,658,575	122,388	2,216,862	32,287	5,227	1,330,742	5,366,081
At 1 January 2024, net of accumulated depreciation and impairment	1,658,575	122,388	2,216,862	32,287	5,227	1,330,742	5,366,081
Additions	–	1,706	23,811	1,332	–	688,658	715,507
Disposals	(5)	–	(153)	(184)	(11)	–	(353)
Depreciation provided during the period	(58,845)	(12,198)	(145,486)	(8,485)	(1,119)	–	(226,133)
Reclassification	54,476	–	(54,476)	–	–	–	–
Transfers from CIP	199,545	–	20,847	3,461	119	(223,972)	–
At 30 June 2024, net of accumulated depreciation and impairment	1,853,746	111,896	2,061,405	28,411	4,216	1,795,428	5,855,102
<b>At 30 June 2024:</b>							
Cost	2,349,696	167,779	3,120,537	120,630	24,389	1,795,428	7,578,459
Accumulated depreciation and impairment	(495,950)	(55,883)	(1,059,132)	(92,219)	(20,173)	–	(1,723,357)
Net carrying amount	1,853,746	111,896	2,061,405	28,411	4,216	1,795,428	5,855,102

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 10. TRADE RECEIVABLES

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Trade receivables	<b>1,583,292</b>	2,116,812
Impairment	<b>(99,877)</b>	(105,823)
Total	<b>1,483,415</b>	2,010,989

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:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 1 year	<b>1,398,913</b>	1,970,446
1 to 2 years	<b>78,452</b>	37,041
2 to 3 years	<b>6,050</b>	3,502
Total	<b>1,483,415</b>	2,010,989

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 11. TRADE PAYABLES

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 1 year	<b>301,976</b>	354,539
1 to 2 years	<b>69,894</b>	86,523
Over 2 years	<b>15,096</b>	11,303
Total	<b>386,966</b>	452,365

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 reasonably approximate to fair values.

## 12. SHARE CAPITAL

### Shares

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Issued and fully paid: ordinary shares	<b>369,471</b>	369,472

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

	<b>Number of shares in issue</b>	<b>Share capital RMB'000</b>
At 1 January 2024	369,471,533	369,472
Cancellation of restricted shares (Note (a))	(420)	(1)
At 30 June 2024 (Unaudited)	369,471,113	369,471

- (a) During the six months ended 30 June 2024, the Company repurchased and cancelled the restricted shares due to the employee turnover, leading to a reduction in the registered share capital.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 13. CONTINGENT LIABILITIES

As of 30 June 2024, the Group had no significant contingent liabilities.

## 14. COMMITMENTS

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Buildings	<b>281,799</b>	310,392
Plant and machinery	<b>280,880</b>	241,617
Capital contributions payable to financial investment	<b>60,000</b>	27,000
Total	<b>622,679</b>	579,009

## 15. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties:

<b>Names</b>	<b>Relationship</b>
上海凱萊英檢測技術有限公司 Shanghai Asymchem Laboratories Testing Technology Co., Ltd ("Shanghai Asymchem Technology")	Subsidiary of an associate of the Group
有濟(天津)醫藥科技有限公司 Youji (Tianjin) Pharmaceutical Technology Co., Ltd	Subsidiary of an associate of the Group
天津有濟醫藥科技發展有限公司 Yugen Medtech	Associate
天津海河凱萊英生物醫藥產業創新投資基金(有限合夥) Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Haihe Asymchem Fund")	Associate
天津海河凱萊英醫療健康產業投資基金合夥企業(有限合夥) Tianjin Haihe Asymchem Medical and Health Industry Investment Fund Partnership Enterprise (Limited Partnership) ("Haihe Asymchem Medical and Health Fund")	Associate
Asymchem Laboratories, Incorporated ("ALAB")	Parent company
Hao Hong	Controlling shareholder

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 15. RELATED PARTY TRANSACTIONS (Continued)

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

#### (i) Due from a related party included in trade receivables

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Youji (Tianjin) Pharmaceutical Technology Co., Ltd	<b>314</b>	–

#### (ii) Due to related parties included in trade and other payables

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Youji (Tianjin) Pharmaceutical Technology Co., Ltd	<b>1,361</b>	1,173
Shanghai Asymchem Technology	–	83
ALAB*	<b>186,516</b>	–
Hao Hong*	<b>25,684</b>	–
Total	<b>213,561</b>	1,256

\* Dividend payables due to ALAB and Hao Hong were recorded in other payables and accruals, the Company paid those dividends in July 2024 respectively.

### (c) Other transactions with related parties:

#### (i) Sales to a related party

	<b>Six months ended 30 June</b>	
	<b>2024 RMB'000 (Unaudited)</b>	2023 RMB'000 (Unaudited)
Youji (Tianjin) Pharmaceutical Technology Co., Ltd	<b>162</b>	3

#### (ii) Purchases from related parties

	<b>Six months ended 30 June</b>	
	<b>2024 RMB'000 (Unaudited)</b>	2023 RMB'000 (Unaudited)
Youji (Tianjin) Pharmaceutical Technology Co., Ltd	<b>2,463</b>	1,150
Shanghai Asymchem Technology	<b>31</b>	–
Total	<b>2,494</b>	1,150

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 15. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	14,530	14,647
Pension scheme contributions	1,123	4,764
Equity-settled share incentive scheme	9,296	1,109
Total compensation paid to key management personnel	24,949	20,520

(e) Other related party transactions:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Co-investments with a related party		
Haihe Asymchem Medical and Health Fund (i)	240,000	–
Purchase of convertible bonds of an associate		
Yugen Medtech (ii)	–	21,881
Total	240,000	21,881

(i) Asymchem Life Science (Tianjin) Co., Ltd. ("Asymchem Life Science"), a wholly-owned subsidiary of the Group, plans to invest RMB300,000,000 as a limited partner in Haihe Asymchem Medical and Health Fund. Asymchem Life Science will hold 39.79% of the total capital of Haihe Asymchem Medical and Health Fund. The General Partner of Haihe Asymchem Medical and Health Fund is Haizunchuang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership) ("Haizunchuang"), and the actual controller of Tianjin Zunji Private Equity Fund Management Co., Ltd., the executive partner of Haizunchuang is Ms. Tu Zhiwei, the spouse of Mr. Wang Qingsong, who served as the Company's former independent director and resigned in March 2024.

(ii) In March 2023, the Group purchased the one-year convertible bonds issued by Yugen Medtech, of which the principal was RMB21,881,082 and the interest rate was 8%. The convertible bonds expired in February 2024 and were converted into shares of Yugen Medtech.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 16. FINANCIAL INSTRUMENTS BY CATEGORY

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

**30 June 2024 (Unaudited)**

### Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Mandatorily designated as such RMB'000	Equity investments RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	–	35,761	–	35,761
Trade and bills receivables	–	–	1,483,415	1,483,415
Financial assets included in prepayments, other receivables and other assets	–	–	588,266	588,266
Financial assets at fair value through profit or loss	2,196,265	–	–	2,196,265
Cash and cash balances	–	–	5,678,924	5,678,924
<b>Total</b>	<b>2,196,265</b>	<b>35,761</b>	<b>7,750,605</b>	<b>9,982,631</b>

### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	386,966
Financial liabilities included in other payables and accruals	349,571
Lease liabilities	164,892
<b>Total</b>	<b>901,429</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 16. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

30 June 2023 (Unaudited)

### Financial assets

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

### Financial liabilities

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	2,040,728	1,905,779	2,040,728	1,905,779
Equity investments at fair value through other comprehensive income	35,761	30,488	35,761	30,488
An unlisted investment fund	155,537	130,476	155,537	130,476
<b>Total</b>	<b>2,232,026</b>	<b>2,066,743</b>	<b>2,232,026</b>	<b>2,066,743</b>

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

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

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

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

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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

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

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

#### Fair value hierarchy

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

*Assets measured at fair value:*

**As at 30 June 2024 (Unaudited)**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	2,040,728	–	2,040,728
Equity investments at fair value through other comprehensive income	–	–	35,761	35,761
An unlisted investment fund	–	–	155,537	155,537
Total	–	2,040,728	191,298	2,232,026

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2023 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	1,905,779	–	1,905,779
Equity investments at fair value through other comprehensive income	–	–	30,488	30,488
An unlisted investment fund	–	–	130,476	130,476
<b>Total</b>	–	1,905,779	160,964	2,066,743

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Equity investments at fair value through profit or loss		
At 1 January	<b>130,476</b>	113,076
Changes in fair value	<b>(1,939)</b>	(9,600)
Purchases	<b>27,000</b>	27,000
<b>Total</b>	<b>155,537</b>	130,476

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Equity investments at fair value through other comprehensive income		
At 1 January	<b>30,488</b>	–
Changes in fair value	<b>5,273</b>	488
Purchases	–	30,000
<b>Total</b>	<b>35,761</b>	30,488

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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

Fair value hierarchy (Continued)

*Assets measured at fair value: (Continued)*

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

For the six months ended 30 June 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).

### 18. EVENTS AFTER THE REPORTING PERIOD

Repurchase and Cancellation of Restricted A Shares Granted Under the 2021 A Share Incentive Scheme

On 19 July 2024, the Group held an extraordinary general meeting, which deliberated and approved the “Proposal on the Termination of the Implementation of the 2021 A Share Incentive Scheme and the Repurchase and Cancellation of Restricted A Shares”. The Group repurchased and cancelled 1,753,010 restricted A Shares granted but not yet unlocked at a repurchase price of RMB128.34 per share. After the completion of the above repurchase and cancellation, the total share capital of the Group changed from RMB369,471,113 to RMB367,718,103.

## DEFINITIONS AND GLOSSARIES

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

“2022 ESOP”	the 2022 Employee Share Ownership Plan of the Company adopted at the fifth extraordinary general meeting of 2022
“2023 Profit Distribution Plan”	profit distribution plan for the year ended 31 December 2023
“ADC”	the antibody-drug conjugate
“AGM” or “Annual General Meeting”	annual general meeting of the Company held on 6 June 2024
“AI”	artificial intelligence
“ALAB”	Asymchem Laboratories, Incorporated, a limited liability company incorporated in the United States on 27 November 1995, which is a controlling shareholder and owned as to 71.19% and 19.52% by Dr. Hao Hong and Dr. Ye Song, respectively, as of the date of this interim report
“API”	Active Pharmaceutical Ingredient
“Articles of Association”	the articles of association of the Company, as amended from time to time
“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
“ATMP”	advanced therapy medicinal products
“ATMP Projects”	projects to build up our capabilities related to advanced therapy medicinal products (ATMPs)
“Audit Committee”	the audit committee of the Board
“Big Pharma Companies”	big pharmaceutical companies
“Biotech Companies” or “Biotech Clients”	biotechnology companies/biotechnology clients

## DEFINITIONS AND GLOSSARIES

“BLA”	Biologics License Application, a request made to the U.S. FDA for permission to introduce, or deliver for introduction, of a biological product into interstate commerce in the United States
“Board”	the board of directors of the Company
“CAGR”	compound annual growth rate
“CBTI”	Center of Biological Technology and Innovation
“CDDF”	Center of Drug Delivery and Formulation
“CDMO”	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
“CEO” or “Chief Executive Officer”	the chief executive officer of the Company
“CEPS”	Center of Excellence for Process Science
“CFCT”	Center of Flow and Continuous Technology
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairperson”	the chairperson of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only, any references to “China” and the “PRC” in this interim report do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CIMT”	Center for Intelligent Manufacture Technology
“CMC”	chemical, manufacturing and control, an important and detailed section detailing the characteristics of a therapeutic and its manufacturing and quality testing process in a dossier used to support clinical studies and marketing applications
“CMO”	Contract Manufacture Organization

## DEFINITIONS AND GLOSSARIES

“Company”, “our Company”, “the 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), was established under the laws of the PRC as an enterprise legal person on 8 October 1998, the A Shares of which are listed on the Shenzhen Stock Exchange and the H Shares of which are listed on the Hong Kong Stock Exchange
“Corresponding Period”	for the six months ended 30 June 2023
“CSBT”	Center of Synthetic Biology Technology
“CSRC”	China Securities Regulatory Commission
“DAR”	drug-to-antibody ratio
“Director(s)”	the director(s) of our Company
“EHS”	integrated management of health, safety and environment
“ESG”	environmental, social and governance
“E. coli”	Escherichia coli
“Global Offering”	the Hong Kong public offering and the international offering of the Shares
“GLP-1”	glucagon-like peptide-1
“GMP” or “cGMP”	Good Manufacturing Practice or current Good Manufacturing Practice
“Group”, “our Group”, “we”, “us”, or “our”	our Company and its subsidiaries
“Haihe Asymchem Fund”	Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) (天津海河凱萊英生物醫藥產業創新投資基金(有限合夥)), a limited partnership established under the laws of the PRC
“Haihe Asymchem Medical and Health Fund”	Tianjin Haihe Asymchem Medical and Health Industry Investment Fund Partnership Enterprise (Limited Partnership) (天津海河凱萊英醫療健康產業投資基金合夥企業(有限合夥))
“HK\$” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

## DEFINITIONS AND GLOSSARIES

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“HTS”	high throughput screening
“IAPM”	Institute for Advanced Pharmaceutical Materials
“ICH”	International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification
“JAK”	Janus tyrosine kinase
“KOL”	key opinion leader
“KRAS”	Kirsten rats arcomaviral oncogene homolog
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“LNP”	lipid nanoparticle
“LPPS”	liquid phase peptide synthesis
“mAb”	monoclonal antibody
“MAH”	Marketing Authorization Holder
“MNC”	multinational corporation
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“NDA”	new drug application
“PAT”	process analytical technologies



## DEFINITIONS AND GLOSSARIES

“PD-1”	programmed cell death protein 1
“pH”	pondus hydrogenii, which describes the acidity and alkalinity of water solution
“PLA/PLGA”	poly (lactic acid)/poly (lactic-co-glycolic acid)
“PPQ”	process performance qualification
“Prospectus”	the prospectus of the Company dated 30 November 2021
“QP”	qualified person
“R&D”	research and development
“Reporting Period”	the six months ended 30 June 2024
“RMB” or “Renminbi”	the lawful currency of the PRC
“RNA”	ribonucleic acid
“SCIE”	Science Citation Index-Expanded
“SFO”	Securities and Futures Ordinance
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
“Shenzhen Stock Exchange”	The Shenzhen Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Teda”	Tianjin Economic-Technological Development Area
“TICCR”	Technology Innovation Center for Clinical Research
“TYK 2”	non-receptor tyrosine-protein kinase TYK2 is an enzyme that in humans is encoded by the TYK2 gene

## DEFINITIONS AND GLOSSARIES

“United Kingdom” or “U.K.”	the United Kingdom of Great Britain and Northern Ireland, commonly known as the United Kingdom (UK) or Britain, its territories, its possessions, and all areas subject to its jurisdiction
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“U.S. FDA” or “FDA”	the United States Food and Drug Administration
“Yugen Medtech”	Tianjin Yugen Medtech Co., Ltd. (天津有濟醫藥科技發展有限公司)

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

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