ASYMCHEM

Asymchem Laboratories (Tianjin) Co., Ltd.

凱 萊 英 醫 藥 集 團（天 津）股 份 有 限 公 司

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

www.asymchem.com

Stock Code: 6821

2022

ANNUAL REPORT

ASYMCHEM

CONTENTS

CORPORATE INFORMATION

BOARD

Executive Director

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

Non-executive Directors

Dr. Ye Song
Ms. Zhang Ting

Independent Non-executive Directors

Ms. Zhang Kun
Mr. Wang Qingsong
Mr. Lee, Kar Chung Felix

REGISTERED OFFICE AND HEAD OFFICE

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

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

40th Floor, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR

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

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. Zhang Da
Mr. Xu Xiangke

AUDIT COMMITTEE

Ms. Zhang Kun *(Chairwoman)*
Ms. Zhang Ting
Mr. Wang Qingsong

STRATEGY COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lee, Kar Chung Felix *(Chairman)*
Mr. Hong Liang
Mr. Wang Qingsong

REMUNERATION AND EXAMINATION COMMITTEE

Mr. Wang Qingsong *(Chairman)*
Mr. Zhang Da
Ms. Zhang Kun

STOCK CODES

Hong Kong Stock Exchange (H Shares): 6821
Shenzhen Stock Exchange (A Shares): 002821

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISERS TO THE COMPANY

Hong Kong laws

Cooley HK
35/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

PRC laws

DeHeng Law Offices
12/F, Tower B, Focus Place
19 Finance Street
Xicheng District
Beijing
PRC

PRINCIPAL BANKERS

Bank of China Dunhua Branch
No. 1218, Hanzhang Street
Dunhua
Jilin Province
PRC

SPD Bank Puxin Branch
No. 920, Tanggu Chunfeng Road
Binhai New District
Tianjin
PRC

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

COMPANY'S WEBSITE

www.asymchem.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2022 was a year marked by milestones as we have gone further through such a tough time. In 2023, we are embracing more on a new journey.

The faded 2022 was of special significance for Asymchem. Asymchem, joined by its nearly 10,000 colleagues across the world, managed to push its results to new highs despite multiple difficulties, and stayed among the top CDMOs around the globe. We refreshed our efforts in our social responsibilities, which meant promoting the coexistence and win-win of economic, social and environmental values by aligning with the times, the homeland and the rest of the world.

2022 witnessed Asymchem's results taking off. In 2022, Asymchem's revenue exceeded RMB10 billion for the first time, behind which was the efforts and dedication of all our people. Committed to the operational philosophy of "being prepared for danger in times of peace, treading on thin ice, and rising abruptly based on its accumulated strength" over the past two decades, Asymchem has always done the right things practically and worked harder for better results.

2022 saw the successful scheduled delivery of the largest order for small molecule CDMO. In 2022, we were taking the "final examination" presented by the largest-ever order in the small molecule CDMO industry. Making possible such large-scale commercial production of innovative drugs in such a short time has never been seen before in the industry as a comprehensive test of the capacity for technology, production management, quality management, organization, mobilization and performance. Over the past year, Asymchem has been highly recognized by realizing the high-quality and large-scale production at full speed and providing mighty support for customers. The delivery of the largest order presented a milestone for the year and a new starting point from where we are moving forward to a higher peak.

2022 marked breakthroughs in the emerging business. Over the several past years, Asymchem, on the back of its years of reputation among customers, technology platform and management system, has been prioritizing such emerging business lines as chemical macromolecule, biosynthesis, formulation, clinical CRO, and biological macromolecule. In 2022, Asymchem's revenue from the emerging business stood at nearly RMB1 billion, with a year-on-year increase of approximately 150%. In 2019, the revenue of the Company in the emerging business was even less than RMB100 million, yet the emerging business segments one after another have topped the figure over the past three years. The results have proved that Asymchem can replicate the success of its small molecule business in other new business segments.

2022 saw us upgrading our strategic vision. The Company has never stopped upgrading its future strategic vision. For that end, it stayed committed to the "technology drive" philosophy, which meant increasing the investment in technology platforms of all kinds. This is how the Company has been injecting new vitality into its business for the development of emerging business and more growth engines while consolidating its leadership in the small molecule CDMO business. Meanwhile, we have tapped into new business models and made revenue contributions through the technically export of platform technologies accumulated over the years. All in all, we commit to become a technological innovator and pioneer, making advances on multiple fronts.

Looking ahead to 2023, Asymchem is embracing fresh opportunities and challenges. We are well aware that the Company can never progress without ups and downs. We will bear in mind the philosophy of being prepared for danger in times of peace. A look back at the past 23 years reveals Asymchem's unremitting efforts braving hardships and challenges. For the way ahead, we will eye the challenge in the way and we will be always on course for progress while ensuring stability.

Sincerely,
Dr. Hao Hong
Chairman

SUMMARY OF FINANCIAL RESULTS

Revenue for the Reporting Period was approximately RMB10,230,186 thousand, representing an increase of 120.9% from approximately RMB4,632,121 thousand for the Corresponding Period.

Gross profit for the Reporting Period was approximately RMB4,832,588 thousand, representing an increase of 135.8% from approximately RMB2,049,725 thousand for the Corresponding Period.

Net profit attributable to shareholders of the parent for the Reporting Period amounted to approximately RMB3,301,635 thousand, representing an increase of 208.8% from approximately RMB1,069,274 thousand for the Corresponding Period.

Non-IFRS adjusted net profit attributable to shareholders of the parent for the Reporting Period amounted to approximately RMB2,998,806 thousand, representing an increase of 167.0% from approximately RMB1,122,997 thousand for the corresponding period of 2021.

The Board proposed the 2022 Profit Distribution Plan ("2022 Profit Distribution Plan") as follows: a dividend of RMB1.80 (tax inclusive) per ordinary share for the year ended December 31, 2022, the total amount of the proposed final dividend is approximately RMB656,437,642 (tax inclusive). The proposed 2022 Profit Distribution Plan is subject to the approval of the Shareholders at the AGM.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000 (except percentage)				
Results of Operations:					
Revenue	1,822,787	2,445,849	3,136,724	4,632,121	**10,230,186**
Gross profit	838,110	1,100,563	1,453,224	2,049,725	**4,832,588**
Profit for the year	406,357	551,589	719,703	1,069,256	**3,294,631**
Net profit attributable to shareholders of the parent	428,202	551,589	719,742	1,069,274	**3,301,635**
Profitability:					
Gross profit margin	46.0%	45.0%	46.3%	44.3%	**47.2%**
Net profit margin	22.3%	22.6%	22.9%	23.1%	**32.3%**
Earnings per share (RMB):					
– Basic	1.88	2.41	3.09	3.15	**9.02**
– Diluted	1.86	2.38	3.07	3.13	**9.00**

	As at December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000 (except percentage)				
Total assets	3,188,076	3,788,053	7,182,650	15,156,297	**18,239,273**
Total liabilities	677,688	745,004	1,192,900	2,546,285	**2,544,270**
Total equity	2,510,388	3,043,049	5,989,750	12,610,012	**15,695,003**
Equity attributable to owners of the parent	2,510,388	3,043,049	5,989,789	12,610,012	**15,647,428**
Cash and bank balances	629,971	435,252	2,124,615	6,234,457	**5,289,594**
Gearing ratio (Note)	21.3%	19.7%	16.6%	16.8%	**13.9%**

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Industry in Which the Company Operates During the Reporting Period

Development trends in the industry in which the Company operates

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

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

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

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

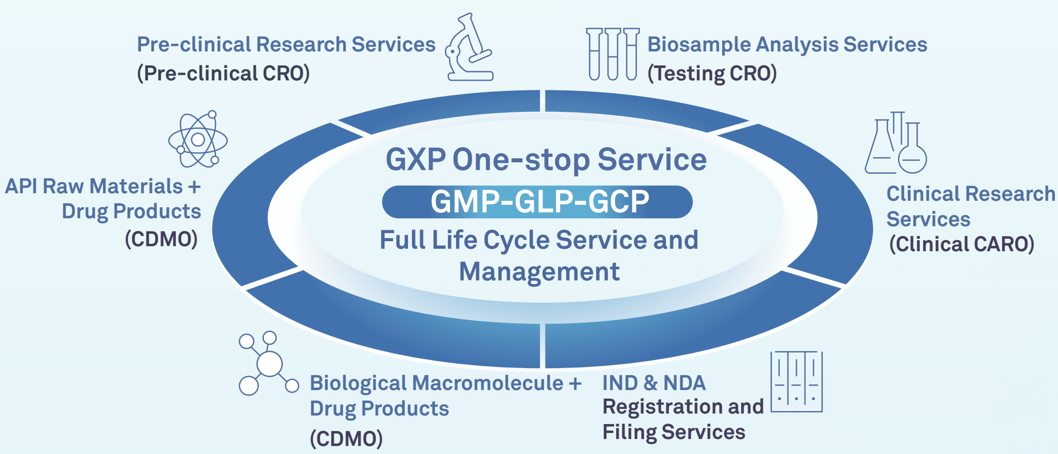
Position of the Company in the industry

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

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

Principal Business of the Company During the Reporting Period

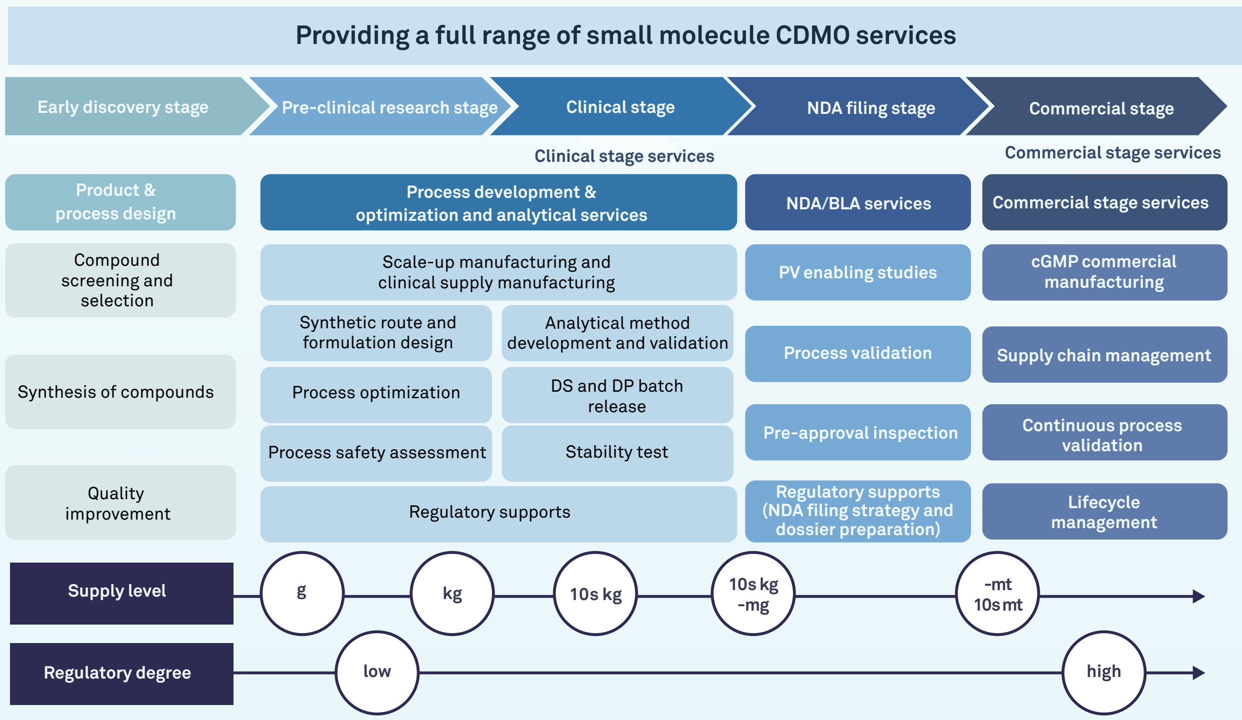
Asymchem is a world-leading, technology-driven one-stop integrated CDMO service provider. It accelerates the clinical research and commercial application of innovative drugs by providing domestic and international pharmaceutical and biotech companies with one-stop CMC services throughout the drug lifecycle,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



Small molecule CDMO service

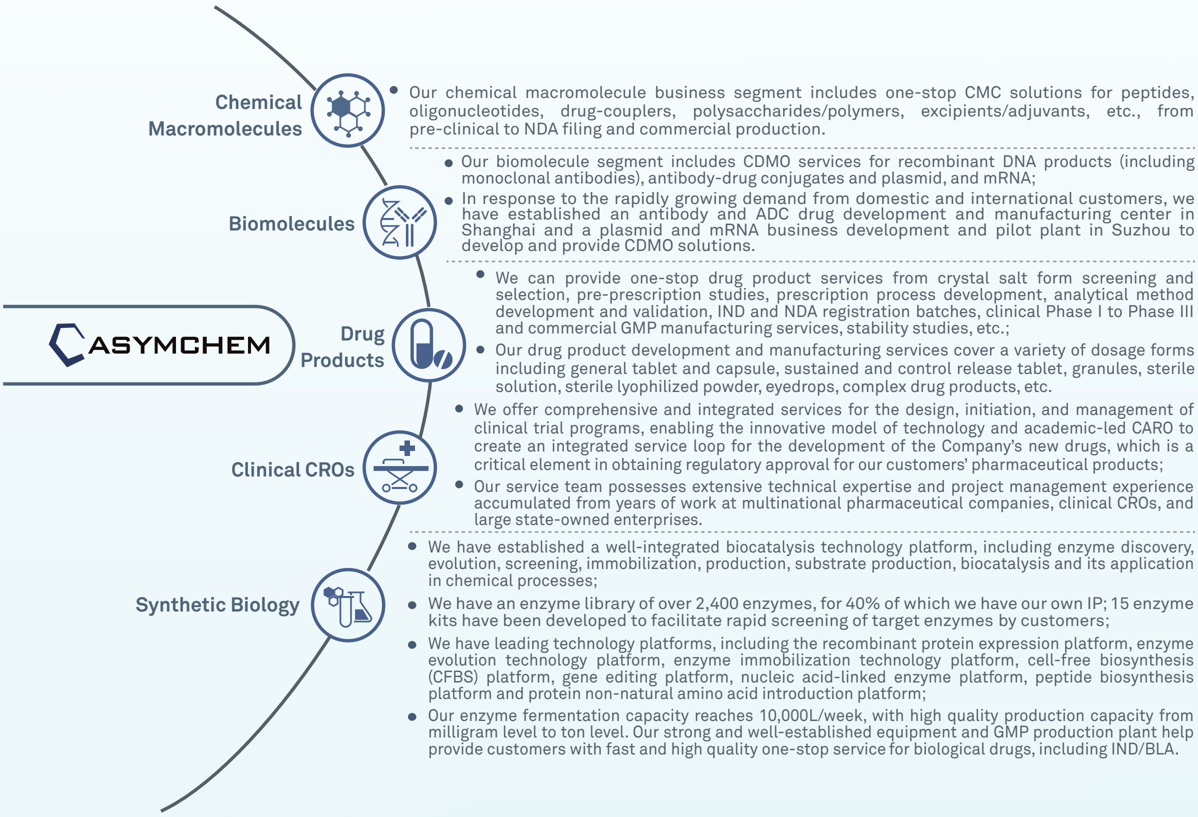
At the stage of drug development and clinical research, we help new drug R&D companies develop and improve their process routes to enhance their R&D efficiency and success rate and reduce R&D costs. At the stage of drug commercialization and supply, we reduce production costs and improve production efficiency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

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



Emerging services

The Company has formulated the "two-wheel driven" strategy on the back of years of accumulation of pharmaceutical industry insight, technical advantages, mature R&D and production capacity, quality control operation management system and excellent reputation. The Company, by adhering to this strategy, explores new business areas by extending the small-molecule CDMO service capability to more categories of new drugs such as polypeptide, oligonucleotide, monoclonal antibody (mAb), antibody-drug conjugates (ADC) and messenger RNA (mRNA), as well as other services, including chemical macromolecule CDMO, clinical CRO, pharmaceutical CDMO, biological macromolecules CDMO, synthetic biology technology and other emerging business segment development. This helps the Company shape a professional and comprehensive innovative medicine one-stop customized service platform.



Core Competitiveness Analysis

The Company is a world-leading, technology-driven one-stop integrated CDMO service provider. It accelerates the clinical research and commercial application of innovative drugs by providing domestic and international pharmaceutical and biotech companies with one-stop CMC services throughout the drug lifecycle, as well as efficient and high-quality R&D and manufacturing services. Leveraging our deep industry insights, established R&D and manufacturing capabilities, and premium reputation among customers accumulated in over 20 years, the Company has become an integral part of the global industry chain for innovative drugs. We are committed to becoming a reliable partner of first choice for the global pharmaceutical industry by providing excellent CDMO services and solutions throughout the full life cycle of drugs from R&D to commercialization.

CDMO services, which include process development, scale-up and commercial manufacturing services, are critical to the R&D of new drugs and directly affect the possibility of drug clinical application and commercialization success. Compared with CMO enterprises that provide traditional contract manufacturing services, the Company focuses on strengthening the capability of "D" (Development) and continuously improves it. We can quickly solve the new and complex process problems and technical challenges faced by customers, and quickly realize the transformation from small laboratory trials to large-scale production. With more than 20 years of experience in serving multinational customers with strict requirements, the Company has established a first-class operation system of R&D, production, quality control and project management in line with the highest industry standards in the world and strong executive force, focusing on the highly regulated, high-value-added, high-magnitude areas, and covering the full drug development cycle from the early clinical phase to the commercialization phase. We can provide cutting-edge technical support for the process development, formulation development and process optimization involved in drug R&D and production, and customize the production of key intermediates, APIs and preparations. Since 2016, the Company has provided process development and manufacturing services for more than 800 customers worldwide, including several blockbuster drugs with sales amount of US$1 billion or more after marketing and blockbuster drug candidates.

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

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

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

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

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

We have efficient operation and quality systems for enterprise development

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

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

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

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

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

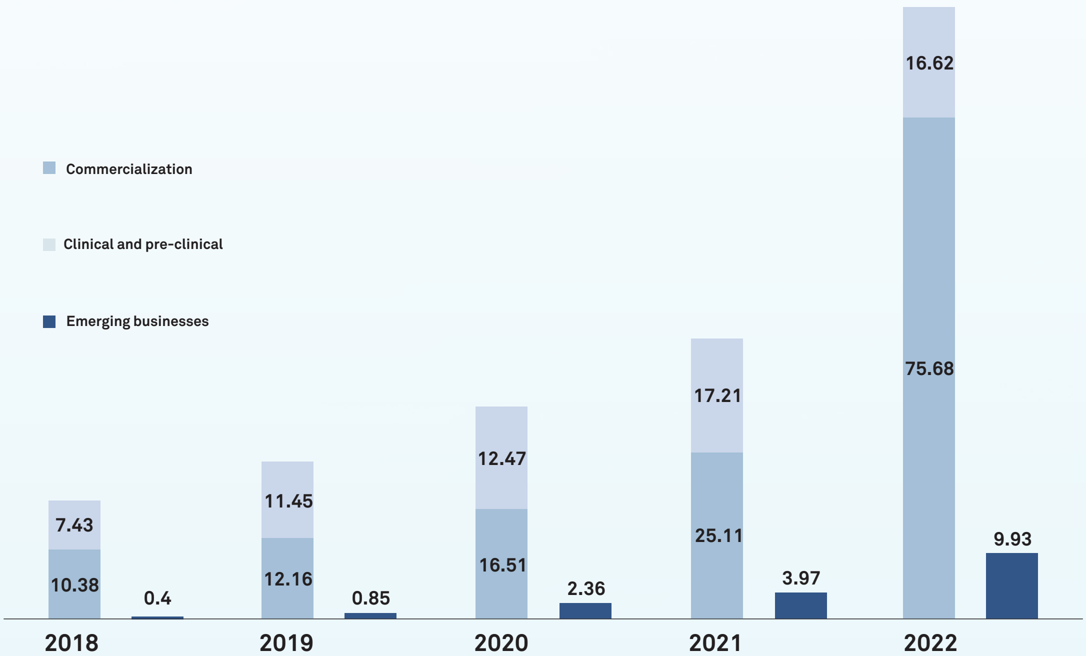
In addition, the Company has an advisory team composed of top experts at home and abroad, has set up "Asymchem Board of Scientific Advisors (BSA)" and "Asymchem Board of Development Strategy Advisor (BDSA)", in which there are many Nobel Prize winners in chemistry, famous institute professors, multinational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

MANAGEMENT DISCUSSION AND ANALYSIS

Main Business Analysis

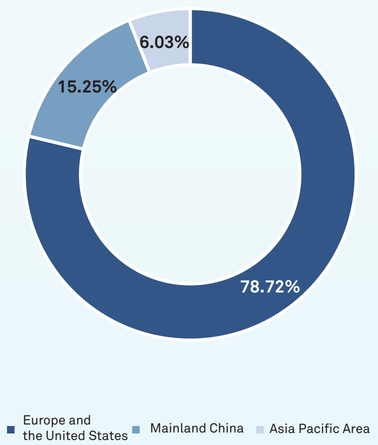
In 2022, against the backdrop of the challenging new global economic and geopolitical situation, the Company achieved rapid growth in operating revenue and net profit, and sustained improvement in core competitiveness as it adhered to the business guideline, "to deliver large orders, increase the market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

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

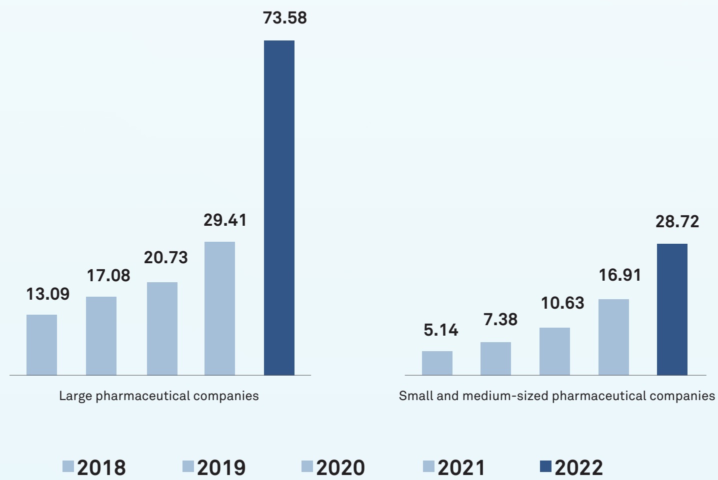


Revenue from overseas customers amounted to RMB8.67 billion, representing an increase of 117.2% year-on-year, with revenue from Europe and the United States increasing by 112.7% and revenue from Asia Pacific (except China) increasing by 169.9%; while the domestic market has entered into a harvest season with revenue amounting to RMB1.56 billion, representing an increase of 143.6% year-on-year. The Company, on the one hand, insists on "deepening" its service to customers by continuously improving the stickiness of cooperation with and the depth of service to large pharmaceutical companies and gradually expanding its service chain. Revenue from large pharmaceutical companies amounted to RMB7.358 billion, representing an increase of 150.2% year-on-year. On the other hand, the Company proceeds with "expanding", and the number of order customers reaches 561, with more than 1,000 active customers. Revenue from small and medium-sized pharmaceutical companies amounted to RMB2.872 billion, representing an increase of 69.8% year-on-year. As of March 30, 2023, taking into account the executed orders in 2023, the Company has orders in hand of US$1.150 billion.

Revenue distribution, 2022



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



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

Small molecule CDMO business

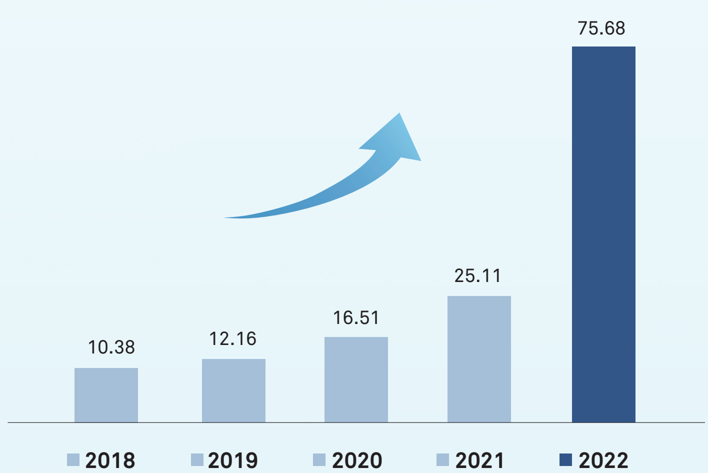
At present, the global small molecule CDMO business features a broad market with low industry concentration and a sustained increase in industry penetration. Based on over 20 years of accumulation, the Company has been able to take the leading position of "D" in the industry and built an evolving R&D platform and a first-class operation system, which enables the Company to continue to improve its competitiveness and seize market opportunities thereby continuously increasing its revenue scale and market share. During the Reporting Period, the Company's small molecule CDMO business recorded a revenue of RMB9.230 billion, representing an increase of 118.1% year-on-year.

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

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

At the same time, the track record of the project has brought a good demonstration effect to the Company and strongly promoted the in-depth cooperation with other multinational customers for the commercialization of API. As of March 30, 2023, the Company has newly added two API validation projects for large multinational companies.

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

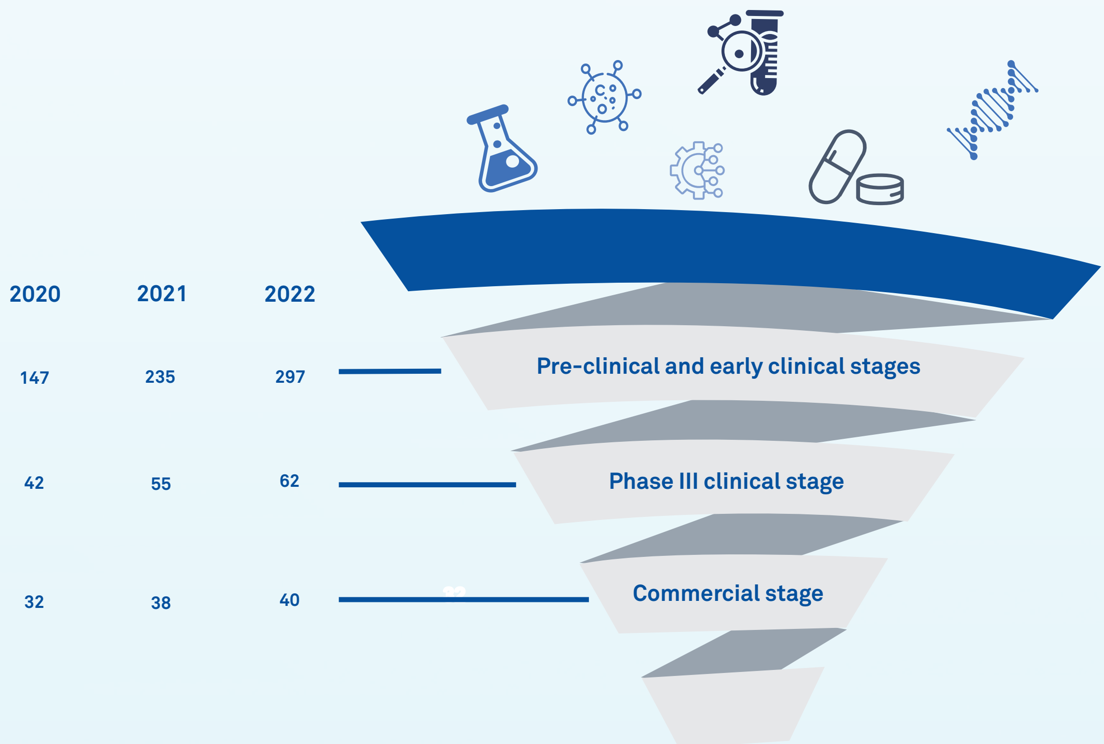


Diversified and rational project structure continues to promote long-term and stable growth in performance

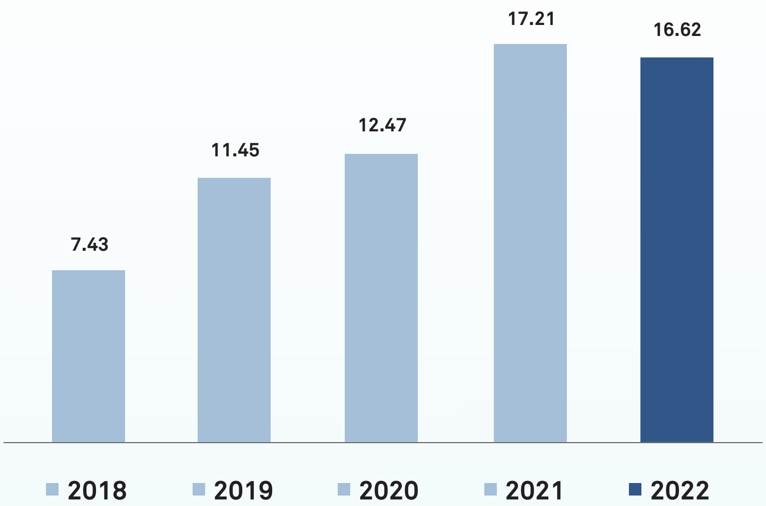
During the Reporting Period, the Company had a total of 359 clinical stage projects, including 62 clinical Phase III projects, and the revenue from small molecule clinical CDMO was RMB1.662 billion, representing a slight year-on-year decrease as compared to 2021, mainly due to the delivery of two large-scale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

The Company has put more effort in its early-stage project development, laying the foundation for long-term growth. During the Reporting Period, the Company completed 297 clinical and pre-clinical projects, representing a year-on-year increase of 26.4%. The Company strategically reserves potential bulk projects, and clinical Phase III projects served by the Company involved many popular targets or major drug targets, such as KRAS, JAK, TYK2, etc., with projects accounting for more than 60%, securing project reserves for the continued acquisition of commercial orders of blockbuster drugs.

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



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



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

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

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

After assisting the Hutchison Whampoa with its Surufatinib project successfully launched in China, the Company continued to provide relevant services for its U.S. NDA. In total, we have successfully passed nine on-site verifications of NDA projects from NMPA. Based on the good service record and demonstration effect, the Company's domestic market business has made positive progress. During the Reporting Period, domestic customers of small molecule CDMO business recorded revenue of RMB780 million, representing an increase of 106.3% year-on-year. As of March 30, 2023, there were 40 orders in the domestic NDA phase under execution. The Company gained experience from a number of mature projects efficiently completing dynamic verification, which will drive rapid growth of the Company's domestic revenue with gradual commercialization of more projects both in and outside China.

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

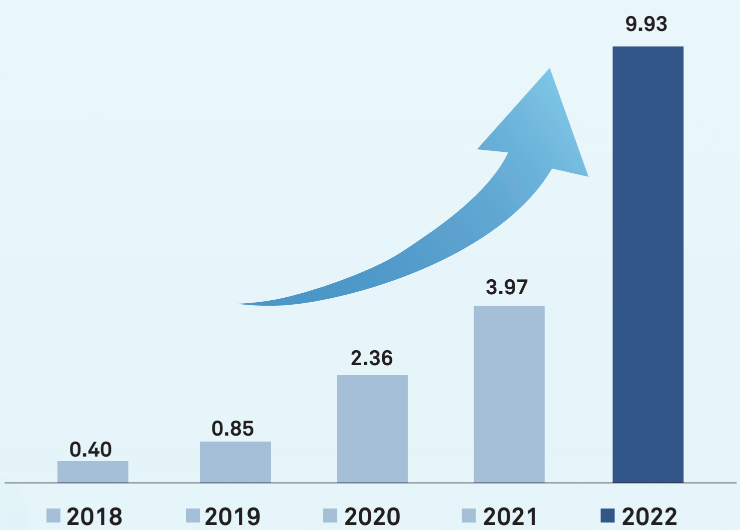
Relying on the Company's global leading R&D capability in small molecule chemical processes and its sustainably evolutionary R&D platform, the Company further strengthened the application ratio of new technologies such as continuous reaction and biological enzyme catalytic technology in the production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

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

Emerging businesses

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

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



Chemical macromolecule business segment

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

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

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

Clinical research services

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

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

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

Drug product business segment

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

We have the full capability of R&D and commercialization for oral solid dosage from, topical dosage form and sterile drug products. During the Reporting Period, our drug product team successfully completed process validation and NDA filing for multiple projects, which are the solid foundation for our drug product business being subject to on-site inspection from the National Medical Products Administration and entering into commercialization stage in 2023. During the Reporting Period, our drug product team began to build the capability of clinical supply services to further expand the drug product service scope. By continuously strengthening the technical capabilities, our team had successfully completed the process validation for the project with hot melt extrusion process, fully demonstrating our delivery ability and development potential. Our drug product team has overcome a series of technical challenges in scale-up production of multiple complex dosages, such as liposome dosage, to successfully achieve process scale-up in the cGMP plant with great quality and timeline control, and achieve breakthroughs in high-end and complex dosage production. During the Reporting Period, the R&D and production ability of topical dosage form has been enhanced, with multiple projects moving forward smoothly. The sterile drug product business has achieved a rapid growth, with the number of the orders for ophthalmic drug products being increased by 150% year-over-year, and the completion of several projects R&D, manufacturing and regulatory filing for US and China. The number of oligonucleotide and polypeptide injection projects has been increased significantly, with multiple projects successfully entering into clinical stages. At present, there are plenty of drug product projects ongoing, of which many projects are progressing gradually from early stages to late stages. This lays a solid foundation for drug product business growth.

Biological macromolecules

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

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

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

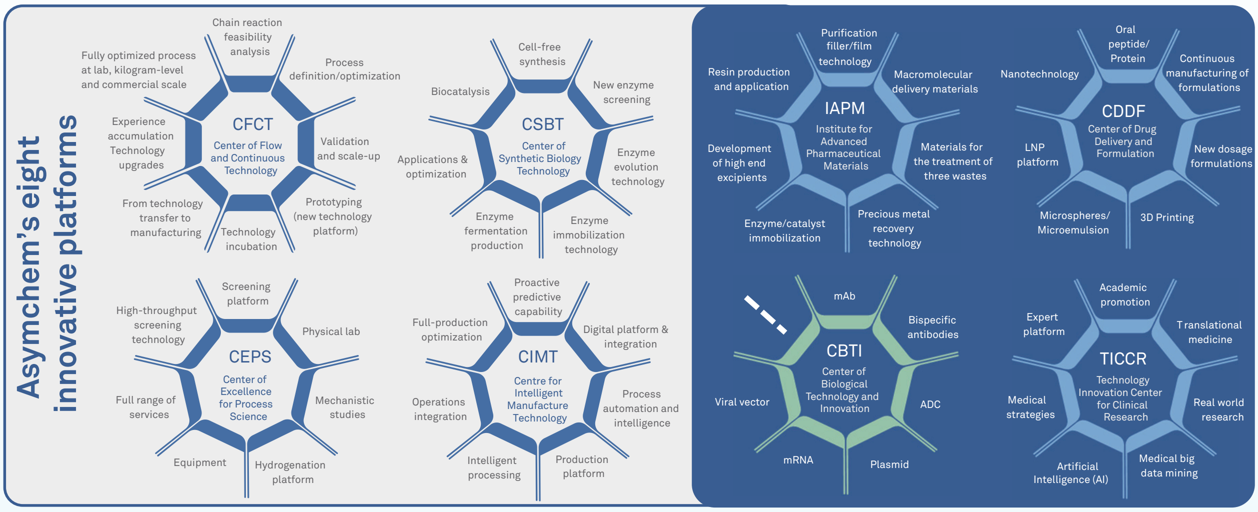
Synthetic biology technology

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

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

R&D platform development

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



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

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

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

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

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

Our CDDF is committed to the R&D of innovative drug delivery technologies, platforms for new formulation technologies, and new dosage forms, in a bid to break through bottlenecks in drug production for our customers and provide them with more drug production options. With a technology-driven approach as our mission, CDDF aims at improving drug completeness, ensuring efficacy and reducing drug production cost. During the Reporting Period, CDDF carried out multiple projects, using high-end drug production and drug delivery technologies, including the initiation and R&D of continuous drug production, new liposomes, LNP delivery technology platform and 3D printing.

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

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

The Company's IT department has started to build an AI team to collaborate with the R&D department in areas such as enzyme molecular computing and protein evolution to enhance R&D efficiency using AI algorithms. It was also involved in the preparation of the "Typical Scenarios of Intelligent Manufacturing in Pharmaceutical Enterprises" organized by the Ministry of Industry and Information Technology. The eight technology centers strive to reserve forward-looking technology and lead technical innovation to provide strong technical support for the Company's new layout and direction.

Fixed assets investment and construction during the Reporting Period

In the small molecule CDMO business segment, the volume of traditional batch reactor was approximately 5,300m^3, with further improvement in the degree of automation and application of new process devices. The area of continuous reaction plant increased by more than 70% year-on-year, the number of continuous equipment by nearly 75% year-on-year, and the capacity of continuous reaction by nearly 400% year-on-year. Continuous reaction serves as a major tool for capacity release and will substantially improve the Company's production efficiency.

In terms of the emerging business segment, the chemical macromolecule project finished the construction of the R&D center of approximately 12,000m^2 and the GMP production plant of approximately 9,500m^2. CSBT, the production workshop and supporting auxiliary engineering were completed. The biological macromolecule CDMO business segment established a plasmid and mRNA business R&D and pilot test base in Suzhou, and introduced a strategic investor, Hillhouse Capital, with a proposed joint investment of RMB2.5 billion to build a first-class biopharmaceutical CDMO enterprise based on the resource advantages in their respective fields.

Cultivation of our team of talents

The Company, firmly grasping and adhering to the strategy of talent introduction, continues to strengthen the introduction and cultivation of talents by improving and optimizing various employment mechanisms such as talent selection, talent training, talent utilization, talent evaluation, talent incentive and talent retention. Focusing on the "two-wheel drive" development strategy, the Company, during the Reporting Period, set up organizational structures of business divisions and business groups, established talent management systems for small molecule CDMO business and strategic emerging businesses, and accelerated the introduction of talents including business leaders and key technical positions in emerging business segments. During the Reporting Period, the Company introduced a total of 185 senior talents, including 111 doctors, 33 senior executives and above, and 68 returnees and people with working backgrounds in overseas pharmaceutical companies. As of December 31, 2022, the Company had a total of 9,719 employees, including 272 doctors, 1,682 masters and 5,444 undergraduates.

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

FINANCIAL REVIEW

General Financial Performance

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

Revenue

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

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

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

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

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

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

Our revenue in domestic (Mainland China) increased by 143.65% from RMB640.3 million in 2021 to RMB1,560.20 million in 2022, mainly due to the entry of our domestic commercialization projects into the harvest period, the development of new domestic customers, and the increase in revenue from new business segments.

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

Cost of Sales

Cost of sales increased by 109.0% from RMB2,582.4 million in 2021 to RMB5,397.6 million in 2022, mainly due to the increase in the Group's revenue and the corresponding increase in costs of sales. Our costs of sales include costs of raw materials, direct personnel costs, manufacturing expenses and others. Costs of raw materials include direct and indirect materials required for production. Manufacturing expenses include depreciation of plant and equipment, energy, testing and release, etc. Others include transportation costs and insurance costs directly arising from sales, as well as related tax fees.

Gross Profit and Gross Profit Margin

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

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

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

Notes:

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

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

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

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

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

Notes:

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

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

Other Income and Gains

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

Administrative Expense

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

R&D Expense

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

Finance Cost

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

Income Tax Expense

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

Net Profit and Net Profit Margin

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

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

Basic and Diluted Earnings per Share

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

Cash and Bank Balances

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

Pledge of Assets

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

Capital Expenditure

During the Reporting Period, the Group's capital expenditure on property, plant and equipment, land use rights and other intangible assets amounted to approximately RMB2,150.6 million (2021: approximately RMB1,659.7 million).

Capital Commitments

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

Contingent Liabilities and Guarantees

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

Gearing Ratio

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

Analysis on Assets and Liabilities

	2022 RMB'000	2021 RMB'000	Change ratio	Reason
Assets				
Property, Plant and Equipment	**4,829,924**	3,336,854	44.7%	(i) Entering into production of capacity of Dunhua and Tianjin small molecule plants in 2022, with new plants, production and supporting equipment and environmental protection equipment constructed; (ii) New production capacity, laboratory, production and supporting equipment for chemical macromolecules business; (iii) New capacity of stock solution and preparation as well as laboratory construction for biological macromolecules business; (iv) R&D platform laboratory and equipment investment
Right-of-use assets	**539,716**	362,649	48.8%	The increase was mainly due to the lease of additional houses in Suzhou and Tianjin, which were mainly used for administrative office and business promotion in Suzhou
Goodwill	**146,183**	146,183	0.0%	It was mainly goodwill generated by the Company's acquisition of GoalGen Biotechnology and Improve Quality. The Company has conducted impairment assessment on goodwill and no signs of impairment have been found
Deferred tax assets	**177,858**	186,930	(4.9)%	The deferred income tax items mainly include the deferred income tax assets of the Company which can make up the administrative losses, and the deferred income tax liabilities formed by the accelerated depreciation of fixed assets
Inventories	**1,510,413**	1,396,115	8.2%	(i) Increase in work-in-process with the increase of orders; (ii) Increased purchases of raw materials for on-hand orders
Trade receivables	**2,451,148**	1,816,201	35.0%	Mainly due to the increase in trade receivables caused by the year-on-year growth of operating revenue of the Company in the fourth quarter
Liabilities				
Other payables and accruals	**1,511,198**	1,201,140	25.8%	(i) Increased payment payable to employees with the number of employees increased; (ii) Increased contract liabilities due to the increase in orders in hand
Interest-bearing bank and other borrowings	**–**	375,392	(100.0)%	As of December 31, 2022, all short-term bank loans of the Company had been settled, and there was no new loan

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

Income from long-term equity investment under equity method

Income from long-term equity investment under equity method was RMB33.05 million in 2022 compared to a loss of RMB3.8 million in 2021, mainly due to the multiplying amount of change in net assets of Tianjin Haihe Asymchem Fund and Yugen Medtech, two companies invested by the Company, by the shares enjoyed by the Company in accordance with the shareholding ratio during the Reporting Period.

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

Adjusted Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided adjusted net profit attributable to shareholders of the parent and other data as additional financial measures, which are not required by, or presented in accordance with IFRS.

The Group believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Group's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's core business.

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

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

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

Notes:

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

(1) share-based compensation expense;

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

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

Foreign Exchange Risk

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

Cash Flows

During the year ended December 31, 2022, the Group's net cash flows from operating activities amounted to RMB3,286.91 million, representing an increase of RMB3,173.76 million as compared with the year ended December 31, 2021. The increase was mainly due to the increase in our revenue and profit during the Reporting Period.

During the year ended December 31, 2022, the Group's net cash flows used in investing activities amounted to RMB4,671.42 million, representing an increase of RMB2,466.21 million as compared to the year ended December 31, 2021. The increase was mainly due to the increased purchase of low-risk principal-guaranteed wealth management products from banks during the Reporting Period.

During the year ended December 31, 2022, the Group's net cash flows used in financing activities amounted to RMB742.53 million. During the year ended December 31, 2021, the Group's net cash flows from financing activities amounted to RMB6,210,71 million. This was mainly due to the repurchase of shares.

Interest-bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings decreased by 100% from RMB375.4 million as of December 31, 2021 to RMB0 million as of December 31, 2022, mainly because the Group did not have bank borrowings at the end of the Reporting Period and the corresponding borrowing interest has been settled.

Capital Structure

Total equity attributable to shareholders of the Company amounted to approximately RMB15,695.00 million as at December 31, 2022, as compared to approximately RMB12,610.01 million as at December 31, 2021.

OUTLOOK AND PROSPECT

Industry Pattern and Trend

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

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

Development Strategy

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

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook and Strategy for the Future Development of the Company

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

Fully committed to market expansion

Building on the strong performance record of delivering high-quality products for large orders, we will continue to deepen our cooperation with multinational pharmaceutical companies and strive for breakthroughs in commercial API projects while continuously increasing the penetration rate of our R&D pipelines. Building on the breakthroughs we have already achieved in the Japanese market, we will continue to enhance our coverage and deepen cooperation with Japanese pharmaceutical companies. Leveraging on new technologies, we aim to achieve even greater breakthroughs in the European market. We will use our Boston R&D Centers and early-stage projects as anchors to fully expand our customer base among US Biotech Companies. We will promote the use of multiple categories of drugs and service businesses by our existing multinational pharmaceutical companies, by advancing "GXP one-stop service", so as to improve our R&D efficiency and reduce costs.

Continuously enhancing the competitiveness of the small molecule technology

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

Accelerating the construction of the new chemical business

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

Accelerating the development of new businesses

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

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

Strengthening the development of the R&D platform

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

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

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

In summary, in 2023, insisting on technological innovation as the core driving force, the Company will continuously upgrade the management and operation system to secure the order delivery capability. The Company will strengthen the leading power of head customers, expand the domestic and overseas markets, and fastly popularize the advantages of small molecule drug CDMO business to chemical macromolecule, drug product, clinical CRO and biologics CDMO business and other strategic emerging segments and score better results. While ensuring the rapid implementation of R&D and production capacity, the Company will, guided by the strategy "deepening the cooperation with large customers and expanding small and medium-sized customers", continue to scale up the small-molecule CDMO business and make it more competitive, and accelerate the implementation of "two-wheel drive" strategy for the rapid development of strategic emerging businesses.

Potential Risk

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth information about our Directors.

Name	Age	Position	Date of first appointment
Executive Director			
Dr. Hao Hong	67	Founder, Chairman of the Board, Executive Director and Chief Executive Officer	Appointed as the Chairman of the Board and the General Manager on July 18, 2011 and re-designated as Chief Executive Officer on January 19, 2022
Ms. Yang Rui (楊蕊)	46	Executive Director and Co-Chief Executive Officer	Appointed as a Director and a Deputy General Manager on July 18, 2011 and as a Co-chief Executive Officer on January 19, 2022
Mr. Zhang Da (張達)	42	Executive Director and Chief Financial Officer	Appointed as the Chief Financial Officer on August 7, 2018, as a Deputy General Manager on April 4, 2019, as a Director on April 18, 2019 and re-designated as Chief Financial Officer on January 19, 2022
Mr. Hong Liang (洪亮)	49	Executive Director and Executive Vice President	Appointed as a Director on July 18, 2011, as a Deputy General Manager on October 31, 2017 and re-designated as Executive Vice President on January 19, 2022
Non-executive Directors			
Dr. Ye Song	62	Non-executive Directors	Appointed as a Director on July 18, 2011
Ms. Zhang Ting (張婷)	37	Non-executive Directors	Appointed as a Director on February 9, 2021
Independent Non-executive Directors			
Ms. Zhang Kun (張昆)	50	Independent Non-executive Directors	Appointed as an independent non-executive Director on January 16, 2017
Mr. Wang Qingsong (王青松)	44	Independent Non-executive Directors	Appointed as an independent non-executive Director on April 18, 2019
Mr. Lee, Kar Chung Felix (李家聰)	41	Independent Non-executive Directors	Appointed as an independent non-executive Director on June 16, 2021

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Hao Hong, aged 67, is currently the chairman, the executive Director and the chief executive officer of the Company. Dr. Hao Hong is responsible for the formulation of the strategic direction, business plans and major operational decisions and direct day-to-day management of our brands, sales and daily operation of the Group.

Prior to founding ALAB, a Controlling Shareholder of the Company, in November 1995, Dr. Hao Hong has served at North Carolina State University (北卡州立大學) as a post-doctoral research associate and was mainly responsible for conducting scientific researches. Dr. Hao Hong founded Chirachem Laboratories (Tianjin) Co., Ltd. (天津凱萊英精細有機化工有限公司, the predecessor of the Company) in October 1998 and was appointed as the chairman of the board and the general manager.

Dr. Hao Hong obtained a bachelor's degree of medicine from Sichuan Medical College (四川醫學院, currently known as West China Hospital of Sichuan University (四川大學華西醫院)) in March 1982 and a master's degree of medicine from the China Capital Medical University (中國首都醫科大學) in June 1985. He also obtained a doctorate degree of medicinal chemistry from the Chinese Academy of Medical Sciences (中國醫學科學院) in October 1988. Dr. Hao Hong has been awarded as "Outstanding Overseas Student of Tianjin" ("天津市傑出留學人員") by Tianjin Municipal People's Government (天津市人民政府) and Tianjin Municipal Committee of Communist Party of China (中國共產黨天津市委員會) in February 2004, "Outstanding Entrepreneurship Award" of Professional Overseas Chinese (華僑華人專業人士"傑出創業獎") by Overseas Chinese Affairs Office Of The State Council (國務院僑務辦公室) in September 2005, "2007 Excellent Entrepreneur of Tianjin" ("2007年度天津市優秀企業家") by Tianjin Municipal People's Government (天津市人民政府) in June 2008 and "Excellent Overseas Student of Tianjin" ("天津市優秀留學人員") by Tianjin Municipal People's Government (天津市人民政府) in January 2009.

Dr. Hao Hong is the spouse of Dr. Ye Song (a non-executive Director), the uncle of Mr. Hong Liang (an executive Director and executive vice president).

Ms. Yang Rui (楊蕊), aged 46, is currently the executive Director and the co-chief executive officer of the Company. Ms. Yang Rui is responsible for the operational decisions and direct day-to-day management of the strategic emerging business segments of the Group.

Ms. Yang Rui joined the Company in April 1999 and successively served several managerial positions in the administration office, import and export department and accounting department, as a deputy general manager and as the executive deputy general manager. Ms. Yang Rui concurrently serves as a director or the chairman of the board of directors of several subsidiaries of the Company. Ms. Yang Rui has been serving as a director of Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Ms. Yang Rui obtained a bachelor's degree of engineering from Tianjin Institute of Light Industry (天津輕工業學院), currently known as Tianjin University of Science & Technology (天津科技大學)) in July 1999 and a master's degree of EMBA from Peking University in July 2013. She was selected into Tianjin New Entrepreneur Training Project (天津市新型企業家培養工程) and was honored with 2020 Tianjin Model Worker (2020年天津市勞動模範).

Mr. Zhang Da (張達), aged 42, is currently the executive Director and the chief financial officer of the Company. Mr. Zhang Da is responsible for our financial operation, financing and investment activities of the Group.

Prior to joining the Company, Mr. Zhang Da joined the CSRC in July 2006 and served for 8 years. Mr. Zhang Da later served as a director, a deputy general manager and the secretary to the board in Beijing Youyuan Online Technology Company Limited (北京友緣在線網絡科技股份有限公司) from December 2014 to May 2018. He has been concurrently serving as an independent director of Hunan Nucien Pharmaceutical Co., Ltd. (湖南南新製藥股份有限公司) since April 2018 and a director of Haiying Chuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Mr. Zhang Da obtained a bachelor's degree of engineering from Tianjin University (天津大學) in June 2003 and a master's degree of economics from the Financial Research Institute of The People's Bank of China (中國人民銀行金融研究所) in October 2006.

Mr. Hong Liang (洪亮), aged 49, is currently the executive Director and the executive vice president of the Company. Mr. Hong Liang is responsible for the major operational decisions and direct day-to-day management of the Group.

Mr. Hong Liang joined the Group in October 1998 and successively served as the director of the production department and a deputy general manager of the engineering equipment department of the Company and a deputy general manager of the engineering equipment department, the general manager and the chairman of the board of directors of Asymchem Laboratories, a wholly-owned subsidiary of the Company. Mr. Hong Liang concurrently serves as a director or the general manager of several subsidiaries of the Company.

Mr. Hong Liang obtained an associate's degree of clinical medicine from Jilin Medical School (吉林醫學院) in July 1996.

Mr. Hong Liang is the nephew of Dr. Hao Hong, the founder, chairman of the Board, executive Director and chief executive officer of the Company.

Dr. Ye Song, aged 62, is currently the non-executive Director of the Company. Dr. Ye Song is responsible for advising on our business plans, major decisions and investment activities.

Dr. Ye Song joined ALAB, a Controlling Shareholder of the Company, since it was founded in November 1995 and successively served as a deputy general manager, the general manager, a director and the chief financial officer of ALAB. Dr. Ye Song concurrently serves as a director and/or chief financial officer of several subsidiaries of the Company and has been serving as a director of Tianjin Qingya Tourism Information Consulting Co., Ltd. (天津青亞旅遊信息諮詢有限公司) since March 2017.

She obtained a bachelor's degree of science from Peking University in July 1983, a master's degree of science from Peking University in July 1986 and a PhD's degree from North Carolina State University in May 1999.

Dr. Ye Song is the spouse of Dr. Hao Hong, the founder, chairman of the Board, executive Director and chief executive officer of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zhang Ting (張婷), aged 37, is currently the non-executive Director of the Company. Ms. Zhang Ting is responsible for advising on our business plans, major decisions and investment activities and is currently in charge of the Company's operation management office, PCO management, procurement management and other related matters within the Company.

Ms. Zhang Ting joined the group in March 2008 and successively served as a clerk and deputy director of the department of project management and the executive deputy general manager assistant of Asymchem Laboratories, a wholly-owned subsidiary of the Company. She then served as the head of the audit department, the executive deputy general assistant and deputy general manager of the operation management office. Ms. Zhang Ting concurrently serves as a supervisor of several subsidiaries of the Company. Ms. Zhang Ting obtained a bachelor's degree of science from Hubei University (湖北大學) in June 2008.

Ms. Zhang Kun (張昆), aged 50, is currently an independent non-executive Director of the Company. Ms. Zhang Kun is responsible for supervising and providing independent judgement to the Board and offering strategic advice and guidance as to our financial management, internal control and external investment.

Prior to joining the Company, Ms. Zhang Kun has served at Hujiang Deloitte Certified Public Accountants (滬江德勤會計師事務所, currently known as Deloitte Huayong Certified Public Accountants (德勤華永會計師事務所)). Ms. Zhang Kun later served as an audit manager, a senior audit manager and a partner (since September 2009) at ShineWing Certified Public Accountants (special general partnership) (信永中和會計師事務所) from October 1999, as an independent director at Jiuzhitang Co., Ltd. (九芝堂股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000989) from December 2017 to July 2020.

Ms. Zhang Kun obtained a bachelor's degree of economics from Renmin University of China (中國人民大學) in July 1995. Ms. Zhang Kun is recognized by Chinese Institute of Certified Public Accountants (中國註冊會計師協會) as a certified public accountant.

Mr. Wang Qingsong (王青松), aged 44, is currently an independent non-executive Director of the Company. Mr. Wang Qingsong is responsible for supervising and providing independent judgement to the Board.

Mr. Wang Qingsong joined Deloitte Touche Tohmatsu CPA Ltd. Shenzhen Branch (德勤華永會計師事務所有限公司深圳分所) as an associate in September 2002 and transferred to Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch (德勤華永會計師事務所有限公司北京分所) in January 2004. Later, he served as a lawyer in Orrick Herrington & Sutcliffe LLP from April 2006 to July 2008 and started working at JSM Beijing Representative Office (HK) (香港孖士打律師事務所北京代表處) in September 2008. He served as a partner of AllBright Law Offices (錦天城律師事務所) from April 2011 to April 2015 and continued to practice there as a lawyer until May 2020. Mr. Wang Qingsong also successively served as the chief legal officer of Beijing Beike Times Network Technology Co., Ltd. (北京貝殼時代網絡科技有限公司) and the general manager of management center of Beike Zhaofang (Beijing) Technology Co., Ltd. (貝殼找房(北京)科技有限公司) from March 2018 to April 2021 and started working at the Beijing branch of AllBright Law Offices as a partner in February 2023.

Mr. Wang Qingsong obtained a bachelor's degree from Northwestern Polytechnical University (西北工業大學) in July 2000 with major in management engineering and a master's degree of management from Guanghua School of Management, Peking University in July 2002.

Mr. Lee, Kar Chung Felix (李家聰), aged 41, is currently an independent non-executive Director of the Company. Mr. Lee, Kar Chung Felix is responsible for supervising and providing independent judgement to the Board.

Mr. Lee, Kar Chung Felix is currently a senior vice president of Chow Tai Fook Enterprises Limited ("CTFE") with responsibilities in making investments in the healthcare sector in Asia and globally since September 2014 and a director of Healthcare Ventures Holdings Limited, a wholly owned subsidiary of CTFE. Mr. Lee is also an executive director of UMP Healthcare Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 722) since September 2014 and an independent non-executive director of China Resources Medical Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1515, formerly known as Phoenix Healthcare Group Co., Ltd.) since August 2015, and started working at the ClouDr Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 9955) as a non-executive director in July 2022. He has over 15 years of experience in law and finance. He served as a solicitor with the law firm Freshfields Bruckhaus Deringer from January 2005 to February 2008, an analyst in the investment banking department of UBS AG, Hong Kong branch from March 2008 to January 2009. He then joined Deutsche Bank AG, Hong Kong branch and last held the position of director in the Corporate Finance Division, where he worked from January 2009 to August 2014.

Mr. Lee obtained a bachelor's degree of laws from the London School of Economics and Political Sciences and a postgraduate certificate in Laws from the University of Hong Kong in July 2003 and June 2004, respectively. He is a solicitor of the High Court of Hong Kong since September 2007 and a solicitor (non-practicing) in the Senior Courts of England and Wales since February 2013. Mr. Lee is also a Vice Chairman of the China Committee, the Hong Kong General Chamber of Commerce.

SUPERVISORS

Our Supervisory Committee consists of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. The following table sets forth the information about our Supervisors.

Name	Age	Position	Date of first appointment
Ms. Zhi Xinxin (智欣欣)	42	Shareholder representative Supervisor and Chairman of the Supervisory Committee	July 18, 2011
Ms. Hou Jingyi (侯靖藝)	39	Employee representative Supervisor	January 24, 2021
Ms. Di Shanshan (狄姍姍)	36	Shareholder representative Supervisor	October 31, 2017

Ms. Zhi Xinxin (智欣欣), aged 42, is currently a shareholder representative Supervisor and the Chairman of Supervisory Committee of the Company and is responsible for overseeing our operations and financial activities.

Ms. Zhi Xinxin joined the Group in July 2003 and successively served as a clerk of the comprehensive office and a deputy director of human resource department in Asymchem Laboratories, a wholly-owned subsidiary of the Company.

Ms. Zhi Xinxin obtained an associate's degree of arts in general studies from Southwest Missouri State University in July 2003.

Ms. Hou Jingyi (侯靖藝), aged 39, is currently an employee representative Supervisor of the Company and is responsible for overseeing our operations and financial activities.

Ms. Hou Jingyi joined the Group in July 2007 and successively served as a general manager assistant, a director of the comprehensive office and a director of human resources department in Asymchem Laboratories (Fuxin), a wholly-owned subsidiary of the Company, from July 2007 to November 2020 and a director of the comprehensive office and a director of human resources department in Jilin Asymchem Laboratories, a wholly-owned subsidiary of the Company, from June 2015 to November 2020. Ms. Hou Jingyi currently serves as a director of human resources department in Asymchem Laboratories, a wholly-owned subsidiary of the Company since November 2020.

Ms. Hou Jingyi obtained a bachelor's degree of engineering from Liaoning Petrochemical University (遼寧石油化工大學) in July 2007.

Ms. Di Shanshan (狄姍姍), aged 36, is currently a shareholder representative Supervisor of the Company and is responsible for overseeing our operations and financial activities.

Ms. Di Shanshan joined the Group in August 2012 and successively served as a clerk, a deputy manager and manager of the administration office of Asymchem Laboratories, a wholly-owned subsidiary of the Company.

Ms. Di Shanshan obtained a bachelor's degree of pharmaceutical engineering from Hebei University of Technology (河北工業大學) in July 2009 and a master's degree of pharmaceutical engineering from Sichuan University (四川大學) in June 2012.

SENIOR MANAGEMENT

The following table sets forth the information about our senior management.

Name	Age	Position	Date of first appointment
Dr. Hao Hong	67	Founder, Chairman of the Board, Executive Director and Chief Executive Officer	Appointed as the Chairman of the Board and the General Manager on July 18, 2011 and re-designated as Chief Executive Officer on January 19, 2022
Ms. Yang Rui (楊蕊)	46	Executive Director and Co-Chief Executive Officer	Appointed as a Director and a Deputy General Manager on July 18, 2011 and as a Co-Chief Executive Officer on January 19, 2022
Mr. Zhang Da (張達)	42	Executive Director and Chief Financial Officer	Appointed as the Chief Financial Officer on August 7, 2018, as a Deputy General Manager on April 4, 2019, as a Director on April 18, 2019 and re- designated as Chief Financial Officer on January 19, 2022

Name	Age	Position	Date of first appointment
Mr. Hong Liang (洪亮)	49	Executive Director and Executive Vice President	Appointed as a Director on July 18, 2011, as a Deputy General Manager on October 31, 2017 and re-designated as Executive Vice President on January 19, 2022
Dr. James Randolph Gage	59	Chief Science Officer	Appointed as a Deputy General Manager on July 18, 2011 and re-designated as Chief Scientific Officer on January 19, 2022
Mr. Chen Chaoyong (陳朝勇)	42	Executive Vice President	Appointed as a Deputy General Manager on October 31, 2017 and re-designated as Executive Vice President on January 19, 2022
Mr. Jiang Yingwei (姜英偉)	47	Executive Vice President	Appointed as a Deputy General Manager on June 23, 2020 and re-designated as Executive Vice President on January 19, 2022
Dr. Xiao Yi (肖毅)	61	Senior vice president	Appointed as a Deputy General Manager on April 4, 2019 and re-designated as Senior Vice President on January 19, 2022
Ms. Huang Xiaolian (黃小蓮) (Note)	49	Senior vice president	Appointed as a Deputy General Manager on July 18, 2011 and re-designated as Senior Vice President on January 19, 2022
Dr. Zhou Yan (周炎)	43	Vice president	Appointed as a Deputy General Manager on October 31, 2017 and re-designated as Senior Vice President on January 19, 2022
Mr. Xu Xiangke (徐向科)	43	Vice president	Appointed as a Deputy General Manager and Secretary to the Board on July 18, 2011 and re-designated as Vice President on January 19, 2022

Note: Ms. Huang Xiaolian has resigned as senior vice president of the Company for personal reasons and will cease to hold any management position in the Company after her departure. For details, please refer to the Company's announcement on the Shenzhen Stock Exchange dated March 21, 2023.

For the biographical details of Dr. Hao Hong, Ms. Yang Rui, Mr. Zhang Da and Mr. Hong Liang, please refer to the section headed "– Directors."

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. James Randolph Gage, aged 59, is currently a Chief Science Officer of the Company and is responsible for guiding the new technology development and commercial applications of the Company's research and development, production and drug synthesis development.

Dr. James Randolph Gage has nearly 30 years of work experience in the medicinal chemistry industry. From February 2006 to November 2010, Dr. James Randolph Gage served as a deputy general manager of ALAB, a Controlling Shareholder of the Company. In November 2010, Dr. James Randolph Gage joined Asymchem Inc., a wholly owned subsidiary of the Company, and has been serving as a deputy general manager of it since then. Prior to joining the Company, he has served at Pfizer Inc. and Pharmacia Corp., a subsidiary of Pfizer Inc., from October 1991 to February 2006.

Dr. James Randolph Gage obtained a bachelor's degree of science from Columbia University in December 1985 and a PhD's degree of Organic Chemistry from Harvard University in November 1991.

Mr. Chen Chaoyong (陳朝勇), aged 42, is currently an Executive Vice President of the Company and is responsible for the overall management of project commercial development and production.

Mr. Chen Chaoyong joined the Group in July 2003 and successively served as the R&D supervisor and deputy general manager of the Company. He currently serves as the general manager of Jilin Asymchem Laboratories, the chairman of Asymchem Laboratories (Fuxin) and the executive director of Jilin Asymchem Pharmaceuticals Co., Ltd. (吉林凱萊英製藥有限公司), all of which are subsidiaries of the Company.

Mr. Chen Chaoyong obtained a bachelor's degree of science from Sichuan University (四川大學) in July 2003.

Mr. Jiang Yingwei (姜英偉), aged 47, is currently an Executive Vice President of the Company and is responsible for the overall management, organization and coordination, supervision and evaluation of the Group's human resources. Mr. Jiang Yingwei is also responsible for coordinating the overall construction, comprehensive coordination and service safeguard of the Group's administrative logistics system.

Prior to joining the Company in January 2020, Mr. Jiang Yingwei served in Beijing Alliance PKU Management Consultants Ltd. (北京北大縱橫管理諮詢有限責任公司) from July 2008 to July 2014. He participated in the founding of Peking University Entrepreneurship Training Camp in August 2014 and has been working at there since then and served as the co-founder and general manager of the Jiangsu Base of Peking University Entrepreneurship Training Camp from June 2015 to December 2019. Mr. Jiang Yingwei served as a supervisor of Yanyuan Alumni (Beijing) Technology Development Co., Ltd. (燕園校友(北京)科技發展有限公司) from February 2016 to July 2021.

Mr. Jiang Yingwei obtained a bachelor's degree of engineering from North China School of Engineering (華北工學院, currently known as North University of China (中北大學)) in June 1999 and a master's degree of MBA from Guanghua School of Management, Peking University in July 2008.

Dr. Xiao Yi (alias: Hsiao Yi) (肖毅), aged 61, is currently a Senior Vice President of the Company and is responsible for the innovation and breakthrough of the Company's business, technology and professional solutions.

Dr. Xiao Yi joined the Group in September 2018 as senior vice president in the project processing and development center of Asymchem Life Science, a wholly-owned subsidiary of the Company, and has been serving as the chairman and general manager of Asymchem Life Science since May 2019. Prior to joining the Group, Dr. Xiao Yi has worked at the department of Process Research of Merck Research Laboratories and then served as the senior principal scientist in Bristol-Myers Squibb (百時美施寶公司) from May 2006 to August 2018. Dr. Xiao Yi has over 20 years of work experience in pharmaceutical technology research and development and has created a catalyst research laboratory for Bristol-Myers Squibb (百時美施寶公司).

Dr. Xiao Yi obtained a bachelor's degree of science from Sun Yat-Sen University (中山大學) in July 1983 and a PhD's degree of chemistry from Nagoya University in Japan in January 1994.

Dr. Zhou Yan (周炎), aged 43, is currently a Vice President of the Company and is responsible for the overall management of the Company's quality system.

Dr. Zhou Yan joined the Group in July 2007 and successively served as a senior researcher, a R&D supervisor and a senior R&D supervisor of Asymchem Life Science, a wholly-owned subsidiary of the Company. In addition, he is currently deputy general manager of several subsidiaries of the Company.

Dr. Zhou Yan obtained a bachelor's degree of science from Central China Normal University (華中師範大學) in June 2002 and a doctor's degree of science from Wuhan University (武漢大學) in June 2007.

Mr. Xu Xiangke (徐向科), aged 43, is currently a Vice President of the Company and is responsible for managing day-to-day work of the Board and corporate governance matters.

Mr. Xu Xiangke has extensive experience in corporate securities affairs, government affairs and public utilities. Mr. Xu Xiangke joined the Company in July 2003 and served successively as the director of the general manager secretariat and the director of the public affairs department of the Company. Mr. Xu Xiangke has served as a deputy general manager and the director of the public affairs department of Asymchem Life Science from June 2008 to December 2011, a wholly-owned subsidiary of the Company and has been serving as a supervisor of Jilin Asymchem Laboratories, a wholly-owned subsidiary of the Company, since March 2015. Other than positions in the Group, he also serves as a supervisor of Haiyingchuang (Tianjin) Investment Management Co., Ltd. (海英創(天津)投資管理有限公司) since April 2019.

Mr. Xu Xiangke obtained a bachelor's degree of engineering from Inner Mongolia Agricultural University (內蒙古農業大學) in July 2003 and has completed all the requirements prescribed by Shanghai Advanced Institute of Finance (上海高級金融學院) for the degree of EMBA in December 2018.

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL BUSINESS

Our Company is a world-leading, technology-driven one-stop integrated CDMO service provider. It accelerates the clinical research and commercial application of innovative drugs by providing domestic and international pharmaceutical and biotech companies with one-stop CMC services throughout the drug lifecycle, as well as efficient and high-quality R&D and manufacturing services. During the Reporting Period, there was no major change in the principal business of the Group. On November 18, 2016, our A Shares were listed on the Shenzhen Stock Exchange with stock code of 002821. On December 10, 2021, our H shares were listed on the Main Board of the Stock Exchange with stock code of 6821.

The business and details of the Company's principal subsidiaries are set out in note 1 to the financial statements. An analysis of the Group's revenue for the year by principal business is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the financial statements.

BUSINESS REVIEW

Discussion and analysis of the Group's business in accordance with Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in the following sections of this annual report, which form an integral part of this Report of the Board of Directors:

- Chairman's Statement (pages 4 to 5)
- Business Review (pages 8 to 28)
- Financial Highlights (page 7) and Financial Review (pages 29 to 37)
- Potential Risk (page 42)
- Financial Risk Management Objectives and Policies (note 38 to financial statements)
- Events After the Reporting Period (page 71 and note 39 to financial statements)

In addition, the Group's policies and performance in environmental, social and governance aspects, and compliance with relevant laws and regulations will be disclosed in the Environmental, Social and Governance Report to be published by the Company in due course during the Reporting Period.

RESULTS OF OPERATIONS

The consolidated results of the Group for the Reporting Period are set out on pages 96 to 103 of this annual report.

PROFIT DISTRIBUTION

The Company's Profit Distribution Policy

The Company has adopted a dividend policy, which provides the principles and guidelines in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

In recommending or declaring dividends, the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth as well as its shareholder value. Details of the dividend policy of the Company is set out in the section headed "Corporate Governance Report – Dividend Policy" of this annual report.

Regarding the declaration and payment of dividends, the Board considers the results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), market conditions, the Company's strategy and projection for business, the Company's contractual restrictions and obligations, taxation, regulatory restrictions, cash requirements and availability and any other factors that the Board may consider relevant.

2022 Profit Distribution Plan

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

The 2022 Profit Distribution Plan is subject to the approval of the Shareholders at the AGM and the above profit distribution is expected to be paid to the eligible Shareholders no later than two months after the AGM.

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

The Board is not aware of any Shareholder who has waived or agreed to waive any dividends.

Taxation

A Shareholders

According to the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85) 《財政部、國家税務總局、證監會關於實施上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税[2012]85號)) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) 《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税[2015]101號)), for the relevant individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements above.

According to Article 26.2 of the PRC Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of the PRC Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the PRC Enterprise Income Tax Law include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the PRC Enterprise Income Tax Law and its implementation rules, dividend income obtained by non-resident enterprises, which do not have organs or establishments in China or though having organs or establishments in China but income is not related to such organs or establishments, dividend income obtained by shareholders shall be levied at a preferential enterprise income tax rate of 10%.

H Shareholders

Pursuant to the Circular of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) 《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)), the Company is required to withhold and pay enterprise income tax at a rate of 10% on behalf of shareholders of non-resident enterprises whose names appear on the register of shareholders of H shares of the Company when distributing dividends to them.

According to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 20) 《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation, dividends and bonus income received by foreign individuals from foreign-invested enterprises are exempted from individual income tax for the time being.

Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling the Company's Shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environmental protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Details of the Group's environmental policies and performance will be disclosed in the Environmental, Social and Governance Report of the Company for the Reporting Period to be published in due course.

SHARE CAPITAL

Details of the movements in share capital of the Group during the Reporting Period are set out in note 28 to the financial statements.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 100 to 101 of this annual report. Details of movements in the reserves of the Company during the Reporting Period are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company's distributable reserves, calculated in accordance with PRC rules and regulations, were RMB1,088.56 million.

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

Repurchase and cancellation of certain restricted A shares granted under the 2020 A Share Incentive Scheme

As incentive recipients of the A Share Incentive Scheme resigned, on January 19, 2022, April 20, 2022 and September 26, 2022, the Board considered and approved the repurchase and cancellation of a total of 26,400 restricted A Shares granted under the 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB115.97 per A Share and the repurchase and cancellation of a total of 6,720 restricted A Shares granted under the 2020 Restricted A Share Incentive Scheme at a repurchase price of RMB82.26 per A Share (taking into account the Capitalization Issue), respectively. For details, please refer to the relevant announcements on January 19, 2022, April 20, 2022 and September 26, 2022.

Repurchase and cancellation of certain restricted A shares granted under the 2021 A Share Incentive Scheme

As incentive recipients of the A Share Incentive Scheme resigned, on January 19, 2022, April 20, 2022 and September 26, 2022, the Board considered and approved the repurchase and cancellation of a total of 8,000 restricted A Shares granted under the 2021 Restricted A Share Incentive Scheme at a repurchase price of RMB185.52 per A Share and the repurchase and cancellation of a total of 60,900 restricted A Shares granted under the 2021 Restricted A Share Incentive Scheme at a repurchase price of RMB131.94 per A Share, respectively. For details, please refer to the relevant announcements on January 19, 2022, April 20, 2022 and September 26, 2022.

Repurchase of certain restricted A shares through centralized price bidding

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

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the global offering by the Company (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB5,979.09 million(1), and the balance of unutilized net proceeds was approximately RMB3,330.52 million as at December 31, 2022.

The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage as at December 31, 2022:

Use of proceeds		Allocation of Net Proceeds (HKD million)	Allocation of Net Proceeds (RMB million)	Utilized amount (as at December 31, 2022) (RMB million)	Unutilized amount (as at December 31, 2022) (RMB million)	Expected timetable for utilizing the unutilized net proceeds
To further enhance the manufacturing capacity and capabilities of our small molecule CDMO solutions	20%	1,463.61	1,195.82	298.89	896.93	
– To construct phase II of the comprehensive small molecule R&D and manufacturing site in Zhenjiang, and purchase relevant equipment and machinery	15%	1,097.71	896.86	0	896.86	On or before January 2024
– To upgrade the equipment and machinery and expand the capacity of our existing manufacturing sites in Tianjin and Dunhua	5%	365.90	298.96	298.89	0.07	On or before December 2023
To strengthen our Emerging Services and expand our service offerings	35%	2,561.32	2,092.68	1,179.09	913.59	
– 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	645.96	549.86	On or before December 2025
– To improve our capabilities related to our biosynthesis solutions and drug products solutions	10%	731.81	597.91	533.13	64.78	On or before December 2023
– To build up our capabilities related to advanced therapy medicinal products (ATMPs), including cell therapy and gene therapy	5%	365.90	298.95	0	298.95	On or before December 2023
To invest in R&D initiatives and maintain our technology leadership	20%	1,463.61	1,195.82	1,051.81	144.01	
– To upgrade our flow and continuous technology platform	10%	731.81	597.91	586.09	11.82	On or before December 2022
– To fund the R&D initiatives led by our Center of Biosynthesis Technology (CBST)	10%	731.80	597.91	465.72	132.19	On or before December 2022
To selectively pursue strategic investments and acquisitions	15%	1,097.71	896.86	0	896.86	On or before December 2023
For working capital and general corporate purposes	10%	731.81	597.91	118.78	479.13	On or before December 2023
	100%	7,318.06	5,979.09	2,648.57	3,330.52	

Note:

(1) The total proceeds included approximately RMB5,591.36 million from the Global Offering in December 2021 and RMB387.73 million from the partial exercise of over-allotment option in January 2022 as disclosed in the announcement of the Company dated January 2, 2022.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, the names of the Directors, Supervisors and senior management of the Group are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this annual report, biographical details of the Directors, Supervisors and senior management of the Group are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report.

CHANGES IN INFORMATION OF DIRECTORS

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

CONTRACTS WITH SUBSTANTIAL SHAREHOLDERS

No contract of significance was entered into or subsisted between the Company or any of its subsidiaries and a substantial Shareholder or any of its subsidiaries during the Reporting Period and no contract of significance for the provision of services to the Company or any of its subsidiaries by a substantial Shareholder or any of its subsidiaries was entered into or subsisted as at December 31, 2022.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director/Supervisor or any entity connected with such Director/Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of the date of this annual report, the Company did not have any existing plan for material investments or acquisition of capital assets.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Directors, Supervisors and senior management of the Group are decided by the Board with reference to the recommendations of the Remuneration and Examination Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' remuneration and remuneration of the five highest paid individuals in the Group are set out in note 9 to the financial statements in this annual report.

Details of the remuneration of the executive Directors, Supervisors and senior management of the Group are set out in note 8 to the financial statements in this annual report.

During the Reporting Period, no remuneration were paid by the Group to any of the Directors and Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors and Supervisors waived any remuneration for the year ended December 31, 2022.

Save as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by the Group to or on behalf of any of the Directors.

INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors, Supervisors, Controlling Shareholders or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

ON-GOING DISCLOSURE RESPONSIBILITIES UNDER THE LISTING RULES

Save as disclosed in this annual report, the Company has no any other disclosure responsibilities under rules 13.20, 13.21 and 13.22 of the listing rules.

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

CONVERTIBLE BONDS

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

EQUITY-LINKED AGREEMENTS

During the Reporting Period, save as disclosed in the share incentive arrangement in the section headed "-Share Incentive Schemes" in this annual report and note 31 to the financial statements, the Company had not entered into any equity-linked agreement.

MATERIAL LITIGATION

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any significant investments (including any investment in an investee company with a value of 5 percent or more of the Group's total assets as of December 31, 2022), acquisitions or disposals.

LOANS AND GUARANTEES

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the Controlling Shareholders or their respective connected persons.

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.

A Share Incentive Schemes

The 2018 Restricted A Share Incentive Scheme, the 2019 Restricted A Share Incentive Scheme, the 2020 Restricted A Share Incentive Scheme and the 2021 Restricted A Share Incentive Scheme (collectively, the "A Share Incentive Schemes") were adopted and approved by the Shareholders' meetings held on July 12, 2018, April 12, 2019, July 9, 2020 and July 5, 2021, respectively. As such, the terms of the A Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of options by our Company to subscribe for new Shares after the Listing.

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. Participants in the A Share Incentive Schemes are directors, senior or mid-level management and key technical employees of the Company (excluding independent non-executive Directors, Supervisors, Shareholders that hold more than 5% of the Company's shares and the Controlling Shareholders and their spouses, parents, and children).

The Shares underlying the A Share Incentive Schemes are ordinary A Shares. The maximum number of shares involved with the Awards to be granted to an eligible employee under all effective A Share Incentive Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of shares involved with all effective A Share Incentive Schemes shall not exceed 10% of the total outstanding share capital of the Company. The A Share Incentive Schemes shall be valid and effective commencing on the date that the Awards are granted (the "Initial Grant") to when such Awards are no longer under any lock-ups, fully exercised or cancelled. The term of validity underlying the A Share Incentive Schemes of 2016, 2018, 2020 and 2021 shall not exceed 60 months. The term of validity underlying the 2019 Restricted A Share Incentive Scheme shall not exceed 48 months.

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

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

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

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

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

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

As at December 31, 2022, a total of 3,327,450 restricted A Shares were granted to 414 eligible Participants under A Share Incentive Schemes other than certain restricted A Shares repurchased and 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 December 31, 2022:

Name	Position	Number of restricted A Shares granted as at December 31, 2022	Percentage to the total number of Shares in issue as at December 31, 2022 (%)
SENIOR MANAGEMENT			
Jiang Yingwei	Executive Vice President	75,600	0.0204%
Members of senior or mid-level management (excluding senior management) and key technical employees of the Company		3,251,850	0.8791%
Total		3,327,450	0.8995%

Note:

1. None of the Participants is independent non-executive Director, Supervisor, shareholder that hold more than 5% of the Company's shares and the controlling shareholder and their spouses, parents, and children.

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".

Employee Share Ownership Plan

The Company's 2022 Employee Share Ownership Plan (the "2022 ESOP") was approved and adopted at the Shareholders' meeting held on December 16, 2022. The 2022 ESOP of the Company, which is discretionary, does not involve the granting of options to the Company to issue new shares or any other new securities, or constitute a stock option plan within the meaning of Chapter 17 of the Listing Rules.

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 payment of the 2022 ESOP.

The size of the underlying shares involved in the 2022 ESOP shall not exceed 4,454,800 A Shares, which shall not exceed 1.20% of the total share capital of the Company as of the date of this annual report. 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 2022 ESOP will be 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 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, 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 units. The 2022 ESOP intends to obtain 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.

As of the date of this annual report, the Company is still going through the relevant procedures of the registration of the transfer of the underlying shares.

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

As at December 31, 2022, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or Underlying Shares of our Company

Name of Director and chief executive	Nature of interest	Class of Shares	Number of Shares interested[1]	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued Shares
Dr. Hao Hong	Beneficial owner	A Shares	14,268,699 (L)	4.17%	3.86%
	Interests of controlled corporation	A Shares	121,325,568 (L)[2]	35.43%	32.79%
Dr. Ye Song	Interests of spouse	A Shares	135,594,267 (L)[3]	39.60%	36.65%
Mr. Zhang Da	Beneficial owner	A Shares	252,000 (L)	0.07%	0.07%
Mr. Hong Liang	Interests of controlled corporation	A Shares	6,555,504 (L)[4]	1.91%	1.77%

Notes:

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

(2) Dr. Hao Hong directly holds 71.37% equity interest in ALAB. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the Shares held by ALAB.

(3) Dr. Ye Song is the spouse of Dr. Hao Hong. By virtue of the SFO, Dr. Ye Song is deemed to be interested in the same parcel of Shares in which Dr. Hao Hong is interested.

(4) Mr. Hong Liang directly holds 43.46% equity interest in Tianjin Guorong Business Information Co., Ltd. Therefore, Mr. Hong Liang is deemed to be interested in the 6,555,504 A Shares held by Tianjin Guorong Business Information Co., Ltd.

(5) As at December 31, 2022, the number of issued shares of the Company was 369,984,465, including 27,553,260 H Shares and 342,431,205 A Shares.

Interest in Associated Corporations

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

Notes:

(1) (L) represents long position and (S) represents 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) (天津天浩管理諮詢合夥企業(有限合夥)) ("Tianjin Tianhao") and holds 90.7% of the limited partnership interest in Tianjin Tianhao. Yugen Medtech is a limited liability company established in the PRC with a registered capital of RMB32,478,600, of which Tianjin Tianhao contributed RMB3,418,800, representing approximately 10.53% of the registered capital of Yugen Medtech. By virtue of the SFO, Dr. Hao Hong is deemed to be interested in the limited partnership interest in Yugen Medtech held by Tianjin Tianhao.

(3) The Company holds 83.00% 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 of the share capital of Asymchem Biotechnology Development.

(4) AsymCore (a controlled corporation of Ms. Yang Rui) and 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) (雲起(天津)企業管理諮詢合夥企業(有限合夥)) ("Yunqi Management"). 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.

Save as disclosed above, to the best knowledge of the Directors, as at December 31, 2022, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at December 31, 2022, so far as it was known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of interest	Class of Shares	Number of Shares interested(1)	Approximate percentage of the relevant class of Shares in issue	Approximate percentage of the Company's issued Shares
ALAB	Beneficial owner	A Shares	121,325,568 (L)	35.43%	32.79%
Fidelity Management & Research	Beneficial owner	H shares	2,328,185 (L)	8.45%	0.63%
Company LLC	Interests of controlled corporation	H shares	487,415 (L)	1.77%	0.13%
JPMorgan Chase & Co.	Interests of controlled corporation	H shares	365,260 (L)	1.33%	0.10%
		H shares	240,500 (S)	0.87%	0.07%
	Investment manager	H shares	4,231,840 (L)(2)	15.36%	1.14%
	Security interest in shares	H shares	52,600 (L)	0.19%	0.01%
	Approved lending agent	H shares	43,393 (P)	0.16%	0.01%
JPMorgan Asset Management (Asia Pacific) Limited	Investment manager	H shares	3,993,380 (L)(2)	14.49%	1.08%
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%
Springhill Fund Asset Management (HK) Company Limited	Investment manager	H shares	1,379,260 (L)	5.00%	0.37%
Springhill Global Feeder Fund Limited	Interests of controlled corporation	H shares	1,379,260 (L)(3)	5.00%	0.37%
Springhill Fund Limited	Interests of controlled corporation	H shares	1,379,260 (L)(3)	5.00%	0.37%
Springhill Master Fund Limited	Beneficial owner	H shares	1,379,260 (L)(3)	5.00%	0.37%

Notes:

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

(2) JPMorgan Asset Management (Asia Pacific) Limited is indirectly owned as to 99.99% by JPMorgan Chase & Co.. By virtue of the SFO. JPMorgan Chase & Co. is deemed to be interested in the Shares held by JPMorgan Asset Management (Asia Pacific) Limited.

(3) Springhill Master Fund Limited is a controlled corporation of Springhill Global Feeder Fund Limited and Springhill Fund Limited. By virtue of the SFO, Springhill Global Feeder Fund Limited and Springhill Fund Limited are deemed to be interested in the Shares held by Springhill Master Fund Limited.

(4) As at December 31, 2022, the number of issued shares of the Company was 369,984,465, including 27,553,260 H Shares and 342,431,205 A Shares.

Save as disclosed above, to the best knowledge of the Company, as at December 31, 2022, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in the respective types of capital in issue of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "-Share Incentive Schemes" in this annual 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.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the revenue generated from Group's largest customer accounted for 62.17% of the Group's total revenue and the revenue generated from the Group's five largest customers accounted for 71.76% of the Group's total revenue.

During the Reporting Period, the purchases from the Group's largest supplier accounted for 4.78% of the Group's total purchases and the purchases from the Group's five largest suppliers accounted for 17.71% of the Group's total purchases.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or five largest customers.

TAX INCENTIVES AND EXEMPTIONS FOR HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax incentives or exemption available to the Shareholders by reason of their holding of the Company's securities.

EMPLOYEES AND REMUNERATION POLICY

At the end of the Reporting Period, the Group had 9,719 employees and their salaries and allowances were determined based on their performance, experience and the prevailing market remuneration. We have also invested in continuing education and training programs, including internal and external training, so that our management personnel and other employees can improve their skills and knowledge. We also offer competitive salaries, packages and equity incentive plans to our employees, especially key employees.

Our employees' remuneration includes salaries, bonuses, social security contributions and other welfare benefits. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

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

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

CONNECTED TRANSACTIONS

On March 25, 2022, the Company, Shanghai Asymchem Biotechnology Co., Ltd. and Asymchem Biotechnology Development entered into the Capital Increase Agreement with Dr. Hao Hong, AsymCore, Haihe Asymchem Fund and other investors, pursuant to which the Company, Dr. Hao Hong, AsymCore, Haihe Asymchem Fund and other investors agreed to make capital contribution to Asymchem Biotechnology Development, a wholly-owned subsidiary of the Company. As Dr. Hao Hong and AsymCore (a controlled corporation of Ms. Yang Rui) were the relevant parties of the Company at the date of the Capital Increase Agreement, as such, the transactions under the Capital Increase Agreement constituted related transactions of the Company. For details, please refer to the announcement of the Company dated March 25, 2022.

Save as disclosed above, the Group had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules during the Reporting Period.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the Reporting Period are set out in note 35 to the financial statements in this annual report.

The related party transactions as disclosed in note 35 to the financial statements were not regarded as connected transactions under the Listing Rules which were not exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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 annual report.

DIRECTORS' INDEMNITIES

During the Reporting Period, the Company has in force the permitted indemnity provisions (as defined in the Hong Kong Companies Ordinance) in relation to the directors' and officers' liability insurance.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code of corporate governance practices.

In the opinion of the Directors, except for code provision C.2.1 of the Corporate Governance Code (see the paragraph headed "Corporate Governance Report – Chairman and Chief Executive Officer" in this annual report), the Company has complied with the relevant code provisions contained in the CG Code during the Period.

In order to maintain a high standard of corporate governance, the Board will continue to review and monitor the operation of the Company.

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

DONATION

During the Reporting Period, the Company donated a total of RMB3.84 million.

AUDITOR

On January 19, 2022, considering that RSM China ("RSM China") has served as the domestic auditor of the Company for consecutive years and the Company's H Shares have been listed on the main board of the Hong Kong Stock Exchange, and in order to ensure independence and objectivity of auditing procedures of the Company, the Company has reached a mutual consensus with RSM China on the non-renewal of its appointment and RSM China would thereby retire as the domestic auditor of the Company.

As recommended by the Audit Committee, the Board proposed to the appointment of Ernst & Young Hua Ming LLP as the domestic auditor of the Company following the retirement of RSM China, with its term of office commencing from the date of approval of Shareholders until the conclusion of the next annual general meeting of the Company. This proposed change of domestic auditor was approved by the Shareholders on March 11, 2022 at the first extraordinary general meeting of 2022.

Save as disclosed above, there was no change of auditor during the Reporting Period. The consolidated financial statements for the Reporting Period have been audited by Ernst & Young, Certified Public Accountants, who are proposed for re-appointment at the AGM.

EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH LAWS AND REGULATIONS

During 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 Corporate Governance Code in relation to, among other things, information disclosure and corporate governance. During the Reporting Period and up to the date of this report, none of the Group and the 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.

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

Tianjin, March 30, 2023

CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present the corporate governance report for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

The Board of 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's corporate governance practices are based on the principles as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and has complied with the code provisions of the Corporate Governance Code during the year ended December 31, 2022, except for code provision C.2.1 of the Corporate Governance Code (see the paragraph headed "Chairman and Chief Executive Officer" below).

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code under Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Model Code during the year ended December 31, 2022 and as of the date of this annual report.

CORPORATE STRATEGY

With the mission of "Collaboration for Innovation" and the vision of "becoming the partner of choice for global pharmaceutical R&D and manufacture providing services for companies large and small throughout the full lifecycle of drug development", the Company focused on maintaining steady business growth while further integrating sustainable development into all aspects of the Company's strategies and operations, and fulfilling Asymchem's commitment to the community. Since its establishment, the Company has always been following the operation and development concept of "International Standards, China Advantages, Technology-driven and Green-oriented", especially emphasizing on technological innovation as the core driving force, and has continuously developed a number of international leading patented technologies and applied them to commercial production, becoming a technology-leading international pharmaceutical outsourcing integrated service enterprise recognized by the industry. Bearing the operation concept of "remaining mindful of potential risks and being prudent in the process of long-term accumulation" in mind, the Company insisted on exploring cutting-edge technologies and increasing the application of new technologies in mass production; focused on improving R&D and production management mode with targets, and strove to enhance the depth of customer cooperation; continued to enhance the market development of small and medium-sized innovative drug companies, acquired customers through multiple channels, optimized the operation and management system in line with the characteristics of small and medium-sized innovative drug companies, and enhanced the breadth of our services; relied on the comparative advantages of small molecule business to promote the transformation into competitive advantages of emerging businesses, further developed the development of chemical macromolecules, clinical research services, pharmaceuticals, biological macromolecules CDMO and synthetic biology, etc., cultivated new growth points of business, and gradually promoted the formation of a closed loop of industrial chain.

THE BOARD OF DIRECTORS

The Board is accountable to the shareholders' general meeting and is primarily responsible for the overall management and control of the Company, determining the Company's business plans and investment plans, and providing leadership and approving strategic policies and plans to enhance shareholders' value. All Directors carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company, and whether he/she is spending sufficient time performing them (including attendance at regular meetings).

BOARD MEMBERS

The Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Details for the year ended December 31, 2022 and as of the date of this annual report are as follows:

Executive Directors

Dr. Hao Hong *(Chairman and Chief Executive Officer)*
Ms. Yang Rui
Mr. Zhang Da
Mr. Hong Liang

Non-Executive Directors

Dr. Ye Song
Ms. Zhang Ting

Independent Non-executive Directors

Ms. Zhang Kun[1]
Mr. Wang Qingsong
Mr. Lee, Kar Chung Felix

Note:

(1) According to the Rules for Independent Directors of Listed Companies of the CSRC and other relevant regulations, an independent non-executive director shall not serve for a consecutive term of more than six years in the same listed company. As Ms. Zhang Kun has served consecutively for six years, Ms. Zhang Kun resigned as an independent non-executive Director of the Company on January 16, 2023 and her resignation will be effective upon the election of a new independent non-executive Director by the Company at a general meeting to be convened in due course.

The biographies of the Directors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report. The relationships among the Directors are disclosed in the respective Director's biography.

The Board members, including the independent non-executive Directors, come from a wide range of professional and educational backgrounds, including accounting, management and industry expertise, which brings to the Board a diverse and balanced mix of skills and experience that contributes to the effective direction of the Group.

Save for the relationships among the Directors as set out in their respective biographies (see the section headed "Biographies of Directors, Supervisors and Senior Management"), none of the Directors has any financial, business, family or other material/relevant relationships with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Dr. Hao Hong is the Chairman and the Chief Executive Officer of the Company. Dr. Hao Hong is the founder of our Group and has been managing the business and overall strategic planning of our Group since its establishment, and therefore, our Directors consider that vesting the roles of chairman and chief executive officer in Dr. Hao Hong has the benefit of ensuring consistent leadership within our Group and thus the business prospects and management of our Group. Taking into account all the corporate governance measures implemented by our Group upon Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Relevant Period, the Board at all times met the requirements of the relevant Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, the Directors of the Company (including non-executive Directors and independent non-executive Directors) are appointed for a specific term of three years, subject to re-election upon expiry.

According to the Articles of Association of the Company, Directors shall be elected or replaced at general meetings with a term of office of three years. A Director may be re-elected upon expiry of his/her term of office, provided that the consecutive term of office of an independent Director shall not exceed six years. According to the relevant laws, regulations and regulatory requirements of the place where the Company is listed, if the Board appoints a new director to fill a casual vacancy or as an addition to the Board, the appointed director shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

DIRECTORS' RESPONSIBILITY

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

Each Director is required to disclose to the Company details of other offices held by him/her on a regular basis to ensure that he/she can devote sufficient time to discharge his/her duties as a Director of the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has maintained Directors' and senior management's liability insurance to cover any legal actions taken against the Directors and senior management arising out of corporate activities.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision C.1.4 of the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional training to develop and refresh their knowledge and skills. The Company arranges regular internal or external training for Directors as appropriate. Reading materials on relevant topics will be provided to Directors. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2022, all Directors have attended training sessions on the respective responsibilities of the Directors and senior management. In addition, relevant documents including legal and regulatory updates are provided to the Directors for their reference and studying.

For the year ended December 31, 2022, the records of continuous professional development relating to duties, regulatory and business development received by the Directors are summarized as follows:

DIRECTORS	Attending courses/seminars related to the duties and responsibilities of directors or corporate governance	Reading regulatory materials
EXECUTIVE DIRECTORS		
Dr. Hao Hong	✔	✔
Ms. Yang Rui	✔	✔
Mr. Zhang Da	✔	✔
Mr. Hong Liang	✔	✔
NON-EXECUTIVE DIRECTORS		
Dr. Ye Song	✔	✔
Ms. Zhang Ting	✔	✔
Independent Non-executive Directors		
Ms. Zhang Kun	✔	✔
Mr. Wang Qingsong	✔	✔
Mr. Lee, Kar Chung Felix	✔	✔

BOARD DIVERSITY POLICY

We have adopted the board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The board diversity policy is well implemented as evidenced by the fact that there are four female and five male Directors with experience from different industries and sectors. The Directors are of the view that our Board satisfies the board diversity policy and gender diversity has been achieved in the Board. The Company aims to maintain at least a 20% of female representation in our Board. We will maintain a focus on gender diversity when recruiting staff at mid to senior level so as to develop a pipeline of potential female successors to our Board. Our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically to maintain gender diversity of our Board.

The Nomination Committee will annually (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will disclose (i) the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

EMPLOYEE DIVERSITY

As of December 31, 2022, of the Company's 9,719 employees (including senior management), approximately 69.35% were male and 30.65% were female. To ensure gender diversity at the employee level, the Company welcomed people of any gender and is committed to providing equal opportunities in recruitment, training and development, job promotion, compensation and benefits to employees of all genders. The Company promoted employee diversity, employing employees from six countries, including the US, Germany and India, in its laboratories, branches and subsidiaries around the world, and 23 ethnic minorities, including Bai, Buyi, Tibetan and Korean, in its domestic workforce.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection, nomination and appointment of directors of the Company to the Nomination Committee of the Company. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Company has adopted a Director Nomination Policy which sets out the criteria and process in the nomination and appointment of Directors of the Company and sets out the criteria to be considered by the Nomination Committee and/or the Board in evaluating and selecting candidates for directorships.

The Company believes that the independence of the Board is an important element of good corporate governance. The Company has in place effective mechanisms, including but not limited to allowing directors and committee members to seek independent professional advice on matters of the Company when required, at the Company's expense, to ensure that the Board receives independent advice. These mechanisms are reviewed annually by the Board to ensure a high degree of independence of the Board.

BOARD COMMITTEES

The Company has established four Board committees, namely the Audit Committee, the Remuneration and Examination Committee, the Nomination Committee and the Strategy Committee.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with D.3.3 of the CG Code and the relevant laws and regulations of the PRC. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group.

The Audit Committee consists of three members, namely non-executive Director Ms. Zhang Ting, independent non-executive Directors Ms. Zhang Kun and Mr. Wang Qingsong with Ms. Zhang Kun, an independent non-executive Directors with the appropriate professional experiences, serving as the chairwoman of the Audit Committee.

The Audit Committee shall include, without limitation the following basic responsibilities:

- To advise the Board on the appointment, renewal, replacement or dismissal of external audit agency;
- To oversee the work of external auditors;
- To oversee the Company's financial control and internal audit policy and the implementation thereof;
- To be in charge of the communications between the Company's internal and external auditors, and supervise the relationship between the Company and external audit;
- To review the Company's financial statements and reports;
- To review the Company's risk management and internal control systems;
- To review the Company's policies and practices on financing and accounting; and
- To perform other duties as required by the Listing Rules.

During the year ended December 31, 2022, the Audit Committee held six meetings to review the annual financial results and report, the interim financial results and report and financial reports, the effectiveness of risk management and internal control policies and internal audit function, the renewal of auditors and arrangements for employees to report potential misconduct.

Remuneration and Examination Committee

The Company has established the Remuneration and Examination Committee with written terms of reference in compliance with E.1.2 of the CG Code and the relevant laws and regulations of the PRC. The Remuneration and Examination Committee is mainly responsible for evaluating the remuneration polices for Directors and senior management of the Group and making recommendations thereon to the Board.

The Remuneration and Examination Committee consists of three members, executive Director Mr. Zhang Da, independent non-executive Directors Ms. Zhang Kun and Mr. Wang Qingsong with Mr. Wang Qingsong serving as the chairman of the Remuneration and Examination Committee.

The Remuneration and Examination Committee shall include, without limitation the following basic responsibilities:

- To advise the Board on the overall remuneration policy and framework for directors and senior management members, and the establishment of a standardized and transparent remuneration policy formulation procedures;
- To formulate remuneration plans or proposals according to the main scope, responsibilities and importance of the management positions of the Directors and senior management, with reference to the remuneration level of other relevant enterprises and relevant positions, time commitment and responsibilities undertaken, employment conditions of other positions in the Company, etc.;
- To determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- To examine the performance of duties by directors (non-independent Director) and senior management members of the Company and conduct regular performance appraisals and evaluations, and make recommendations;

- To oversee the implementation of the Company's remuneration policies;

- To review and approve the compensation payable to the executive Directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

- To perform other duties as required by the Listing Rules.

The Remuneration and Examination Committee held a total of two meetings to review the remuneration polices and structure of the Company, make recommendations to the Board on the remuneration packages of the Directors and senior management, etc.

The remuneration of the senior management of the Group by band during the Reporting Period is set out below:

Remuneration	Number
Less than HK$1,000,000	8
HK$1,000,001 to HK$1,500,000	0
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	0
HK$3,000,001 to HK$3,500,000	3
More than HK$3,500,001	5

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with B.3.1 of the CG Code and the relevant laws and regulations of the PRC. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board qualified candidates to serve as the Directors and monitoring the procedures for evaluating the performance of the Board.

The Nomination Committee consists of three members, namely executive Director Mr. Hong Liang, independent non-executive Directors Mr. Wang Qingsong and Mr. Lee, Kar Chung Felix, with Mr. Lee, Kar Chung Felix serving as the chairman of the Nomination Committee.

The Nomination Committee shall include, without limitation the following basic responsibilities:

- To review the structure, number and composition (including skills, knowledge and experience) of the board of directors annually and providing recommendations to the board of directors on the scale and composition of the board of directors on the basis of the Company's operations, scale of assets and shareholding structure, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy

- To determine the criteria for identifying, reviewing and assessing the qualifications of Board members and senior management;

- To determine and regularly review measurable objectives for implementing the Board Diversity Policy and oversee the progress on achieving these objectives;

- To identify qualified candidates for the Board members and senior management and make recommendations to the Board on the selection and nomination of personnel nominated for directorships;

- To review the independence of independent non-executive Directors;

- To make recommendations to the Board on the appointment or renewal of Directors and senior management and succession planning for Directors and senior management;

- To determine, review and assess the suitability of corporate governance guidelines of the Company and make recommendations on any proposed changes to the Board for consideration;

- To review and supervise the training and continuous professional development of Directors and senior management;

- To determine, review and oversee the code of conduct and compliance manual (if any) applicable to the Directors and senior management; and

- To perform other duties as required by the Listing Rules.

When performing relevant duties, the Nomination Committee shall consider the diversity policy of the Board specified in these terms of reference. It shall be responsible for monitoring the implementation of the Policy as well as reviewing and revising the Policy to ensure its effectiveness.

In reviewing the size and composition of the Board, identifying and nominating candidates for directors, the Nomination Committee shall consider relevant factors to achieve the diversity of the Board members according to the business model and specific demand of the Company. The Nomination Committee may consider the diversity of the Board members from various aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. After considering the aforesaid relevant factors, the Nomination Committee shall make final recommendation on the appointment to the Board based on the merits of the candidates and contribution they may bring to the Board.

The Nomination Committee regularly discusses and determines the measurable objectives for achieving diversity of Board members (if necessary), and recommends them to the Board.

During the year ended December 31, 2022, the Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and Board diversity, as well as to nominate the Company's senior management for appointment.

Strategy Committee

The Company has established the Strategy Committee. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

The Strategy Committee consists of three members, namely executive Directors Dr. Hao Hong and Ms. Yang Rui and an independent non-executive Director Mr. Lee, Kar Chung Felix. Dr. Hao Hong serving as the chairman of the Strategy Committee. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

The Strategy Committee shall include, without limitation the following basic responsibilities:

- To study and make recommendations on the strategic development plans of the Company;
- To study and make recommendations on major investment decisions which are required to be approved by the Board under the Articles of Association;
- To study and make recommendations on major capital operations and asset management projects which are required to be approved by the Board under the Articles of Association;
- To study and make recommendations on other significant matters affecting the development of the Company;
- To track and inspect the implementation of the above matters; and
- To perform other duties as required by the Listing Rules.

During the year ended December 31, 2022, the Strategy Committee held one meeting to consider the introduction of an external investor in the subsidiary, Shanghai Asymchem Biotechnology Development Co., Ltd.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, the Employees Written Guidelines and the Company's compliance with the CG Code and disclosure in this corporate governance report for the Reporting Period.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings, Board Committee meetings and the general meetings of the Company held during their tenure of office during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration and Examination Committee	Nomination Committee	Strategy Committee	Shareholders' Annual General Meeting	Extraordinary General Meeting
Dr. Hao Hong	15/15	–	–	–	1/1	0/1	1/5
Ms. Yang Rui (楊蕊)	15/15	–	–	1/1	1/1	2/5	
Mr. Zhang Da (張達)	15/15	–	2/2	–	–	1/1	3/5
Mr. Hong Liang (洪亮)	15/15	–	–	2/2	–	1/1	3/5
Dr. Ye Song	15/15	–	–	–	–	0/1	1/5
Ms. Zhang Ting (張婷)	15/15	6/6	–	–	–	1/1	5/5
Ms. Zhang Kun (張昆)	15/15	6/6	2/2	–	–	1/1	0/5
Mr. Wang Qingsong (王青松)	15/15	6/6	2/2	2/2	–	1/1	0/5
Mr. Lee, Kar Chung Felix (李家聰)	15/15	–	–	2/2	1/1	1/1	0/5

During the Reporting Period, in addition to the regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without other directors present.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

Our audit committee oversees and manages the overall risks associated with our business operations from time to time. Our audit committee is mainly responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of the Group.

The senior management is responsible for (i) formulating and updating our risk management policy and objectives; (ii) conducting risk assessment, including the identification, prioritization, measurement and categorization of all major risks which may have potential impacts on our operations; (iii) making action plans to mitigate potential risks; and (iv) reporting significant risks to our audit committee.

The Company's internal audit department and other relevant departments are responsible for implementing our risk management policy and the Company's day-to-day risk management practices. They are responsible for (i) collecting data on risks related to all departments' operation and function; (ii) preparing auditing reports for the review of our chief operating officer and our audit committee; (iii) proposing appropriate measures in response to our risk exposure where necessary; and (iv) continuously monitoring major risks related to our operations.

The Company provides regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance with applicable laws and regulations. The Company also adopted and optimized a set of internal policies against bribery and corrupt activities, which strictly prohibit all employees and other personnel acting on behalf of us from making, proposing or promising improper payments, directly or indirectly, in any form of cash, physical assets, loans, gifts, luxury trips, entertainment, donations, other valuables or benefits to anyone, including government officers and healthcare professionals, for the purposes of acquiring or securing any business or improper advantage, regardless of whether we benefit from such improper payments. Employees who violate such policies are subject to penalties, including termination of employment.

The Company has engaged an internal control consultant to perform certain agreed-upon procedures in connection with our internal control and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, R&D and intangible assets.

The Company has adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- The Company has set up an internal audit department, which are responsible for our overall internal control development and assessment.

- The internal audit department is responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of the Group.

- The internal audit department organizes periodic inspections relating to the implementation of and adherence to the internal controls of each business department. The Company conducts internal control inspections through on-site inspection, sampling method, document review, and walk-through test. Upon completion of the inspections, internal audit department delivers to the head of the relevant business department information and statistics related to the risks discovered during the visits and any suggested remedial action. The head of the relevant business department is then required to carry out the relevant remedies.

- The head of each business department is responsible for implementing relevant internal control policies, measures and procedures and conducting regular review regarding the implementation of such policies, measures and procedures.

- The Company has adopted various measures and procedures for all of our business operations, including project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety. The Company provides our employees with regular training on these measures and procedures.

- The internal audit department has established a mechanism to deal with the complaints against inappropriate behaviors under our internal control policies. The internal audit department has established a specific email for our employees to report their complaints and inquiries and employees can also report their complaints and inquiries through a specific application. Our internal audit department removes the identifying information of the reporting employees and send the complaints to the reported personnel or departments for further adjustment and improvement.

- The Company has engaged a compliance adviser to provide advice to our Directors and management team regarding matters relating to the Listing Rules.

With the approval of the Board and in accordance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and taking into account the actual situation of the Company, the Company has formulated the information disclosure management system, which specifies the division of responsibilities for information disclosure, the procedures for handling and publishing inside information and other information to be disclosed. Pursuant to the system, the Company shall disclose inside information to the public to the reasonable and practicable extent after any inside information has come to its knowledge or a false market may exist. During the Reporting Period, the Company disclosed information in a true, accurate, legal and timely manner in strict compliance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and the information disclosure management system of the Company, and there were no false representations, misleading statements or material omissions, to ensure that investors could have an equal, timely and effective understanding of the information disclosed.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal audit system and risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function. For the year ended December 31, 2022, the Audit Committee and the Board considered that the Group's internal audit system and risk management and internal control systems were effective and adequate.

The Company has in place the Whistleblowing Policy and system for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Company about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the management, who is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the year ended 31 December 2022, the Company held one anti-corruption training to all employees. There were no non-compliance cases in relation to bribery and corruption.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

AUDITOR'S REMUNERATION

For the year ended December 31, 2022, the remuneration paid or payable to the external auditor of the Group in respect of auditing services and non-auditing services is summarized as follows:

Scope of services	**Amount paid/ payable RMB'000**
Auditing services	4,420
Non-auditing services	350
Total	**4,770**

For the year ended December 31, 2022, the non-auditing services were services related to the special assurance report on the proceeds from the offering of the A Shares.

JOINT COMPANY SECRETARIES

The Company's joint company secretaries are Mr. Xu Xiangke and Mr. Cheng Ching Kit.

Mr. Xu Xiangke is the Deputy General Manager of the Company and Secretary to the Board, and is responsible for managing day-to-day work of the Board and corporate governance matters. Mr. Cheng Ching Kit, the other joint company secretary of the Company, is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, and is responsible for assisting Mr. Xu in discharging his duties as a joint company secretary of the Company. Mr. Cheng's primary corporate contact person at the Company is Mr. Xu.

Mr. Xu Xiangke and Mr. Cheng Ching Kit have undertaken not less than 15 hours of relevant professional training during the Reporting Period in accordance with Rule 3.29 of the Listing Rules.

RIGHTS OF SHAREHOLDERS

Convene a General Meeting

The annual Shareholders' general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year. The Company shall convene an extraordinary general meeting within two months from the occurrence of any of the following circumstances:

- when the number of Directors is less than the statutory minimum number of five persons stipulated in the Company Law of the People's Republic of China or two-thirds of the number specified in the Articles of Association;
- when the unrecovered losses of the Company amount to one-third of the total paid-in share capital;
- when the Shareholders individually or jointly holding more than 10% of the Company's shares requests in writing to do so;
- when the board of directors considers it necessary;
- when proposed to hold by the Board of Supervisors; and
- any other circumstances stipulated in the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the Company's shares for over 90 days consecutively may unilaterally convene and preside over such meeting.

Putting Forward Proposals at Shareholders' General Meetings

The shareholders individually or jointly holding more than 3% of the shares of the Company may raise provisional proposal and submit it to the convener in writing 10 days before the general meeting is held. Upon the satisfaction that the proposal complies with the provisions in Article 78 of the Articles of Association, the convener shall, within 2 days after the receipt of the proposal, issue a supplementary notice of general meeting and announce the contents of the provisional proposal.

Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests through the following methods:

Address: Board of Directors Office, No. 71, 7th Street, Economic – Technological Development Area, Tianjin, PRC (For the attention of the Board of Directors/Company Secretary)
Fax: +86 22 66252777
Email: securities@asymchem.com.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. Therefore, the Company has set up a website (www.asymchem.com), from which the public can access the latest information, updates on the Company's business operations and development, financial information and corporate governance practices and other information.

The Company endeavours to maintain an on-going dialogue with Shareholders, in particular through annual general meetings and other shareholders' general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company has amended the Articles of Association three times with effect from March 11, 2022, June 9, 2022 and October 28, 2022, respectively. The latest version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy with the objective of ensuring that the shareholders of the Company have timely access to comprehensive, equal and easily understandable information about the Company (including its financial performance, strategic objectives and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and the investors to engage actively with the Company.

In accordance with the Company's shareholder communication policy, the Directors (or their designated representatives, as the case may be) shall meet with shareholders and answer shareholders' questions at the annual general meeting and other general meetings held each year. The Company has also established a website (www.asymchem.com) where the public can obtain relevant and up-to-date information, updates on the Company's business operations and development, financial information and corporate governance practices and other information. If shareholders have any enquiries, they can send their written enquiries to the Company by mail, fax or email and the Company will handle the enquiries in a timely and appropriate manner. Please refer to "Contact Details" in the preceding paragraph for the contact details.

The Company has reviewed the implementation and effectiveness of its shareholder communication policy during the Reporting Period. Based on the measures implemented above, the Company considers that the shareholder communication policy has been effectively implemented and is able to ensure that the Company maintains good and effective communication with its shareholders on a long-term basis.

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to code provision F.1.1 of the CG Code. The Company will implement a reasonable dividend policy based on the Company's operating conditions and market environment, and fully consider the interests of shareholders.

In considering the declaration of dividends, the Board will take into account various factors, including but not limited to, the Group's results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, market conditions, the Company's business strategies and forecasts, cash requirements and availability.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Asymchem Laboratories (Tianjin) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Asymchem Laboratories (Tianjin) Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 96 to 187, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of sale of goods	
The Group's revenue for the year ended 31 December 2022 amounted to RMB10,230,186,000, of which sale of goods accounted for 89% of the Group's revenue. Sale of goods is a performance obligation satisfied at a point in time and, accordingly, revenue is recognised when the control of the goods is transferred to the customer. As most of the customer groups of the Group are overseas pharmaceutical companies, overseas sales accounted for a significant proportion of the Group's total revenue. In addition, revenue is one of the key performance indicators of the Group. Therefore, revenue from sale of goods is considered a key audit matter. The disclosures of revenue from sale of goods are included in notes 2.4, 4 and 5 to the financial statements.	The audit procedures we performed include: (1) discussed with management and obtained an understanding the revenue recognition policy; (2) performed tests of controls and substantive procedures on sampling basis; (3) on sampling basis, checked the contract terms, and evaluated whether revenue recognised at a point in time complies with the Group's accounting policies; (4) performed analytical procedures, including analysed and corroborated the fluctuation of selling prices and the gross margin in different periods;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of sale of goods	
	(5) for export sales, selected key items and representative samples and checked customers' declarations and shipping orders, corroboration of the relevant information with available external information such as information on websites of the customs, information published by shipping companies and airlines to evaluate the validity of the carriers in the shipping documents; (6) circulated and obtained confirmations from key items and representative samples of customers on sales revenue and trade receivables. For the non-replies, carried out alternative tests by checking the original documents such as sales contracts, sales orders, invoices, warehouse release lists, shipping documents and acknowledgement receipts; and (7) examined sales transactions close to the balance sheet date to determine whether sales revenue has been recorded in the correct accounting period.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Siu Fung.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
REVENUE	5	**10,230,186**	4,632,121
Cost of sales		**(5,397,598)**	(2,582,396)
Gross profit		**4,832,588**	2,049,725
Other income and gains	5	**653,942**	173,817
Selling and distribution expenses		**(150,190)**	(99,559)
Administrative expenses		**(837,687)**	(494,775)
Research and development expenses		**(708,891)**	(387,478)
Impairment losses on financial and contract assets, net		**(25,789)**	(22,380)
Other expenses		**(61,551)**	(15,232)
Finance costs	7	**(10,529)**	(7,328)
Share of profits/(losses) of associates		**33,052**	(3,840)
PROFIT BEFORE TAX	6	**3,724,945**	1,192,950
Income tax expense	10	**(430,314)**	(123,694)
PROFIT FOR THE YEAR		**3,294,631**	1,069,256
Attributable to:			
Owners of the parent		**3,301,635**	1,069,274
Non-controlling interests		**(7,004)**	(18)
		3,294,631	1,069,256
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB per share)	12	**9.02**	3.15
Diluted (expressed in RMB per share)	12	**9.00**	3.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,829,924**	3,336,854
Right-of-use assets	14	**539,716**	362,649
Goodwill	15	**146,183**	146,183
Other intangible assets	16	**57,679**	62,960
Deferred tax assets	27	**177,858**	186,930
Investments in associates	17	**277,256**	291,848
Prepayments, deposits and other receivables	20	**237,124**	354,709
Financial assets at fair value through profit or loss	22	**113,076**	103,766
Total non-current assets		**6,378,816**	4,845,899
CURRENT ASSETS			
Inventories	18	**1,510,413**	1,396,115
Trade receivables	19	**2,451,148**	1,816,201
Contract assets	21	**63,976**	742
Prepayments, deposits and other receivables	20	**376,398**	457,514
Tax recoverable		**17,866**	4,171
Financial assets at fair value through profit or loss	22	**2,151,062**	401,198
Cash and bank balances	23	**5,289,594**	6,234,457
Total current assets		**11,860,457**	10,310,398
CURRENT LIABILITIES			
Trade payables	24	**568,892**	551,866
Other payables and accruals	25	**1,511,198**	1,201,140
Interest-bearing bank borrowings	26	**–**	375,392
Lease liabilities	14	**28,487**	13,217
Tax payable		**67,422**	63,190
Amounts due to related party	35	**1,096**	–
Total current liabilities		**2,177,095**	2,204,805
NET CURRENT ASSETS		**9,683,362**	8,105,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,062,178**	12,951,492

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	25	**168,121**	179,049
Lease liabilities	14	**109,859**	45,877
Deferred tax liabilities	27	**89,195**	116,554
Total non-current liabilities		**367,175**	341,480
Net assets		**15,695,003**	12,610,012
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**369,917**	263,044
Restricted shares under share-based payment	29	**(1,246,560)**	(481,820)
Other reserves	30	**16,524,071**	12,828,788
		15,647,428	12,610,012
Non-controlling interests		**47,575**	–
Total equity		**15,695,003**	12,610,012

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 30 March 2023 and were signed on its behalf by:

Hao Hong
Executive Director

Da Zhang
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Restricted shares under share-based payment RMB'000 (note 29)	Capital reserve RMB'000 (note 30)	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750
Profit for the year	–	–	–	–	–	1,069,274	1,069,274	(18)	1,069,256
Other comprehensive income for the year:									
Exchange differences related to foreign operations	–	–	–	–	(5,132)	–	(5,132)	–	(5,132)
Total comprehensive income for the year	–	–	–	–	(5,132)	1,069,274	1,064,142	(18)	1,064,124
Disposal of a subsidiary	–	–	–	–	–	–	–	57	57
Final 2020 dividend declared and paid	–	–	–	–	–	(145,560)	(145,560)	–	(145,560)
Issue of shares	18,415	–	5,572,948	–	–	–	5,591,363	–	5,591,363
Issue of restricted shares	2,224	(406,361)	404,137	–	–	–	–	–	–
Cancellation of restricted shares	(46)	3,717	(2,632)	–	–	–	1,039	–	1,039
Vesting of restricted shares	–	58,182	–	–	–	–	58,182	–	58,182
Equity-settled share option arrangements	–	–	51,057	–	–	–	51,057	–	51,057
Transfer to statutory surplus reserve	–	–	–	35,200	–	(35,200)	–	–	–
At 31 December 2021	263,044	(481,820)	9,564,304	103,351	(9,132)	3,170,265	12,610,012	–	12,610,012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Restricted shares under share-based payment RMB'000 (note 29)	Capital reserve RMB'000 (note 30)	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	263,044	(481,820)	9,564,304	103,351	(9,132)	3,170,265	12,610,012	–	12,610,012
Profit for the year	–	–	–	–	–	3,301,635	3,301,635	(7,004)	3,294,631
Other comprehensive income for the year:									
Exchange differences related to foreign operations	–	–	–	–	25,690	–	25,690	–	25,690
Total comprehensive income for the year	–	–	–	–	25,690	3,301,635	3,327,325	(7,004)	3,320,321
Final 2021 dividend declared and paid	–	–	–	–	–	(211,273)	(211,273)	–	(211,273)
Issue of H shares under the over-allotment option	1,265	–	386,466	–	–	–	387,731	–	387,731
Cancellation of restricted shares	(102)	13,044	(13,089)	–	–	–	(147)	–	(147)
Vesting of restricted shares	–	21,898	–	–	–	–	21,898	–	21,898
Equity-settled share option arrangements	–	–	52,870	–	–	–	52,870	–	52,870
Share premium transferred to share capital	105,710	–	(105,710)	–	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	105,619	–	(105,619)	–	–	–
Repurchase of A shares	–	(799,682)	–	–	–	–	(799,682)	–	(799,682)
Capital contribution by non-controlling interests	–	–	258,694	–	–	–	258,694	54,579	313,273
At 31 December 2022	369,917	(1,246,560)	10,143,535*	208,970*	16,558*	6,155,008*	15,647,428	47,575	15,695,003

* These reserve accounts comprise the consolidated other reserves of RMB16,524,071,000 (2021: RMB12,828,788,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		3,724,945	1,192,950
Adjustments for:			
Finance costs	7	10,529	7,328
Share of (profits)/losses of associates		(33,052)	3,840
Interest income	5	(17,747)	(12,992)
Investment loss/(income)		20,491	(31,002)
Fair value gain on financial assets at fair value though profit or loss		(83,206)	(18,965)
Loss on disposal of items of property, plant and equipment		6,146	874
Loss on disposal of right-of-use assets		(621)	–
Loss on disposal of a subsidiary		–	57
Loss on disposal of a associate		5,692	–
Depreciation of property, plant and equipment	13	319,573	196,937
Depreciation of right-of-use assets	14	31,100	15,704
Amortisation of other intangible assets	16	11,304	4,104
Losses on impairment of trade receivables and contract assets, net		25,789	22,380
Equity-settled share option expense	31	52,870	51,057
		4,073,813	1,432,272
Increase in restricted deposits		(4,253)	(2,413)
Increase in inventories		(114,298)	(669,731)
Increase in trade receivables		(654,660)	(863,239)
(Increase)/decrease in contract assets		(66,598)	10,227
Decrease/(increase) in prepayments, deposits and other receivables		278,130	(184,743)
Increase in trade payables		18,122	173,250
Increase in other payables and accruals		428,355	337,609
Cash generated from operations		3,958,611	233,232
Tax paid		(671,700)	(120,082)
Net cash flows from operating activities		3,286,911	113,150

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**17,747**	12,992
Purchases of items of property, plant and equipment and other intangible assets		**(2,150,640)**	(1,659,737)
Proceeds from disposal of items of property, plant and equipment		**12**	12
Proceeds from disposal of items of right-of-use assets		**70,000**	–
Acquisition of a subsidiary		**(30,000)**	(102,530)
Purchases of investments at fair value through profit or loss		**(7,647,589)**	(4,351,000)
Proceeds from disposal of investments at fair value through profit or loss		**5,951,132**	3,918,010
Increase in investments in associates		**–**	(26,000)
Purchases of fixed deposits		**(2,310,913)**	–
Proceeds from fixed deposits upon maturity		**1,439,996**	–
(Increase)/decrease in cash deposits		**(11,160)**	3,045
Net cash flows (used in) investing activities		**(4,671,415)**	(2,205,208)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**370,960**	5,608,284
Proceeds from issue of restricted shares		**–**	406,361
Share repurchase payment		**(814,580)**	(6,568)
New bank loans		**–**	1,057,078
Repayment of bank loans		**(374,570)**	(692,685)
Capital injections from non-controlling shareholders of subsidiaries		**313,273**	–
Principal portion of lease payments		**(14,840)**	(8,099)
Dividends paid to shareholders		**(211,273)**	(145,560)
Interest paid		**(11,498)**	(8,104)
Net cash flows (used in)/from financing activities		**(742,528)**	6,210,707
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,813,856**	4,118,649
Cash and cash equivalents at beginning of year		**6,232,033**	2,121,559
Effect of foreign exchange rate changes, net		**313,176**	(8,175)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,418,177**	6,232,033
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position	23	**5,289,594**	6,234,457
Less: Time deposits with original maturity of more than three months	23	**(853,581)**	–
Pledged for letters of credit and others		**(17,836)**	(2,424)
Cash and cash equivalents as stated in the statement of cash flows	23	**4,418,177**	6,232,033

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Asymchem Life Science (Tianjin) Co., Ltd. (note a)	PRC/Mainland China 30 December 2005	RMB70,000	100	–	Development and drug product manufacturing
Tianjin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC/Mainland China 19 July 2010	RMB224,830	97	3	Development and drug product manufacturing
Tianjin Asymchem Pharmaceutical Analysis, Testing and Evaluation Co., Ltd. (note a)	PRC/Mainland China 29 July 2013	RMB1,000	–	100	Pharmaceutical analysis and testing
Asymchem Laboratories (Fuxin) Co., Ltd. (note a)	PRC/Mainland China 1 April 2002	RMB3,310	100	–	R&D and drug product manufacturing
Jilin Asymchem Laboratories Co., Ltd. (note a)	PRC/Mainland China 17 August 2007	RMB291,490	100	–	Development and drug product manufacturing

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Liaoning Asymchem Laboratories Co., Ltd. (note a)	PRC/Mainland China 2 December 2013	RMB9,200	100	–	Manufacturing, sale and development of medicine raw materials and relevant products
Asymchem Inc. (note b)	United States 12 October 2010	Not applicable	100	–	Sale of drug products
Jilin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC/Mainland China 29 September 2017	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Tianjin Clin-nov Medical Technology Co., Ltd. (note a)	PRC/Mainland China 10 August 2017	RMB40,000	100	–	Wholesaling and retailing drugs
Shanghai Asymchem Biotechnology Co., Ltd. (note a)	PRC/Mainland China 28 January 2019	RMB250,880	–	100	Pharmaceutical science and technology
Asymchem Limited (note c)	United Kingdom 13 February 2017	EUR0.001	100	–	Sale, import and export trade
Asymchem Laboratories (Jilin) Co., Ltd. (note a)	PRC/Mainland China 25 May 2020	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Asymchem Pharmaceuticals (Jiangsu) Co., Ltd. (note a)	PRC/Mainland China 29 September 2020	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Tianjin GoalGen Biotechnology Co., Ltd. (note a)	PRC/Mainland China 28 November 2007	RMB10,000	–	100	Pharmaceutical research and manufacturing
Shanghai Xinzhuo Pharmaceutical Research and Development Co., Ltd. (note a)	PRC/Mainland China 5 December 2019	RMB10,000	–	100	Pharmaceutical research and development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tianjin Baibosheng Pharmtech Co., Ltd. (note a)	PRC/Mainland China 21 November 2018	RMB5,000	–	100	Pharmaceutical research and development
Tianjin Yinuo Qinkang Medical Technology Co., Ltd. (note a)	PRC/Mainland China 29 July 2020	RMB2,000	–	100	Medical research and development
Asymchem Boston Corporation (note b)	United States 14 December 2020	Not applicable	100	–	Pharmaceutical research and wholesale
Asymchem Life Science (Jiangsu) Co., Ltd. (note a)	PRC/Mainland China 18 March 2021	RMB100,000	100	–	Drug import and export
Shanghai Nuoxin Yingke Information Technology Co., Ltd. (note a)	PRC/Mainland China 15 June 2021	RMB5,000	–	100	Information technology
Tianjin Kaixiang Pharmaceutical Technology Co., Ltd. (note a)	PRC/Mainland China 10 December 2021	RMB1,000	100	–	Pharmaceutical and chemical manufacturing
Asymchem Pharmaceutical (Jiangsu) Co., Ltd. (note a)	PRC/Mainland China 7 September 2021	RMB300,000	100	–	Pharmaceutical and chemical manufacturing
Tianjin Asymchem Pharmaceutical Technology Development Co., Ltd. (note a)	PRC/Mainland China 9 August 2021	RMB30,000	100	–	Pharmaceutical science and technology
Beijing Improve-Quality Technology Co., Ltd. (note a)	PRC/Mainland China 1 April 2015	RMB1,000	–	100	Technology development
Shanghai Yipu Pharmaceutical Technology Co., Ltd. (note a)	PRC/Mainland China 4 June 2018	RMB1,000	–	100	Pharmaceutical science and technology
Qingdao Alpu Technology Co., Ltd. (note a)	PRC/Mainland China 1 February 2019	RMB10,000	–	100	Medical research and development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiangsu Asymchem Biological Pharmaceutical Co., Ltd. (notes a and d)	PRC/Mainland China 29 January 2022	RMB10,000	–	100	Research and experimental development
Shanghai Asymchem Biological Pharmaceutical Co., Ltd. (notes a and d)	PRC/Mainland China 22 March 2022	RMB100,000	–	100	Pharmaceutical manufacturing
Shanghai Asymchem Biotechnology Development Co., Ltd. (notes a and d)	PRC/Mainland China 23 March 2022	RMB228,915.663	86.64	–	Research and experimental development
Clin-nov Medical Corporation (notes b and d)	United States May 2022	Not applicable	–	100	Clinical CRO
Tianjin Asymchem Pharmaceutical Technology. Co., Ltd. (notes a and d)	PRC/Mainland China 25 July 2022	RMB10,000	–	100	Medical research and development
Shanghai Asymchem Pharmaceutical Research and Development Co., Ltd (notes a and d)	PRC/Mainland China 27 June 2022	RMB10,000	100	–	Research and experimental development

Notes:

(a) The English names of the companies registered in the PRC represent the best efforts made by management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

(b) The entity is registered as a limited liability company under United States law.

(c) The entity is registered as a limited liability company under United Kingdom law.

(d) The entity was registered in 2022.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies1*
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

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

[3] No mandatory effective date yet determined but available for adoption

[4] As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

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

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

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset or a deferred tax liability on a net basis for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates ventures are eliminated to the extent of the Group's investments in the associates ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates ventures is included as part of the Group's investments in associates ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives of other intangible assets as follows:

Category	Estimated useful life	Estimated residual value
Buildings	20 years	3%
Manufacturing and R&D equipment	5-10 years	1%
Office equipment	3-5 years	1%
Motor vehicles	5-10 years	1%
Leasehold improvements	19 months-10 years	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents building, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of the acquisition. The useful lives of other intangible assets are assessed to be finite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortisation period and the amortisation method for another intangible asset with a finite useful life are reviewed at least at the end of each financial year.

The principal estimated useful lives of other intangible assets as follows:

Category	Estimated useful life	Estimated residual value
Software and others	10 years	0%
Customer relationship	10 years	0%
Patents and licences	5 years	0%

(i) Land has an amortisation period of fifty years based on estimated beneficial period.

(ii) Software and others have an amortisation period of ten years based on the estimated useful lives.

(iii) Customer relationship has an amortisation period of ten years based on estimated beneficial period considering industry experience, the customer retention rate and others.

(iv) Patents and licences have an amortisation period of five years based on the period covered by their licenses.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 10 years
Land use rights	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through profit or loss. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, lease liabilities, other payables and accruals, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group has satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs

(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

(c) The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

If none of the above conditions is met, the Group recognises revenue at the point in time when the customer obtains control of the distinct good or service.

If control of the service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains control of the service.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligation (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using the cost-to-cost method (input method). The Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates several restricted A share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 16%-20% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the consolidated financial statements.

Foreign currencies

These consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Measurement of progress toward complete satisfaction of construction services

The Group uses the input method to measure the progress toward satisfaction of the performance obligations, and specifically, the proportion of actual construction costs incurred relative to the estimated total costs. Actual construction costs incurred include direct and indirect costs in the process of transferring goods from the Group to customers. The Group believes that contract price is based on construction costs. Therefore, the proportion of actual construction costs incurred relative to the total expected costs can reflect the progress toward satisfaction of construction service. Since the duration of construction is relatively long that it may cover more than one accounting period, the Group will review and revise the budget as the contract carries forward, and adjust revenue accordingly.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flows. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on 90 days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and contract assets (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets are disclosed in note 19 and 21 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the reporting periods. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB146,183,000 (2021: RMB146,183,000). Further details are given in note 15.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 37 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2022 was RMB113,076,000 (2021: RMB103,766,000). Further details are included in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets relating to recognised tax losses as at 31 December 2022 was RMB233,035,000 (2021: RMB142,080,000). The amounts of unrecognised tax losses and unrecognised temporary difference as at 31 December 2022 were RMB110,956,000 (2021:RMB12,189,000). Further details are contained in note 27 to the consolidated financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

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

Operating segment

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

In 2022, revenue of approximately RMB6,359,922,000 (2021: RMB1,764,914,000) was derived from a single customer, including a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

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 over-time and at a point in time for services under FTE and FFS arrangements, respectively.

5. REVENUE, OTHER INCOME AND GAINS (continued)

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.

Emerging services:

The revenue generated form emerging services is mainly derived from the transfer of goods and 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. For CRO solutions, the Group's performance does not create an asset with an alternative 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 services, 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 points in time since it did not meet the conditions of the revenue recognition over time. Therefore, the Group recognises revenue over time and at a point in time for services of 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:

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

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

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

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Sale of goods

The performance obligation is to deliver eligible products to its customers, the Group considers the performance obligations were satisfied upon delivery or obtaining customers' acceptance of such products and payment is generally due within 30 to 90 days from delivery.

Rendering services

The performance obligation of rendering services is to provide services related to pharmaceutical business to its customers, the Group considers the performance obligations were satisfied either over-time or at a point in time for services under FTE and FFS arrangements, respectively.

	2022 **RMB'000**	2021 RMB'000
Other income		
Government grants*	**35,638**	107,233
Bank interest income	**76,625**	12,992
Foreign exchange gain	**433,605**	1,285
Others	**1,179**	2,340
	547,047	123,850
Other gains		
Gain on wealth management products	**97,585**	32,201
Gains on financial assets at fair value through profit or loss	**9,310**	17,766
	106,895	49,967
	653,942	173,817

* Government grants of RMB107,233,000 and RMB35,638,000 were granted during the years ended 31 December 2021 and 2022, as incentives to the development and research activities of the Group in the PRC, of which the amounts of government grants related to assets are RMB12,577,000 and RMB15,182,000, and the other government grants are related to income. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of sales		**5,397,598**	2,582,396
Depreciation of property, plant and equipment*	13	**319,573**	196,937
Depreciation of right-of-use assets*	14(a)	**31,100**	15,704
Amortisation of other intangible assets*	16	**11,304**	4,104
Research and development costs:			
Current year expenditure		**708,891**	387,478
Lease payments not included in the measurement of lease liabilities	14(c)	**8,138**	1,345
Auditor's remuneration		**5,770**	3,700
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8):			
Wages and salaries		**1,661,640**	928,279
Share-based payment expense		**52,758**	45,133
Pension scheme contributions		**143,514**	290,654
Bank interest income	5	**(76,625)**	(12,992)
Fair value gain on financial assets at fair value through profit or loss		**(83,206)**	(18,965)
Loss on disposal of items of property, plant and equipment and other intangible assets		**5,315**	874
Loss on disposal of right-of-use assets		**210**	–
Impairment losses on financial and contract assets, net		**25,789**	22,380
Foreign exchange differences, net		**(432,735)**	12,146

* Depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets and employee benefit expense for the year are mainly included in "Cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs as follows:

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
Fees	**384**	288
Other emoluments:		
Salaries, allowances and benefits in kind	**10,710**	9,786
Performance related bonuses	**16,460**	5,300
Equity-settled share incentive scheme	**112**	438
Pension scheme contributions	**607**	684
	27,889	16,208
	28,273	16,496

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair values of such options, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022	2021
	RMB'000	RMB'000
Ms. Zhang Kun	**128**	96
Mr. Guangcheng Pan*	**–**	40
Mr. Wang Qingsong	**128**	96
Mr. Lee, Kar Chung Felix	**128**	56
	384	288

* Mr. Guangcheng Pan retired as an independent non-executive director of the Company in June 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share incentive scheme RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022						
Executive directors:						
Mr. Hao Hong						
(Chief executive)	–	2,174	6,880	–	98	9,152
Dr. Ye Song	–	670	–	–	82	752
Ms. Yang Rui	–	2,977	3,560	–	106	6,643
Mr. Hong Liang	–	1,432	2,000	–	107	3,539
Ms. Zhang Ting	–	858	960	–	107	1,925
Ms. Zhang Da	–	2,599	3,060	112	107	5,878
	–	10,710	16,460	112	607	27,889
2021						
Executive directors:						
Mr. Hao Hong						
(Chief executive)	–	2,130	–	–	158	2,288
Dr. Ye Song	–	640	–	–	122	762
Ms. Yang Rui	–	2,674	2,000	–	101	4,775
Mr. Hong Liang	–	1,247	700	–	101	2,048
Ms. Zhang Ting	–	725	600	–	101	1,426
Ms. Zhang Da	–	2,370	2,000	438	101	4,909
	–	9,786	5,300	438	684	16,208

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	7,587	4,313
Performance related bonuses	8,624	10,605
Equity-settled share option expense	5,755	5,245
Pension scheme contributions	590	471
	22,556	20,634

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
Nil to HK$5,000,000	–	3
HK$5,000,001 to HK$8,000,000	3	–
HK$8,000,001 to HK$11,000,000	–	–
	3	3

10. INCOME TAX EXPENSE

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

10. INCOME TAX EXPENSE (continued)

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

	2022 RMB'000	2021 RMB'000
Current – Mainland China		
Charge for the year	448,600	168,413
Deferred (note 27)	(18,286)	(44,719)
Total tax charge for the year	430,314	123,694

	2022 RMB'000	2021 RMB'000
Profit before tax	3,724,945	1,192,950
Tax at the statutory tax rate		
– Mainland China	558,742	178,943
Tax at the statutory tax rate		
– Overseas	1,613	5,411
Effect of different tax rates of subsidiaries	(16,606)	(5,622)
Adjustments in respect of current tax of previous periods	(8,321)	(76)
Profit attributable to associates	665	453
Deductible temporary differences and tax losses not recognised	10,550	2,173
Tax losses utilised from previous periods	(1,455)	(1,597)
Impact of tax incentives and reduction including additionally deducted for qualified research and development costs	(115,088)	(58,491)
Expenses not deductible for tax	214	2,500
Tax charge at the Group's effective rate	430,314	123,694
Tax charge at the effective rate	12%	10%

11. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Proposed final – RMB1.80 (2021: RMB0.80) per ordinary share	**221,273**	145,560

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

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 365,895,000
(2021: 339,636,000) in issue during the year, as adjusted to reflect the rights issue during the year.

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

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2022	Buildings RMB'000	Leasehold improve-ments RMB'000	Manu-facturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:							
Cost	1,148,489	48,179	1,853,675	81,383	23,700	1,047,258	4,202,684
Accumulated depreciation and impairment	(230,825)	(2,418)	(563,991)	(52,046)	(16,550)	–	(865,830)
Net carrying amount	917,664	45,761	1,289,684	29,337	7,150	1,047,258	3,336,854
At 1 January 2022, net of accumulated depreciation and impairment	917,664	45,761	1,289,684	29,337	7,150	1,047,258	3,336,854
Additions	8,277	4,087	246,113	25,395	1,552	1,535,840	1,821,264
Disposals	(95)	–	(8,417)	(82)	(27)	–	(8,621)
Reclassification	(28,475)	–	31,085	(66)	(2,544)	–	–
Depreciation provided- during the year	(72,652)	(20,241)	(207,527)	(16,557)	(2,596)	–	(319,573)
Transfers	456,514	105,460	945,802	1,715	1,125	(1,510,616)	–
At 31 December 2022, net of accumulated depreciation and impairment	1,281,233	135,067	2,296,740	39,742	4,660	1,072,482	4,829,924
At 31 December 2022:							
Cost	1,583,060	155,307	3,034,900	107,935	22,495	1,072,482	5,976,179
Accumulated depreciation and impairment	(301,827)	(20,240)	(738,160)	(68,193)	(17,835)	–	(1,146,255)
Net carrying amount	1,281,233	135,067	2,296,740	39,742	4,660	1,072,482	4,829,924

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2021	Buildings RMB'000	Leasehold improve-ments RMB'000	Manu-facturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021:							
Cost	938,121	9,958	1,190,468	58,488	20,700	671,101	2,888,836
Accumulated depreciation and impairment	(181,174)	(7,631)	(437,482)	(39,723)	(14,529)	–	(680,539)
Net carrying amount	756,947	2,327	752,986	18,765	6,171	671,101	2,208,297
At 1 January 2021, net of accumulated depreciation and impairment	756,947	2,327	752,986	18,765	6,171	671,101	2,208,297
Additions	211,565	45,852	666,437	22,739	3,105	1,185,316	2,135,014
Acquisition of a subsidiary	–	–	–	513	–	–	513
Disposals	(844)	–	(9)	(19)	(2)	–	(874)
Depreciation provided-during the year	(50,004)	(2,418)	(129,730)	(12,661)	(2,124)	–	(196,937)
Transfers	–	–	–	–	–	(809,159)	(809,159)
At 31 December 2021, net of accumulated depreciation and impairment	917,664	45,761	1,289,684	29,337	7,150	1,047,258	3,336,854
At 31 December 2021:							
Cost	1,148,489	48,179	1,853,675	81,383	23,700	1,047,258	4,202,684
Accumulated depreciation and impairment	(230,825)	(2,418)	(563,991)	(52,046)	(16,550)	–	(865,830)
Net carrying amount	917,664	45,761	1,289,684	29,337	7,150	1,047,258	3,336,854

At 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB31,846,000 (2021: RMB35,239,000) were pledged to secure general banking facilities granted to the Group (note 26).

14. LEASES

The Group has lease contracts for various items of buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	**Buildings** RMB'000	**Total** RMB'000
As at 1 January 2021	261,616	22,712	284,328
Additions	55,639	38,386	94,025
Depreciation charge	(6,066)	(9,638)	(15,704)
As at 31 December 2021 and 1 January 2022	**311,189**	**51,460**	**362,649**
Additions	**219,977**	**96,893**	**316,870**
Depreciation charge	**(9,532)**	**(21,568)**	**(31,100)**
Disposal	**(106,109)**	**(2,594)**	**(108,703)**
As at 31 December 2022	**415,525**	**124,191**	**539,716**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Carrying amount at 1 January	**59,094**	28,807
Additions	**96,893**	38,386
Accretion of interest recognised during the year	**3,961**	1,696
Payments	**(18,801)**	(9,795)
Terminations	**(2,801)**	–
Carrying amount at 31 December	**138,346**	59,094
Analysed into:		
Current portion	**28,487**	13,217
Non-current portion	**109,859**	45,877

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

14. LEASES (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**3,961**	1,696
Depreciation charge of right-of-use assets	**31,100**	15,704
Expense relating to short-term leases (included in cost of sales)	**8,138**	1,345
Total amount recognised in profit or loss	**43,199**	18,745

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options. However, the Group did not expect to exercise such options as at 31 December 2022.

(e) The total cash outflow for leases are disclosed in notes 32(c) and 38, respectively, to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2021:	
Cost	43,186
Acquisition of a subsidiary	102,997
Cost and net carrying amount at 31 December 2021	146,183
At 31 December 2021:	
Cost	146,183
Accumulated impairment	–
Cost and net carrying amount at 31 December 2022	146,183
At 31 December 2022:	
Cost	**146,183**
Accumulated impairment	**–**
Net carrying amount	**146,183**

15. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit ("CGU")for impairment testing:

Tianjin GoalGen Biotechnology Co., Ltd. CGU ("Tianjin GoalGen CGU")

The recoverable amount of the Tianjin GoalGen CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 14.24% (2021: 15.25%). The revenue growth rate used to extrapolate the cash flows of the Tianjin GoalGen CGU after 2027 is zero.

Beijing Improve-Quality Technology Co., Ltd. CGU ("Improve-Quality CGU")

The recoverable amount of the Improve-Quality CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 17.73% (2021: 18.15%). The revenue growth rate used to extrapolate the cash flows of the Improve-Quality CGU after 2027 is zero.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	Tianjin GoalGen CGU		**Improve-Quality CGU**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Carrying amount of goodwill	**43,186**	43,186	**102,997**	102,997	**146,183**	146,183

Assumptions were used in the value in use calculation of the Tianjin GoalGen CGU and Improve-Quality CGU for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year for each product, increased for expected efficiency improvements, and expected market.

Terminal growth rate – The terminal growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate – The pre-tax discount rate used is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies in the technology industry.

16. OTHER INTANGIBLE ASSETS

	Customer Relationship RMB'000	Patents and licences RMB'000	software and others RMB'000	Total RMB'000
31 December 2022				
Cost at 1 January 2022, net of				
Accumulated amortisation	**35,900**	**–**	**27,060**	**62,960**
Additions	**–**	**–**	**8,234**	**8,234**
Disposals	**–**	**–**	**(2,211)**	**(2,211)**
Amortisation provided during the year	**(3,590)**	**–**	**(7,714)**	**(11,304)**
At 31 December 2022	**32,310**	**–**	**25,369**	**57,679**
At 31 December 2022:				
Cost	**35,900**	**1,238**	**44,673**	**81,811**
Accumulated amortisation	**(3,590)**	**(1,238)**	**(19,304)**	**(24,132)**
Net carrying amount	**32,310**	**–**	**25,369**	**57,679**
31 December 2021				
Cost at 1 January 2021, net of				
Accumulated amortisation	–	399	23,650	24,049
Additions	–	–	5,517	5,517
Transfers	–	84	1,547	1,631
Disposals	–	(260)	–	(260)
Amortisation provided during the year	–	(223)	(3,881)	(4,104)
Acquisition of a subsidiary	35,900	–	227	36,127
At 31 December 2021	35,900	–	27,060	62,960
At 31 December 2021:				
Cost	35,900	1,238	39,467	76,605
Accumulated amortisation	–	(1,238)	(12,407)	(13,645)
Net carrying amount	35,900	–	27,060	62,960

17. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets		
–Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Haihe Asymchem")	**241,081**	202,631
–Snapdragon Chemistry Inc. ("Snapdragon")*	**–**	48,608
–Tianjin Yugen Medtech Co., Ltd. ("Yugen Medtech")	**36,175**	40,609
	277,256	291,848

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Haihe Asymchem	Ordinary shares	the PRC	26.40	Corporate investment
Snapdragon*	Preferred shares	USA	–	Medical research and development
Yugen Medtech	Ordinary shares	the PRC	29.08	Medical research and development

* In September 2022, The Company disposed all its investment in Snapdragon for a consideration of US$6 million.

17. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Haihe Asymchem adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Haihe Asymchem

	2022 RMB'000	2021 RMB'000
Current assets	219,233	430,897
Non-current assets	695,027	336,732
Total assets	914,260	767,629
Current liabilities	128	86
Total liabilities	128	86
Net assets	914,132	767,543
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	26.4%	26.4%
Carrying amount of the investment	241,081	202,631
Net profit/(loss)	108,280	(3,074)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the associates' loss for the year	(4,434)	(3,029)
Aggregate carrying amount of the Group's investments in the associates	36,175	89,217

18. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	391,622	412,315
Work in progress	1,118,791	983,800
	1,510,413	1,396,115

19. TRADE RECEIVABLES

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

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

Details of the concentration of credit risk arising from the customers are set out in note 38 to the consolidated financial statements.

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

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

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

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

19. TRADE RECEIVABLES (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Within 1 year	Over 1 year but Within 2 year	Over 2 year but within 3 years	Over 3 years	Total
Expected credit loss rate	3.39%	20.00%	50.00%	100.00%	4.03%
Gross carrying amount (RMB'000)	2,505,668	32,611	8,864	6,815	2,553,958
Expected credit losses (RMB'000)	85,041	6,522	4,432	6,815	102,810

As at 31 December 2021

	Within 1 year	Over 1 year but Within 2 year	Over 2 year but within 3 years	Over 3 years	Total
Expected credit loss rate	3.71%	17.45%	50.00%	100.00%	4.31%
Gross carrying amount (RMB'000)	1,846,108	41,951	7,826	2,120	1,898,005
Expected credit losses (RMB'000)	68,451	7,320	3,913	2,120	81,804

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments	347,797	576,659
Other tax recoverable	147,175	212,448
Deposits	36,238	23,661
Other receivables	90,085	5,805
	621,295	818,573
Impairment allowance	(7,773)	(6,350)
	613,522	812,223
Current portion	376,398	457,514
Non-current portion	237,124	354,709

An ageing analysis of the current portion of prepayments, deposits and other receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	354,373	450,884
1 to 2 years	19,697	3,760
2 to 3 years	2,312	2,637
Over 3 years	16	233
	376,398	457,514

The changes in the impairment allowance of other receivables based on 12-month and the entire life expectancy expected credit losses are as follows:

As at 31 December 2022

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
At 1 January 2022	4,485	–	1,865	6,350
Provision for impairment losses for this year	3,288	–	(1,865)	1,423
At 31 December 2022	7,773	–	–	7,773

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

As at 31 December 2021

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
At 1 January 2021	5,369	–	1,865	7,234
Provision for impairment losses for this year	(884)	–	–	(884)
At 31 December 2021	4,485	–	1,865	6,350

The movements in provision for impairment of other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**6,350**	7,234
Impairment losses recognised/(reversed)	**1,423**	(884)
At end of year	**7,773**	6,350

The Group has applied the general approach to providing impairment for ECLs prescribed by IFRS 9, which permits either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

An impairment analysis is performed at the end of the reporting period to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

21. CONTRACT ASSETS

	2022 RMB'000	2021 RMB'000
Contract assets arising from:		
Technical services	67,340	742
Impairment	(3,364)	–
	63,976	742

The performance obligation of rendering services is to provide services related to pharmaceutical business to its customers and the Group considers the performance obligations were satisfied over time under FTE and FFS arrangements respectively. The contract assets is primarily relate to the Company's right to consideration for the work completed and not billed. The increase in contract assets in 2022 was the result of the increase in the ongoing sale of services at the end of the year.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	63,976	742
Total contract assets	63,976	742

The movements in the loss allowance for impairment of contract assets are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	–	–
Impairment losses recognised	(3,364)	–
At end of year	(3,364)	–

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets

	2022 RMB'000	2021 RMB'000
Wealth management products	2,151,062	401,198
Other unlisted investments, at fair value	113,076	103,766
Current portion	2,151,062	401,198
Non-current portion	113,076	103,766

The above financial assets were wealth management products and an unlisted investment in an investment fund in Mainland China. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH BALANCES

	2022 RMB'000	2021 RMB'000
Cash and bank balances	5,289,594	6,234,457
Less:		
Time deposits with original maturity of more than three months	(853,581)	–
Pledged for letters of credit and others	(11,170)	(11)
Restricted deposits	(6,666)	(2,413)
Cash and cash equivalents	4,418,177	6,232,033

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks and time deposits earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default and no expected credit loss was expected to incur.

23. CASH AND CASH BALANCES (continued)

The carrying amounts of cash and cash equivalents approximate to their fair values.

	2022 RMB'000	2021 RMB'000
Denominated in RMB	2,754,843	174,414
Denominated in USD	311,596	417,570
Denominated in GBP	1,499	3,036
Denominated in HK$	1,350,240	5,637,013
Cash and cash equivalents	4,418,178	6,232,033

24. TRADE PAYABLES

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

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

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

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

25. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Current portion			
Payroll and welfare payable		348,803	188,003
Other tax payables		49,930	25,487
Contract liabilities	(a)	277,330	131,046
Repurchase obligation of restricted shares	(c)	446,879	483,674
Other payables	(b)	388,256	372,930
		1,511,198	1,201,140
Non-current portion			
Deferred income		168,121	179,049

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Advances received from customers		
Transfer of goods and services	277,330	131,046

Contract liabilities include advances received to deliver products and warranty services. The increase in contract liabilities in 2022 was mainly due to the increase in advances received from customers at the end of year.

(b) Other payables are non-interest-bearing and have an average term of three months.

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

(c) The payable represents the repurchase obligations associated with the restricted shares issued to employees. Pursuant to the shareholders resolutions on 8 January 2021 and 23 September 2021 for incentive schemes, the Group shall repurchase the restricted A shares at an agreed price if the profitability of the Group or performance of granted eligible employees is not fulfilled, or if the eligible employees leave the Group. Given the vesting of the tranche relating to profitability of the Group and that the performance of eligible employees had not occurred at the end of the reporting period, the consideration received for the restricted share repurchase is then accounted for as a deposit received. Details are disclosed in note 31 to the consolidated financial statements.

26. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate	**Maturity**	**RMB'000**	Effective interest rate	Maturity	RMB'000
Bank loans – unsecured	N/A	N/A	–	LPR-0.15%	2022	375,392

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	–	375,392

Notes:

(a) As at 31 December 2022, the Group settled all its interest-bearing bank borrowings.

(b) At 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB31,846,000 (2021: RMB35,239,000) were pledged to secure general banking facilities granted to the Group.

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from assets at fair value through profit or loss	Fair value adjustments arising from Acquisitions of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	86,955	–	35	86,990
Deferred tax charged to the statement of profit or loss during the year (note 10)	21,525	2,665	–	24,190
Acquisition of a subsidiary	–	–	5,374	5,374
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	**108,480**	**2,665**	**5,409**	**116,554**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**91,912**	**9,350**	**(562)**	**100,700**
Gross deferred tax liabilities at 31 December 2022	**200,392**	**12,015**	**4,847**	**217,254**

Deferred tax assets

	Provision for impairment of assets	Elimination of unrealised profits	Losses available for offsetting against future taxable profits	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 31 December 2020 and 1 January 2021	12,132	3,347	84,659	13,624	4,244	118,006
Deferred tax charged to the statement of profit or loss during the year (note 10)	2,678	403	57,421	4,057	4,365	68,924
Gross deferred tax assets at 31 December 2021 and 1 January 2022	**14,810**	**3,750**	**142,080**	**17,681**	**8,609**	**186,930**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**2,800**	**16,131**	**90,955**	**546**	**8,554**	**118,986**
Gross deferred tax assets at 31 December 2022	**17,610**	**19,881**	**233,035**	**18,227**	**17,163**	**305,916**

27. DEFERRED TAX (continued)

Deferred tax assets (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 **RMB'000**	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**177,858**	186,930
Net deferred tax liabilities recognised in the consolidated statement of financial position	**89,195**	116,554

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

	2022 **RMB'000**	2021 RMB'000
Tax losses	**110,956**	12,189
	110,956	12,189

The Group has tax losses of approximately RMB110,956,000 (2021: RMB12,189,000) arising in Mainland China that will expire in one to ten years for offsetting against future taxable profits. The Group has tax losses arising in UK and US of approximately RMB43,026,000 (2021: RMB7,691,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

Shares

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

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

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

Notes:

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

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

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

29. RESTRICTED SHARES UNDER SHARE-BASED PAYMENT

	RMB'000
At 31 December 2021 and 1 January 2022	481,820
Issue of restricted A-shares under A-Share Incentive Scheme 2022	–
Vesting of restricted A-shares	(21,898)
Cancellation of restricted A-shares	(13,044)
Shares repurchased	799,682
At 31 December 2022	1,246,560

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 100 to 101 of the financial statements.

Capital reserve

The capital reserve represents the aggregate amount of share-based payment and share issue expense. Details of the movements are set out in the consolidated statement of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China, the subsidiaries in the PRC are required to allocate 10% of the statutory after tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the consolidated financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

31. SHARE-BASED PAYMENTS

Restricted A-share incentive schemes

The Group adopted share incentive schemes (the "Restricted A-share Incentive Schemes") for the purpose of further refining the corporate governance structure of the Group, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Group, as well as balancing the interests of the shareholders, the Group and management for the long-term development of the Group.

The Restricted A-share Incentive Scheme 2020 was approved by the shareholders of the Company. On 12 August 2020, the relevant resolutions were considered and passed at the Company's 41st meeting of the 3rd session of the board of directors and the 35th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2020 of the Company was set on 9 July 2020. On 12 August 2020 (the date of grant), pursuant to the Restricted A-share Incentive Scheme 2020, 1,018,000 A-shares were granted to 215 eligible participants of the Restricted A-share Incentive Scheme 2020 (the share incentive participants) at a grant price of RMB116.57 per share. The share incentive participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A-share Incentive Scheme 2021 was approved by the shareholders of the Company on 8 January 2021, whereby the relevant resolution was considered and passed at the Company's 52nd meeting of the 3rd session of the board of directors and the 42nd meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2021 of the Company was set on 8 January 2021. On 8 January 2021(the date of grant), pursuant to the Restricted A-share Incentive Scheme 2021, 176,000 A-shares of the Company were granted to 35 eligible participants of the Restricted A-share Incentive Scheme 2021 (the share incentive participants) at a grant price of RMB149.88 per share. The share incentive participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

31. SHARE-BASED PAYMENTS (continued)

Restricted A-share incentive schemes (continued)

The restricted A-shares shall be locked up immediately upon grant. All of the restricted A-shares granted to the A-shares incentive participants shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the date of grant. the restricted A-shares held by the A-shares incentive participants shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. Should the market conditions not be met, the additional lock-up period shall be prolonged by 3 to 9 months accordingly. Where the performance target at company level has been achieved, share incentive participants are only entitled to unlock the restricted A-shares upon achieving the benchmarks of "Pass" or above in their performance target for the preceding year according to the Company's administrative measures in respect of the remuneration and performance appraisal.

On 23 September 2021, the Company granted 2,048,200 restricted A-shares to 263 eligible participants at a grant price of RMB185.52 per share (the closing price of the share on the grant date was RMB340.85 per share). According to the incentive plan formulated by the Company, the restricted A-shares granted to senior management shall be subject to various lock-up periods of 1 year, 2 years and 3 years, immediately from the date of grant, and the restricted A-shares granted to the core technical personnel will be unlocked in three phases.

Based on the performance indicators of the Group, the restricted A-shares held by the senior management shall be unlocked in four tranches in the proportion of 30%, 20%,20% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. Also, the restricted A-shares held by the core technical personnel shall be unlocked in three tranches in the proportions of 40%, 30% and 30% of the total number of the restricted A-shares granted upon the expiry of each lock-up period. The banned conditions after unlocking are mainly related to the Company's market value. In addition, if all or part of the shares are not to be unlocked, the Company will repurchase and cancel them. The repurchase price is the same as the grant price, unless the repurchase price needs to be adjusted.

31. SHARE-BASED PAYMENTS (continued)

Restricted A-share incentive schemes (continued)

Details of the corresponding unlock rate for different performance levels are summarised as follows:

Performance	Outstanding	Good	Pass
Unlocking coefficient	1.0	0.8	0.6

	Number of RSU	Weighted average grant date fair value per RSU
		RMB
Outstanding as of 1 January 2021	1,512,295	34.89
Granted during the year	2,224,200	46.53
Vested during the year	(692,020)	42.79
Cancelled during the year	(46,775)	18.44
Outstanding as of 31 December 2021	2,997,700	42.06
Granted during the year	**1,157,160**	**41.20**
Vested during the year	**(338,360)**	**26.75**
Cancelled during the year	**(102,020)**	**41.67**
Outstanding as of 31 December 2022	**3,714,480**	**43.19**

The fair value of each RSU on the grant date is determined by reference to the fair value of the underlying ordinary shares on the date of grant. The effect of a lock-up discount for selling restriction over a period after all vesting conditions are fulfilled was reflected in the fair value on the grant date.

During the years ended 31 December 2022 and 2021, the Group has recognised amounts of RMB52,870,000 and RMB51,057,000 as expenses, respectively.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB96,893,000 (2021: RMB38,386,000), in respect of lease arrangements for building.

(b) Changes in liabilities arising from financing activities

2022

	Interest-bearing bank borrowings RMB'000	**Lease liabilities RMB'000**
At 1 January 2022	**375,392**	**59,094**
Changes from financing cash flows	**(385,921)**	**(18,801)**
New leases	**–**	**96,893**
Interest expense (note 7)	**10,529**	**3,961**
Terminations	**–**	**(2,801)**
At 31 December 2022	**–**	**138,346**

2021

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2021	10,034	28,807
Changes from financing cash flows	358,030	(9,795)
New leases	–	38,386
Interest expense	7,328	1,696
At 31 December 2021	375,392	59,094

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**8,138**	1,345
Within financing activities	**18,801**	9,795
	26,939	11,140

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans in note 23 and 26 to the consolidated financial statements.

34. COMMITMENTS

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

	2022 **RMB'000**	2021 RMB'000
Contracted, but not provided for:		
Buildings	**165,862**	290,625
Plant and machinery	**306,611**	560,862
Investments in financial assets at fair value through profit or loss	**54,000**	40,000
	526,473	891,487

35. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties:

Name	**Relationship**
上海凱萊英檢測技術有限公司 Shanghai Asymchem Laboratories Testing Technology Co., Ltd ("Shanghai Asymchem Technology")	Subsidiary of an associate of the Group
天津有濟醫藥科技發展有限公司 Yugen Medtech	Associate
天津海河凱萊英生物醫藥產業創新投資基金(有限合夥) Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Haihe Asymchem")	Associate
凱萊同心(天津)企業管理諮詢合夥企業(有限合夥) AsymCore Management Consulting Partnership (Limited Partnership)	Enterprises controlled by the executive director
HAO HONG	Executive Director

35. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

As disclosed in note 20 to the consolidated financial statements, the Group had outstanding balances due to related parties at 31 December 2021 and 2022.

Amount due to a related party

	2022 RMB'000	2021 RMB'000
Yugen Medtech	1,096	–

The amount due to a related party is unsecured, interest-free and repayable on demand.

(c) Transactions with related parties:

(i) Purchases from related parties

	2022 RMB'000	2021 RMB'000
Yugen Medtech	1,556	402
Shanghai Asymchem Technology	100	–

The purchases from related parties were made according to the published prices and conditions similar to those offered to the independent third party customers of the suppliers.

(ii) Other transactions with related parties

The subsidiary of the company, Shanghai Asymchem Biotechnology Co., Ltd. ("Asymchem Biotechnology"), brings in external investors by injecting and increasing the capital. During the year, the company has received RMB48,193,000 from Haihe Asymchem and RMB24,117,000 from Dr. Hao Hong

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

	2022 RMB'000	2021 RMB'000
Short term employee benefits	52,641	32,550
Pension scheme contributions	2,112	1,923
Equity-settled share incentive scheme	1,973	5,486
Total compensation paid to key management personnel	56,726	39,959

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

36. 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:

2022

Financial assets

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

Financial liabilities

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

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2021

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	1,816,201	1,816,201
Financial assets included in prepayments, other receivables and other assets	–	29,466	29,466
Financial assets at fair value through profit or loss	504,964	–	504,964
Cash and cash balances	–	6,234,457	6,234,457
	504,964	8,080,124	8,585,088

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	551,866
Financial liabilities included in other payables and accruals	851,204
Lease liabilities	59,094
Interest-bearing bank borrowings	375,392
	1,837,556

37. 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	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**2,151,062**	401,198	**2,151,062**	401,198
– An unlisted investment fund	**113,076**	103,766	**113,076**	103,766
	2,264,138	504,964	**2,264,138**	504,964
Financial liabilities				
Interest-bearing bank borrowings	**–**	375,392	**–**	375,392
	–	375,392	**–**	375,392

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

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

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

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

37. 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 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	2,151,062	–	2,151,062
– An unlisted investment fund	–	–	113,076	113,076
	–	2,151,062	113,076	2,264,138

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	401,198	–	401,198
– An unlisted investment fund	–	–	103,766	103,766
	–	401,198	103,766	504,964

37. 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 2022 and 2021.

During the year, 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 (2021: Nil).

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

	2022 **RMB'000**	2021 RMB'000
Equity investments at fair value through profit or loss		
At 1 January	**103,766**	35,000
Changes in fair value	**9,310**	17,766
Purchases	**–**	51,000
At 31 December	**113,076**	103,766

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise lease liabilities, interest-bearing bank borrowing, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. Some of these interest-bearing bank borrowings were obtained at floating interest rates, which have exposed the Group to interest rate risk. The interest rates and terms of repayment of borrowings are disclosed in note 26 above, and the possible reasonable changes in interest rates do not have a significant impact to the Group's profit or loss and equity.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the major foreign currency exchange rate, with all other variables held constant, of the Group's profit for the year due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/ Increase/ (decrease) in basis points	Increase/ (decrease) in profit for the year RMB'000	Increase/ (decrease) in equity RMB'000
2022			
If USD strengthens against RMB	**10%**	**198,300**	**198,300**
If USD weakens against RMB	**(10%)**	**(198,300)**	**(198,300)**
If HK$ strengthens against RMB	**10%**	**114,977**	**114,977**
If HK$ weakens against RMB	**(10%)**	**(114,977)**	**(114,977)**
2021			
If USD strengthens against RMB	10%	28,628	28,628
If USD weakens against RMB	(10%)	(28,628)	(28,628)
If HK$ strengthens against RMB	10%	586,040	586,040
If HK$ weakens against RMB	(10%)	(586,040)	(586,040)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	67,340	67,340
Trade receivables*	–	–	–	2,553,958	2,553,958
Financial assets included in prepayments, other receivables and other assets	126,323	–	–	–	126,323
Cash and cash equivalents – Not yet past due	5,289,594	–	–	–	5,289,594
	5,415,917	–	–	2,621,298	8,037,215

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	742	742
Trade receivables*	–	–	–	1,898,005	1,898,005
Financial assets included in prepayments, other receivables and other assets	29,466	–	–	–	29,466
Cash and cash balances – Not yet past due	6,234,457	–	–	–	6,234,457
	6,263,923	–	–	1,898,747	8,162,670

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 21 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

The credit risk of the Group's other financial assets, which comprise cash and cash balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the consolidated financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 55.50% (2021: 54.63%) and 70.34% (2021: 71.35%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2022, None (31 December 2021: 100%) of the Group's borrowing would mature in less than one year based on the carrying values of the borrowings.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2022

	On demand RMB'000	Less than 1 years RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	31,180	105,613	28,911	165,704
Restricted share repurchase	446,879	–	–	–	446,879
Financial liabilities included in other payables and accruals	388,166	–	–	–	388,166
Trade payables	568,892	–	–	–	568,892
	1,403,937	31,180	105,613	28,911	1,569,641

2021

	On demand RMB'000	Less than 1 years RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	13,876	41,377	12,226	67,479
Restricted share repurchase	483,674	–	–	–	483,674
Financial liabilities included in other payables and accruals	367,530	–	–	–	367,530
Interest-bearing bank borrowings	–	375,392	–	–	375,392
Trade payables	551,866	–	–	–	551,866
	1,403,070	389,268	41,377	12,226	1,845,941

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, other payables and accruals, lease liabilities and less cash and cash balances. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2022	2021
	RMB'000	RMB'000
Interest-bearing bank borrowings (note 26)	**–**	375,392
Trade payables (note 24)	**568,892**	551,866
Other payables and accruals (note 25)	**1,511,198**	1,201,140
Lease liabilities	**138,346**	59,094
Less: Cash and cash balances (note 23)	**5,289,594**	6,234,457
Net debt	**N/A**	N/A
Total equity	**15,695,003**	12,610,012
Total equity and net debt	**N/A**	N/A
Gearing ratio	**N/A**	N/A

39. EVENTS AFTER THE REPORTING PERIOD

Proposed profit distribution of 2022

Subsequent to the balance sheet date, the board of directors proposed the 2022 Profit Distribution Plan as follows: a cash dividend of RMB1.80 (before tax) per share for the year ended 31 December 2022. The total amount of the proposed final dividend is approximately RMB656,437,642 (before tax).

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

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**568,500**	156,713
Right-of-use assets	**111,772**	62,670
Other intangible assets	**14,401**	18,984
Investments in subsidiaries	**2,037,006**	1,919,259
Investments in associates	**277,256**	291,848
Deferred tax assets	**–**	7,474
Prepayments, deposits and other receivables	**57,325**	77,957
Financial assets at fair value through profit or loss	**78,660**	103,766
Total non-current assets	**3,144,920**	2,638,671
CURRENT ASSETS		
Inventories	**51,043**	35,733
Trade receivables	**457,888**	294,886
Prepayments, deposits and other receivables	**2,115,607**	1,865,824
Financial assets at fair value through profit or loss	**1,599,309**	–
Cash and cash balances	**3,974,568**	5,759,347
Total current assets	**8,198,415**	7,955,790
CURRENT LIABILITIES		
Trade payables	**746**	667
Other payables and accruals	**1,018,930**	627,059
Interest-bearing bank borrowings	**–**	155,060
Lease liabilities	**7,308**	5,903
Tax payable	**16**	–
Total current liabilities	**1,027,000**	788,689
NET CURRENT ASSETS	**7,171,415**	7,167,101
TOTAL ASSETS LESS CURRENT LIABILITIES	**10,316,335**	9,805,772
NON-CURRENT LIABILITIES		
Deferred income	**23,163**	24,299
Lease liabilities	**15,313**	11,212
Deferred tax liabilities	**11,101**	11,094
Total non-current liabilities	**49,577**	46,605
Net assets	**10,266,758**	9,759,167
EQUITY		
Share capital	**369,917**	263,044
Restricted shares under share-based payment	**(1,246,560)**	(481,820)
Other reserves	**11,143,401**	9,977,943
Total equity	**10,266,758**	9,759,167

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Attributable to owners of the parent						
	Share capital RMB'000	Restricted shares under share-based payment RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Total equity RMB'000
At 1 January 2021	242,451	(137,358)	3,499,827	68,151	183,136	3,856,207	3,856,207
Profit for the year	–	–	–	–	346,879	346,879	346,879
Total comprehensive income for the year	–	–	–	–	346,879	346,879	346,879
Final 2020 dividend declared and paid	–	–	–	–	(145,560)	(145,560)	(145,560)
Issue of shares	18,416	–	5,572,948	–	–	5,591,364	5,591,364
Issue of restricted shares	2,224	(406,361)	404,137	–	–	–	–
Cancellation of restricted shares	(47)	3,717	(2,632)	–	–	1,038	1,038
Vesting of restricted shares	–	58,182	–	–	–	58,182	58,182
Equity-settled share option arrangements	–	–	51,057	–	–	51,057	51,057
Transfer to statutory surplus reserve	–	–	–	35,200	(35,200)	–	–
At 31 December 2021	263,044	(481,820)	9,525,337	103,351	349,255	9,759,167	9,759,167
At 1 January 2022	**263,044**	**(481,820)**	**9,525,337**	**103,351**	**349,255**	**9,759,167**	**9,759,167**
Profit for the year	**–**	**–**	**–**	**–**	**1,056,194**	**1,056,194**	**1,056,194**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,056,194**	**1,056,194**	**1,056,194**
Final 2021 dividend declared and paid	**–**	**–**	**–**	**–**	**(211,273)**	**(211,273)**	**(211,273)**
Issue of H-shares under the Over-allotment option	**1,265**	**–**	**386,466**	**–**	**–**	**387,731**	**387,731**
Cancellation of restricted shares	**(102)**	**13,044**	**(13,089)**	**–**	**–**	**(147)**	**(147)**
Vesting of restricted shares	**–**	**21,898**	**–**	**–**	**–**	**21,898**	**21,898**
Equity-settled share option arrangements	**–**	**–**	**52,870**	**–**	**–**	**52,870**	**52,870**
Share premium transferred to Share capital	**105,710**	**–**	**(105,710)**	**–**	**–**	**–**	**–**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**105,619**	**(105,619)**	**–**	**–**
Repurchase of A-shares	**–**	**(799,682)**	**–**	**–**	**–**	**(799,682)**	**(799,682)**
At 31 December 2022	**369,917**	**(1,246,560)**	**9,845,874**	**208,970**	**1,088,557**	**10,266,758**	**10,266,758**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

DEFINITIONS

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

"Annual General Meeting"	The Annual General Meeting of the Company to be held on June 9, 2023
"ALAB"	Asymchem Laboratories, Incorporated, a limited liability company incorporated in the United States on November 27, 1995, which is a controlling shareholder and owned as to 71.39% and 19.57% by Dr. Hao Hong and Dr. Ye Song, respectively, as of the date of this annual report.
"A Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 per share, which are listed for trading on the Shenzhen Stock Exchange and traded in Renminbi
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"CAGR"	compound annual growth rate
"CDMO"	Contract Development Manufacturing Organization, a company that mainly provides CMC, drug development and drug manufacturing services in the pharmaceutical industry
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman" or "Chairman of the Board"	the chairman of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Clin-nov Medical"	Tianjin Clin-nov Medical Technology Development Co., Ltd. (天津凱諾醫藥科技發展有限公司) (formerly known as Tianjin Asymchem Medical Technology Development Co., Ltd. (天津凱萊英醫藥科技有限公司) with the name changed in August 2020), a wholly-owned subsidiary of the Company
"Company," "our Company," "the Company," or "Asymchem"	Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司), was established under the laws of the PRC as an enterprise legal person on October 8, 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 year ended December 31, 2021
"CSRC"	China Securities Regulatory Commission
"Group," "our Group," "we," "us," or "our"	our Company and its subsidiaries
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Date"	the date, namely December 10, 2021, on which the H Shares were listed and from which dealings in the H Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus of the Company dated November 30, 2021
"Reporting Period"	for the year ended December 31, 2022

DEFINITIONS

"RMB" or "Renminbi"	the lawful currency of the PRC
"Shanghai Asymchem"	Shanghai Asymchem Biotechnology Co., Ltd. (上海凱萊英生物技術有限公司), a wholly-owned subsidiary of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Supervisory Committee"	the supervisory committee of our Company

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

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