

# 昭衍

## JOINN

北京昭衍新藥研究中心股份有限公司  
JOINN LABORATORIES (CHINA) CO., LTD.

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

Stock Code: 6127

2021  
INTERIM  
REPORT

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## Definitions

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

<b>“2018 Share Option and Restricted Share Award Scheme”</b>	a share option and restricted share award scheme adopted and approved by the Company on February 27, 2018, the principal terms of which are set out in the Prospectus
<b>“2019 Share Option and Restricted Share Award Scheme”</b>	a share option and restricted share award scheme adopted and approved by the Company on August 15, 2019, the principal terms of which are set out in the Prospectus
<b>“2020 Share Option Scheme”</b>	a share option scheme adopted and approved by the Company on July 15, 2020, the principal terms of which are set out in the Prospectus
<b>“A Shares”</b>	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are listed for trading on the Shanghai Stock Exchange
<b>“Associate(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Biomere”</b>	Biomedical Research Models, Inc., a limited liability company incorporated in Massachusetts, the United States, on December 11, 1996 and acquired by our Company on December 10, 2019 to become a wholly-owned subsidiary of Joynn Laboratories (Delaware) Corporation, which is in turn wholly-owned by our Company
<b>“Board”</b>	the board of Directors of our Company
<b>“CEO” or “Chief Executive Officer”</b>	chief executive officer of our Company
<b>“CG Code”</b>	the “Corporate Governance Code” as contained in Appendix 14 of the Listing Rules
<b>“Chief Financial Officer”</b>	chief financial officer of our Company

<b>“China” or “PRC”</b>	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
<b>“Company”, “Our Company” or “JOINN”</b>	JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) which was incorporated in the PRC on February 14, 2008 and converted into a joint-stock company on December 26, 2012, the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 603127) and the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 6127)
<b>“Connected Person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Controlling Shareholder(s)”</b>	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Ms. Feng and Mr. Zhou
<b>“CSRC”</b>	China Securities Regulatory Commission
<b>“Director(s)”</b>	the directors of the Company
<b>“Global Offering”</b>	the Hong Kong public offering and the international offering of the Shares
<b>“Group”, “our Group”, “our”, “we” or “us”</b>	the company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
<b>“H Shares”</b>	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“HK\$” or “HK dollars”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“JOINN Laboratories (Suzhou)”</b>	JOINN Laboratories (Suzhou) Co., Ltd. (昭衍(蘇州)新藥研究中心有限公司), which was incorporated in the PRC on December 11, 2008 with limited liability, and a wholly – owned subsidiary of our Company

## Definitions

<b>“Listing”</b>	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
<b>“Listing Date”</b>	February 26, 2021
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
<b>“Mr. Zhou”</b>	Mr. Zhou Zhiwen (周志文), a Controlling Shareholder and the spouse of Ms. Feng
<b>“Ms. Feng”</b>	Ms. Feng Yuxia (馮宇霞), a Controlling Shareholder, the chairperson of the Board and an executive Director of our Company, and the spouse of Mr. Zhou
<b>“NMPA”</b>	the National Medical Products Administration of China (國家藥品監督管理局)
<b>“Pre-IPO Share Option and Restricted Share Award Schemes”</b>	the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme
<b>“Prospectus”</b>	the prospectus of the Company dated February 16, 2021
<b>“Reporting Period”</b>	the six months ended June 30, 2021
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of the PRC
<b>“SFO”</b>	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
<b>“Shanghai Stock Exchange”</b>	the Shanghai Stock Exchange (上海證券交易所)
<b>“Share(s)”</b>	shares (including the A Shares and the H Shares) in the share capital of our Company with a nominal value of RMB1.00 each
<b>“Shareholder(s)”</b>	holder(s) of our Share(s)

**“Staidson”**

Staidson (Beijing) Biopharmaceuticals Co., Ltd. (舒泰神(北京)生物製藥股份有限公司), a joint stock limited company incorporated under the laws of the PRC on August 16, 2002 and whose shares are listed on the Shenzhen Stock Exchange (stock code: 300204), which is held as to 40.29% in aggregate by Mr. Zhou and Ms. Feng, which includes 37.21% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is directly held as to 47.60% by Mr. Zhou and 37.40% by Ms. Feng, respectively), 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管 – 招商銀行 – 華泰聚力16號集合資產管理計劃), and 1.11% by Mr. Zhou directly. Mr. Zhou is also the chairperson of the board of directors and legal representative of Staidson

**“Staidson Group”**

Staidson and its subsidiaries

**“Stock Exchange” or “  
Hong Kong Stock Exchange”**

The Stock Exchange of Hong Kong Limited

**“Supervisor(s)”**

member(s) of our supervisory committee

**“U.S.” or “United States”**

the United States of America, its territories, its possessions and all areas subject to its jurisdiction

**“US\$” or “U.S. dollar(s)”**

United States dollar(s), the lawful currency of the United States

## Glossary of Technical Terms

<b>“antibody”</b>	means a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens such as bacteria and viruses
<b>“assay”</b>	means an investigative analytical process in medicine, pharmacology or biology that aims to identify either the qualitative or quantitative presence or function of the analytical target, which can be a drug or biochemical substance or a cell in an organism or organic sample
<b>“COVID-19”</b>	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
<b>“CRO”</b>	contract research organization, an entity that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
<b>“distribution”</b>	means in the context of DMPK, the process by which molecules are transported throughout the body
<b>“DMPK”</b>	means Drug Metabolism and Pharmacokinetics, studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
<b>“DNA”</b>	deoxyribonucleic acid, a self-replicating material which is present in nearly all living organisms as the main constituent of chromosomes. It is the carrier of genetic information
<b>“drug discovery”</b>	means the process through which potential new medicines are identified and may involve a wide range of scientific disciplines, including biology, chemistry and pharmacology
<b>“in vitro”</b>	means “in glass” in Latin, studies in vitro are conducted outside of a living organism in a laboratory environment using test tubes, petri dishes, etc. using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules

## Glossary of Technical Terms

**“metabolism”**

means the chemical processes that occur within a living organism in order to maintain life, comprising catabolism (breakdown of large molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)

**“pharmacokinetics”**

means the branch of pharmacology concerned with the movement of drugs within the body

**“pharmacology”**

means the branch of medicine concerned with the uses, effects, and modes of action of drugs

**“R&D”**

means research and development

**“validation”**

means a process that involves performing laboratory tests to verify that a particular instrument program, or measurement technique is working properly and is capable of being relied upon



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Feng Yuxia (*Chairperson of the Board*)  
Mr. Zuo Conglin  
Mr. Gao Dapeng  
Ms. Sun Yunxia  
Dr. Yao Dalin

### Non-executive Director

Mr. Gu Xiaolei

### Independent Non-executive Directors

Mr. Sun Mingcheng  
Dr. Zhai Yonggong  
Mr. Ou Xiaojie  
Mr. Zhang Fan

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

A5 Rongjing East Street  
Beijing Economic-Technological  
Development Area  
Beijing, 100176, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

A5 Rongjing East Street  
Beijing Economic-Technological  
Development Area  
Beijing, 100176, China

## H SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPLIANCE ADVISOR

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

## JOINT COMPANY SECRETARIES

Mr. Gao Dapeng  
Mr. Ng Cheuk Ming

## AUTHORIZED REPRESENTATIVES

Ms. Feng Yuxia  
Mr. Ng Cheuk Ming

## AUDIT COMMITTEE

Mr. Sun Mingcheng (*Chairperson*)  
Dr. Zhai Yonggong  
Mr. Zhang Fan

## REMUNERATION AND EVALUATION COMMITTEE

Mr. Ou Xiaojie (*Chairperson*)  
Mr. Sun Mingcheng  
Mr. Zuo Conglin

## NOMINATION COMMITTEE

Dr. Zhai Yonggong (*Chairperson*)  
Mr. Ou Xiaojie  
Ms. Feng Yuxia

## Corporate Information

### STRATEGIC DEVELOPMENT COMMITTEE

Ms. Feng Yuxia (*Chairperson*)  
Mr. Zuo Conglin  
Mr. Gu Xiaolei  
Ms. Sun Yunxia  
Mr. Ou Xiaojie

### STOCK CODE

Hong Kong Stock Exchange  
(H Shares): 6127  
Shanghai Stock Exchange  
(A Shares): 603127

### AUDITOR

KPMG  
*Certified Public Accountants*  
Public Interest Entity Auditor registered  
in accordance with the Financial  
Reporting Council Ordinance  
8/F, Prince's Building  
10 Chater Road  
Central  
Hong Kong

### LEGAL ADVISOR TO OUR COMPANY

*As to Hong Kong law*  
Davis Polk & Wardwell  
18/F, The Hong Kong Club Building  
3A Chater Road  
Hong Kong

*As to PRC law*  
Llinks Law Office  
4F, China Resources Building,  
8 Jianguomenbei Avenue,  
Beijing, PRC

### COMPANY'S WEBSITE

[www.joinn-lab.com](http://www.joinn-lab.com)

## Financial Summary

	Six months ended June 30,		
	2021 RMB'000	2020 RMB'000	Change
	(Unaudited)	(Unaudited)	
<b>Operating results</b>			
Revenue	<b>534,556</b>	397,355	34.5%
Gross profit	<b>268,571</b>	196,804	36.5%
Profit for the period	<b>153,093</b>	85,575	78.9%
Profit for the period attributable to equity shareholders of the Company	<b>153,735</b>	85,976	78.8%
<b>Profitability</b>			
Gross profit margin			0.7 percentage point
	<b>50.20%</b>	49.50%	
Profit margin for the period			7.1 percentage point
	<b>28.60%</b>	21.50%	
<b>Earnings per share</b>			
Basic (RMB)	<b>0.60</b>	0.38	57.9%
Diluted (RMB)	<b>0.59</b>	0.38	55.3%

	As at		
	June 30, 2021 RMB'000	December 31, 2020 RMB'000	Change
	(Unaudited)	(Audited)	
Total assets	<b>7,869,165</b>	2,172,902	262.2%
Total liabilities	<b>1,259,879</b>	951,093	32.5%
Net assets	<b>6,609,286</b>	1,221,809	440.9%
Total equity attributable to the equity shareholders of the Company	<b>6,610,663</b>	1,222,544	440.7%

## Chairperson's Statement

In the first half of 2021, market entities in the PRC were expected to improve and the main macro indicators were in a reasonable range, the economic development was showing a trend of steady strengthening and steady improvement. China managed to contain COVID-19 spread in the first half of 2021. All industries and sectors across the country have begun to regain vitality, and pharmaceutical R&D activities are recovering as well. Under this general trend, through the efforts of all the Company's employees, the operating performance of the Company in the first half of the year continued to maintain rapid growth and financial indicators continued to improve.

In order to meet the increasing demands of orders, the Company continued to expand our staff and extend our experiment facilities, so as to expand overseas markets actively and further enhance the scope, capability and level of non-clinical drug assessment.

On 26 February 2021, the Company successfully listed on the main board of the Stock Exchange and became a "A+H" CRO enterprise. This is an important milestone and a new beginning of JOINN. From now on, by further leveraging on domestic and international capital market, JOINN will continue to enhance our service capabilities to become bigger and stronger, so as to provide more efficient, outstanding and comprehensive services for the pharmaceutical innovation and development of China and the world.

The Company will adhere to the visions of "serve drug innovation and focus on the objectives of full life-cycle safety assessment and monitoring of drugs, so as to ensure medication safety and protect human health (服務藥物創新，專注於藥物全生命週期的安全性評價和監測的宗旨，保障患者用藥安全，呵護人類健康)" and grow together with innovative pharmaceutical enterprises, so as to give back to the society and provide return to investors.

For and on behalf of the Board, I would like to express my sincere gratitude to our Shareholders, business partners and other professional parties for your support. I would also like to thank our staffs for their continued commitment to the Group over this Reporting Period.

# Management Discussion and Analysis

## I. BUSINESS OVERVIEW

During the Reporting Period, the Company achieved rapid growth in performance through various fruitful works. Our major business measures are as follows:

### **Staff Building**

The Company continued to beef up the team to meet continuous growth of its business and orders. As of June 30, 2021, the Company had a professional service team of nearly 1,600 people. The pre-clinical research service team saw further growth of both headcount and technical capabilities. The clinical trial service team was also further augmented. The Company also continued optimizing its organizational structure by detailing the duties of each role and refining the management workflows. New architecture and technologies were introduced to perfect the human resources system and get the staff highly motivated. Meanwhile, the Company further improved the compensation system and offered competitive compensation packages to the staff to significantly heighten their sense of ownership. The Company persisted in employee training and created more opportunities for the employees to enhance their innovative learning capabilities and technical capabilities by putting in place a system of internal technical training and performance assessment and partnering up with schools.

### **Production Capacity Expansion**

Given the soaring growth of pre-clinical assessment projects awarded to the Company, the existing laboratory facilities are insufficient to fully meet market demand. For this reason, JOINN (Suzhou) kicked start a 7,500-sq. m. animal accommodation decoration project in 2021, including general-grade large animal accommodation and Specific Pathogen Free-grade animal accommodation, expected to be ready for use by the end of the year. In view of future business growth, JOINN (Suzhou) also commenced Phase II expansion works on the existing land, and expected an addition of about 25,000 sq.m. to the gross floor area. Scheduled to break ground in the second half of 2021, the new facilities will be used mainly to raise animals and will be equipped with a new power center, IT laboratory and other auxiliary facilities. The expansion of the new facilities will further enhance service flux and lay the foundation for future business execution and growth.

## Business Capability Development

### 1. *Pre-clinical Business*

**Development of multi-dimensional capabilities:** In the ophthalmological drug assessment segment, the ophthalmological drug team at the Company has developed a number of new ophthalmological examination techniques on top of new models, and built up rich background data, offering greater support to the ophthalmological drug assessment. In the drug metabolic analysis segment, research capabilities in small molecular drug metabolism *in vitro* are acquired, and the probe into *in vitro* permeability of drugs and drug-drug interaction (DDI) *in vitro* can offer references and data in support of the research of DDI in clinical trials. The mass spectrometry of small nucleotides is made available to provide methodological support to the research and development of small-nucleotide drugs, with siRNA and mRNA as typical examples. Regarding large molecular drug testing, bispecific antibody receptor occupancy, cell-based bioassay of neutralizing antibody of anti-AAV, and other analytical platforms have been built to furnish pre-clinical safety assessment and clinical testing of large molecular biomedicine with more complete and accurate data. Regarding cardiovascular pharmacology, the *in vitro* myocardial cell contraction and calcium transient synchronous measurement approach is applied to the functional test of myocardial cells. The cell lines expressing Nav1.5 and Ca1.2 channels are established and the Nav1.5 and Ca1.2 whole-cell current detection method is applied to drug cardiac safety assessment, satisfying the requirement of the Comprehensive *in Vitro* Proarrhythmia Assay (CiPA) initiative at the current phase. The said capabilities help the Company become more competitive and better cater for customer needs.

### 2. *Drug clinical trial services*

The Phase I Clinical Center of No. 1 People's Hospital of Taicang jointly founded by the Company and Taicang Hospital Affiliated to Suzhou University has completed Good Clinical Practice filing and become operational officially. So far, the Company has accomplished its goal of building 3 phase I clinical centers, with 200 beds in total. This marks consummation of the Company's preliminary plan for its presence spanning the entire industrial chain at the clinical phase, from clinical trial center, clinical CRO, to clinical central lab. The Company is well placed to create a seamlessly connected ecology for customers from pre-clinical research to clinical research of drugs. Several clinical projects are currently in progress. Orders signed in the first half of 2021 amounted to about RMB40 million in total, representing an increase of over 150% when compared with the same period in 2020.

### 3. *Model animal research*

In the first half of 2021, Suzhou Qichen, a subsidiary of the Company, created four strains of mouse models for gene editing, and nine cell lines for gene editing, and began to apply these to pre-clinical drug assessment. With respect to large animal research, the first group of somatic cell cloned Bama pigs was received, a proof of Suzhou Qichen's full-fledged gene editing and cloning technologies in mammals.

### 4. *Laboratory animal base in Wuzhou, Guangxi*

The laboratory animal base in Wuzhou is under construction. The main works of all 56 buildings for production purpose including 54 monkey houses in the animal raising area, one office building in the factory, and one feedstuff storage building, have been completed and passed acceptance inspection. Decorations, electromechanical installations and outdoor works are underway currently.

# Management Discussion and Analysis

## Implementation of Special Tests

In the first half of 2021, the Company further coordinated project arrangements, strengthened management and made proper use of the available capacity, and the numbers of newly launched, newly completed and in-pipeline projects increased more or less. As of the end of the Reporting Period, orders at hand exceeded RMB2.3 billion, warranting future performance.

## Marketing

China managed to contain COVID-19 spread in the first half of 2021. All industries and sectors across the country have begun to regain vitality, and pharmaceutical R&D activities are recovering as well. In this context, China-based companies took in orders worth more than RMB1.2 billion, sustaining high growth at over 55% year on year. Meanwhile, while sticking to the existing innovative drug assessment system, pharmaceutical companies further realized and improved specialized, large-scale, comprehensive and international services. Marketing efforts in the first half are summarized as follows:

1. Enhanced and perfected the service capabilities of the inhalation and ophthalmology platforms further, and conducted and completed non-clinical assessments of several innovative drugs in the first half, growing more than 30% year on year.
2. Made progress in monkey reproductive experiments of several innovative drugs, and came out top in the industry in terms of both the number of and experience in monkey reproductive toxicity assessments undertook; thanks to the commencement of Phase II and III clinical trials of numerous innovative small molecular drugs in China, the Company saw a steep rise in the number of rat Phase III reproductive toxicity and carcinogenicity tests it has undertaken.
3. Undertook China's first STAR-T cell, TIL cell and non-tumor target CAR-T cell drug assessments, continued to be a leader in drug assessments in the cell therapy field, and concluded cell and gene therapy orders worth about RMB120 million in total in the first half, growing more than 35%.
4. Achieved a more than 60% YoY increase in orders and demand for the mRNA and siRNA platform.
5. Saw surging orders and demand for central nervous system drugs, after the Company acquired the qualification for NMPA dependence experiments.
6. JOINN Clinical Test Lab received orders for testing of more than 20 million clinical samples in the first half of 2021. These orders involved gene and cell therapy drugs, bispecific antibody drugs, innovative target monoclonal antibody drugs, COVID-19 vaccines, and innovative target small molecular drugs, among other clinical sample analyses and studies of small molecular drug metabolism in vitro. JOINN Clinical Test Lab has passed 20-plus audits by Chinese and foreign customers. In March 2021, the Company and Canada-based Nexelis entered into a Letter of Intent on strategic partnership. The two parties are going to work together on clinical bioassay, in particular, on ELISA, neutralization experiments and qPCR tests relating to vaccine clinical tests and other relevant fields. The partnership is expected to help the Company better develop international customers and drive drug R&D. The Company passed the COVID-19 nucleic acid test competency validation by the National Institute of Metrology, China successfully in June 2021.

## Management Discussion and Analysis

7. Built on the one-stop new drug assessment system, the Company made the most of its resources in non-clinical fields, expanded cooperation with customers, and drove one-stop services, including drug CDMO, quality test, non-clinical assessment and clinical trials, clinical analysis and pharmacovigilance. Coordinated services for a number of CDMO+pre-clinical+clinical projects were realized in the first half, saving time for customers and establishing an advantage of JOINN Labs in customer acquisition.

### Listing of H Shares and Consolidating International Business

In line with the globalization strategy, the Company's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on February 26, 2021. After that, the Company will take advantage of the capital market of Hong Kong, draw upon the support from global investors, deepen its international business footprint, enhance global pharmaceutical R&D service capabilities and support global customers in new drug R&D.

In the first half of 2021, Biomedical Research Models, Inc. ("**Biomere**"), our overseas subsidiary, continued to deliver strong performance and received orders totaling about USD21.5 million, surging over 60% YoY; overseas orders received by domestic arms of JOINN Labs continued to soar over 80% YoY to about RMB73 million.

## II. FINANCIAL REVIEW

### Overview

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this report.

### Revenue

During the Reporting Period, revenue generated from our non-clinical studies services accounted for substantially all of our total revenue. The Group's revenue for the six months ended June 30, 2021 was RMB534.6 million, representing an increase of 34.5% compared to RMB397.4 million for the six months ended June 30, 2020. The increase was primarily attributable to the expansion of our business.

The following table sets forth a breakdown of our revenue by service lines for the periods indicated:

	For the six months ended June 30,			
	2021		2020	
	RMB'000	%	RMB'000	%
	<b>(Unaudited)</b>		(Unaudited)	
Non-clinical studies services	<b>525,158</b>	<b>98.3</b>	393,830	99.1
Clinical trial and related services	<b>8,149</b>	<b>1.5</b>	2,709	0.7
Sales of research models	<b>1,249</b>	<b>0.2</b>	816	0.2
Total revenue	<b>534,556</b>	<b>100.0</b>	397,355	100.0



## Management Discussion and Analysis

### Cost of Services

Our cost of services primarily consists of direct labor costs, cost of supplies and overhead costs.

The Group's cost of services for the six months ended June 30, 2021 was RMB266.0 million, representing an increase of 32.6% compared to RMB200.6 million for the six months ended June 30, 2020, which was largely in line with our revenue growth.

The table below sets forth a breakdown of our cost of services by service lines, in absolute amount and as percentage of our total cost of services for the periods indicated:

	For the six months ended June 30,			
	2021		2020	
	RMB'000	%	RMB'000	%
	<b>(Unaudited)</b>		(Unaudited)	
Non-clinical studies services	<b>258,305</b>	<b>97.1</b>	197,958	98.7
Clinical trial and related services	<b>6,931</b>	<b>2.6</b>	2,012	1.0
Sales of research models	<b>749</b>	<b>0.3</b>	581	0.3
Total cost of services	<b>265,985</b>	<b>100.0</b>	200,551	100.0

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of services, and our gross profit margin represents our gross profit as a percentage of our revenue.

For the six months ended June 30, 2021, the gross profit and gross profit margin was RMB268.6 million and 50.2%, respectively, as compared to RMB196.8 million and 49.5%, respectively, for the six months ended June 30, 2020. The increase in gross profit was mainly driven by our increased gross profit of our non-clinical studies services, which accounted for substantially all of our total revenue during the Reporting Period. Our gross profit margin remained relatively stable for the six months ended June 30, 2021 compared with the same period in 2020.

### Other Gains and Losses, Net

For the six months ended June 30, 2021, other gains and losses, net was RMB70.4 million, represent an increase of 114.9% as compared to RMB32.7 million for the six months ended June 30, 2020. The increase in other gains and losses, net was primarily due to reasons as follows:

- For research models that remained as our biological assets at the end of the Reporting Period, we recognized gains of RMB37.8 million arising from changes in fair value of biological assets for the six months ended June 30, 2021, representing an increase of 118.5% compared to RMB17.3 million for the six months ended June 30, 2020. The increase of gains arising from changes in fair value of biological assets was mainly due to the increase in unit fair value of biological assets in line with the increasing market price of non-human primate research models.
- For the six months ended June 30, 2021, the net foreign exchange loss was RMB50.2 million, representing a massive loss as compared to the foreign exchange gain of RMB0.7 million for the six months ended June 30, 2020. The net foreign exchange loss was primarily due to the foreign exchange settlement of funds from the global offering of H Shares of the Company.
- For the six months ended June 30, 2021, the change in fair value of financial assets at FVTPL was RMB59.7 million, representing an increase of 2,448.2% as compared to RMB2.3 million for the six months ended June 30, 2020. The increase was primarily due to the fair value appreciation of the equity investment in Changchun BCHT Biotechnology Co..
- For the six months ended June 30, 2021, the government grants was RMB21.6 million, representing an increase of 86.2% as compared to RMB11.6 million for the six months ended June 30, 2020. The increase was primarily due to the exemption of the Paycheck Protection Program loan of a subsidiary of the Company.

### Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff costs relating to our marketing and business development personnel, office expenses, and others such as marketing and promotion fees, travel, conference and event expenses, incurred by our own sales and marketing personnel in connection with our business development activities.

The Group's selling and marketing expenses for the six months ended June 30, 2021 was RMB7.3 million, representing an increase of 11.7% compared to RMB6.5 million for the six months ended June 30, 2020. Our selling and marketing expenses remained relatively stable for the six months ended June 30, 2021 compared with the same period in 2020.

# Management Discussion and Analysis

## General and Administrative Expenses

Our general and administrative expenses primarily consist of staff costs relating to our administrative and management personnel, office expenses, depreciation and amortization expenses, expenses for research models, equity-settled share-based payment expenses, and others. The Group's general and administrative expenses for the six months ended June 30, 2021 was RMB135.6 million, representing an increase of 45.7% compared to RMB93.1 million for the six months ended June 30, 2020. The increase was primarily due to the increase in staff costs, which was in turn due to the increase of the number of administrative personnel to support our business growth and their increased compensation levels, and office expenses.

## Research and Development Expenses

The research and development expenses for our Group primarily consist of staff costs relating to our R&D personnel and cost of raw materials used for R&D.

The Group's research and development expenses for the six months ended June 30, 2021 was RMB21.9 million, representing a decrease of 22.1% compared to RMB28.1 million for the six months ended June 30, 2020. The decrease was primarily due to the completion of certain government-sponsored research projects in 2020.

## Income Tax Expense

The Group's income tax expense for the six months ended June 30, 2021 was RMB19.5 million, representing an increase of 35.1% compared to RMB14.5 million for the six months ended June 30, 2020. The increase was primarily due to the increased profits generated by the growth of our business.

The Group's effective tax rate for the six months ended June 30, 2021 was 11.3% (for the six months ended June 30, 2020: 14.5%), the decrease was primarily due to the increased non-taxable income of Biomere.

## Profit for the Period

As a result of the foregoing reasons, our profit for the period increased by 78.9% from RMB85.6 million for the six months ended June 30, 2020 to RMB153.1 million for the six months ended June 30, 2021. Our net profit margin increased from 21.5% for the six months ended June 30, 2020 to 28.6% for the six months ended June 30, 2021, primarily due to the continuous improvement in our operating efficiency and increased other gains/(losses) discussed above.

## Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group reviews and manages its capital structure regularly, and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of bank loans or issuance of equity or convertible bonds.

# Management Discussion and Analysis

## Liquidity and Financial Resources

The Group's cash and cash equivalents as at June 30, 2021 were RMB4,203.1 million, representing an increase of 1,261.6% compared to RMB308.7 million as at December 31, 2020. The increase was primarily attributable to the funds from the global offering of H shares of the Company.

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary course of business, including payments received from our customers for our services in non-clinical studies and the global offering of H shares of the Company.

## Gearing ratio

The gearing ratio (calculated by interest-bearing bank borrowings divided by total equity) of the Group as at June 30, 2021 was 0.2% (December 31, 2020: 2.0%).

## Foreign Exchange Exposure

We have transactional currency exposures. Certain of our time deposits, cash and bank balances, other financial assets, trade and other receivables, trade and other payables, and gross obligation from share purchase option written are denominated in foreign currency which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

## Significant Investments Held

As at June 30, 2021, we did not hold any significant investments.

## Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

## Capital Expenditure and Commitments

The Group's capital expenditures for the six months ended June 30, 2021 primarily related to purchase of property, plant and equipment in relation to the expansion and enhancement of our facilities. For the six months ended June 30, 2021, the Group incurred RMB79.8 million in relation to capital expenditures as compared to RMB85.9 million for the same period in 2020.

## Charges on Group Assets

As of June 30, 2021, the Group did not have any material charges over its assets.

## Contingent Liabilities

The Group had no material contingent liabilities as of June 30, 2021.

# Management Discussion and Analysis

## Event after the end of the Reporting Period

### *Issue of Capitalization Shares pursuant to the 2020 Profit Distribution Plan*

On June 18, 2021, the 2020 Profit Distribution Plan of the Company was approved at the 2020 annual general meeting, the first A share class meeting for 2021 and the first H share class meeting for 2021 of the Company. Pursuant to the 2020 Profit Distribution Plan, four Shares of the Company were issued for every ten Shares of the Company held by the shareholders of the Company (the “**Shareholders**”) on the relevant record date by way of capitalization of reserve. Accordingly, 17,346,240 H Shares and 91,053,233 A Shares were issued on July 30, 2021 and August 6, 2021, respectively, and the total number of Shares of the Company has changed to 379,398,156 Shares.

## Employee and Remuneration Policy

As at June 30, 2021, the Group had 1,600 employees, whose salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

During the Reporting Period, the total staff costs (including Director’s emoluments) were approximately RMB212.7 million (for the same period in 2020: RMB163.8 million).

## Future Plans for Material Investments

The Group will continue to extensively identify potential strategic investment opportunities and seek to acquire potential high-quality targets that create synergies for the Group in relation to such aspects as product research and development, product portfolio, channel expansion or cost control.

## III. OUTLOOK AND PROSPECTS

We plan to execute the following strategies to achieve our vision and mission.

### **Strengthen non-clinical service offerings and expanding facilities**

We will continue to solidify our market leadership in the drug safety assessment market by upgrading our technical capabilities to satisfy the increasing demand for drug safety assessment and other non-clinical services for innovative drugs. Specifically, we plan to focus on bolstering our competitive edge in areas of the greatest industry needs, such as large molecule bioanalysis as well as cellular and gene therapies. We plan to execute such strategies through hiring qualified scientific and research professionals with extensive experience in the relevant fields and developing and acquiring advanced equipment and technologies to upgrade our laboratories.

We will also expand our service capacity by building new facilities and expanding, renovation and upgrading our existing facilities in view of rising customer demands. Specifically, we plan to build a drug safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou, as well as laboratories for GLP-compliant non-clinical studies, breeding facilities for research models and central laboratories for clinical studies in Chongqing. We expect the Phase I of both facilities to commence operation in 2023. We will also expand the capacity of our Suzhou facilities by commence constructing an additional approximately 25,000 sq.m. of laboratories for our GLP-compliant non-clinical studies and research model facilities in the second half of 2021.

## Management Discussion and Analysis

### **Expand global footprint and enhance global service capabilities**

We aim to build JOINN Labs as a premier global CRO brand by further expanding our global footprint and service capabilities. With the strategic acquisition of Biomere in 2019, we will leverage its well-established industry reputation and extensive managerial experience, comprehensive global qualifications, and high-quality customer base to upgrade our facilities, enhance our service capability and expand our presence in the United States and North America pharmaceutical markets. Future non-clinical projects acquired by Biomere will also benefit from our future northern California facilities. Additionally, we expect to serve more leading Chinese pharmaceutical and biotechnology companies in support of their overseas drug applications and expansion around the world.

Importantly, we will also further increase our investment in business development to promote our brand and develop our global customer base and attract more overseas customers to access the growing market in China as we continue to satisfy our global customers' early R&D needs and develop stable and long-term relationships with them. Furthermore, to better address the rising demand of U.S. customers, we plan to upgrade and customize our future California facilities to support our non-clinical studies, as well as host and breed research models.

### **Broaden service offerings with a focus on clinical trial services**

Leveraging our strengths in non-clinical studies especially in safety assessment and large customer base, we have expanded and will continue to diversify and develop our clinical trial and related services through organic growth and cooperation with other clinical trial participants. We will continue to actively engage in effective business development efforts to attract more potential customers with attractive drug candidates at clinical stages, with a particular focus on early-stage clinical trials. At the same time, we will focus on recruiting talents experienced in clinical trial management and execution to support and improve our clinical trial and related services. We will continue to expand and enhance our scientific and regulatory teams in clinical trials. Furthermore, we will further invest in expanding our network of clinical sites and hospital partners across China to rapidly scale our clinical CRO offerings, and enhance strategic collaborations with our overseas partners in clinical CRO business.

In addition to our focus on expanding our clinical trial services, we will also continue to expand our services in drug discovery and screening services through hiring skilled talent with the relevant scientific expertise and extensive project experience. Through these efforts, we strive to enhance our value propositions as an integrated CRO service platform to our customers with fully integrated service capabilities covering the entire drug R&D cycle.

### **Attract, train and retain talents to support rapid growth in China and the United States**

To maintain our market leadership and implement our growth strategies, we will continue to attract talented professionals, especially those with extensive international experience and scientific expertise to support our global expansion. In particular, we plan to attract and recruit talents with first-hand, on-the-ground project management experience and technical expertise in clinical trials and research models. To support our global expansion, we will also increase our recruitment efforts overseas to support the rapid growth of our existing operations in the United States primarily through our subsidiary Biomere and our future operations in northern California of the United States.

In addition, we will motivate our high-quality employees by offering them opportunities to work on industry-defining and innovative projects, and by offering them competitive compensation, benefits and compelling career development opportunities. We will also leverage our share incentive plans to retain and motivate our talented employees.

## Management Discussion and Analysis

### **Expand research model facilities to support our non-clinical studies**

We will continue to invest in building our research model production centers and laboratories in Wuzhou to develop, breed and produce high-quality research models, particularly non-human primates. High-quality non-human primate research models and pre-clinical research facilities are in high demand globally and will continue to attract global customers and researchers to China, promoting partnerships and collaborations in a broad array of research areas. We expect to commence operations of our new research model facilities and laboratories built on a parcel of land with the gross site area of approximately 376,667 sq.m. located in Wuzhou in 2022. At the same time, we will develop a proprietary research model production system to further enhance our production capacity and efficiency and the quality of our research models. We expect the new facilities under construction in Wuzhou to provide us with a solid foundation to further expand our scientific expertise in non-human primate research models, with an ultimate goal of producing a stable and adequate supply of non-human primate research models in the long term to support the growing demand for our non-clinical studies with improved cost efficiency.

### **Pursue acquisition and strategic opportunities**

We intend to selectively pursue acquisitions of businesses and assets that are complementary to our growth strategies, particularly those that can help us enrich our services offerings at a global scale. For example, we will seek to evaluate acquisition and other strategic opportunities with (i) CROs focused on non-clinical studies to strengthen our existing leadership, as well as (ii) clinical CROs, research model facilities, and drug discovery service providers with a view to further expanding our service offerings along the pharmaceutical R&D value chain. We believe our extensive industry experience and presence in both China and the United States will enable us to identify suitable targets and effectively evaluate and execute potential opportunities.

## Corporate Governance and Other Information

### INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2021 to the Shareholders.

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

As of June 30, 2021, the interests or short positions of Directors, Supervisors and chief executive 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 are registered in the register that the Company must keep in accordance with the section 352 of the Securities and Futures Ordinance; or which shall be separately notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”), were as follows:

#### INTERESTS IN THE SHARES OF THE COMPANY

Name of Director	Title	Nature of Interest	Class of Shares	Number of Underlying Shares held	Approximate percentage in the relevant class of Shares <sup>(3)</sup>	Approximate percentage in total Shares <sup>(3)</sup>
Ms. Feng <sup>(1)</sup>	Chairperson of the Board, Executive Director	Beneficial Owner	A Shares	64,073,468 (L) <sup>(2)</sup>	28.17%	23.66%
		Interest of Spouse	A Shares	34,568,986 (L) <sup>(2)</sup>	15.20%	12.76%
Mr. Gu Xiaolei	Non-executive Director	Beneficial Owner	A Shares	14,478,455 (L) <sup>(2)</sup>	6.37%	5.35%
Mr. Zuo Conglin	Executive Director	Beneficial Owner	A Shares	9,996,032 (L) <sup>(2)</sup>	4.39%	3.69%
Ms. Sun Yunxia	Executive Director	Beneficial Owner	A Shares	2,039,716 (L) <sup>(2)</sup>	0.90%	0.75%
Mr. Gao Dapeng	Executive Director, Secretary to the Board, Joint Company Secretary	Beneficial Owner	A Shares	196,176 (L) <sup>(2)</sup>	0.09%	0.07%
Dr. Yao Dalin	Executive Director	Beneficial Owner	A Shares	97,660 (L) <sup>(2)</sup>	0.04%	0.04%



## Corporate Governance and Other Information

### Notes:

- (1) Mr. Zhou is the spouse of Ms. Feng. Under the SFO, each of Ms. Feng and Mr. Zhou is deemed to be interested in the A Shares that the other person is interested in. Ms. Feng held 64,073,468 of our A Shares, representing 23.66% of our total issued share capital as of June 30, 2021 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Mr. Zhou held 34,568,986 of our A Shares, representing 12.76% of our total issued share capital as of June 30, 2021 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Therefore, Ms. Feng and Mr. Zhou are each deemed to be interested in a total of 98,642,454 of Shares, representing 36.42% of our total issued share capital as of June 30, 2021 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).
- (2) The letter "L" denotes the person's long position in the Shares.
- (3) As of June 30, 2021, the Company had 270,820,329 issued shares in total, comprised of 227,454,729 A Shares and 43,365,600 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

Save as disclosed above and in the section headed "Pre-IPO Share Option and Restricted Award Schemes", so far as the Directors are aware, as of June 30, 2021, none of our Directors, Supervisors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be 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 they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As of the end of the Reporting Period, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company. Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

## Corporate Governance and Other Information

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

So far as the Directors or chief executive of the Company are aware, as of June 30, 2021, the following persons (other than the Directors, Supervisors 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 5% or more of 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	Approximate percentage in the relevant class of Shares <sup>(2)</sup>	Approximate percentage in total Shares <sup>(2)</sup>
Mr. Zhou	Beneficial owner	A Shares	34,568,986 (L) <sup>(3)</sup>	15.20%	12.76%
	Interest of spouse	A Shares	64,073,468 (L) <sup>(3)</sup>	28.17%	23.66%
JPMorgan Chase & Co.	Interests of controlled corporation; Investment manager; Person having a security interest in shares and Approved lending agent	H Shares	4,735,451 (L)	10.91%	1.75%
			113,600 (S)	0.26%	0.04%
			231,996 (P)	0.53%	0.09%
UBS Group AG	Interests of controlled corporation	H Shares	3,904,365 (L)	9.00%	1.44%
BlackRock, Inc.	Interests of controlled corporation	H Shares	3,046,818 (L)	7.03%	1.13%

Notes:

- (1) (L) – Long Position, (S) – Short Position, (P) – Lending Pool.
- (2) As of June 30, 2021, the Company had 270,820,329 issued shares in total, comprised of 227,454,729 A Shares and 43,365,600 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).
- (3) Please refer to note (1) in the sub-section above.

## Corporate Governance and Other Information

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN MEMBERS OF THE GROUP (EXCLUDING THE COMPANY)

Name of Subsidiaries	Authorized share capital/ Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Beijing Shikang Qianyan Technology Co., Ltd. (北京視康前沿技術有限公司)	RMB1,000,000	Yao Nin (姚寧)	35
Qichen (Suzhou) Biological Science and Technology Co., Ltd. (蘇州啟辰生物技術有限公司)	RMB10,000,000	Huang Wenjuan (黃雯娟)	45

Except as disclosed in this section, to the best knowledge of the Company, as of June 30, 2021, no person owns interests and short positions in the Shares and underlying Shares which shall be disclosed in accordance with Divisions 2 and 3 of Part XV of the SFO, or interests or short positions in 5% or above of relevant class of Shares that the Company must record in the register according to section 336 of the SFO.

### PRE-IPO SHARE OPTION AND RESTRICTED AWARD SCHEMES

The Company adopted the pre-IPO share option and restricted share award schemes (“**Pre-IPO Share Option and Restricted Award Schemes**”) on February 27, 2018, August 15, 2019 and July 15, 2020 respectively. The terms of the Pre-IPO Share Option and Restricted Share Award Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of options by the Company to subscribe for new Shares upon the Listing.

### SUMMARY OF TERMS

The following is a summary of the principal terms of each of the Pre-IPO Share Option and Restricted Share Award Schemes:

#### (a) Purpose

The purpose of the Pre-IPO Share Option and Restricted Share Award 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.

#### (b) Type of Awards

The Pre-IPO Share Option and Restricted Share Award Schemes provides for awards of options and RSUs (“**Awards**”), except the 2020 Share Incentive Scheme does not provide awards of RSUs.

## Corporate Governance and Other Information

### (c) Administration

The Shareholders' meeting is the highest authority of the Pre-IPO Share Option and Restricted Share Award Schemes. The Board is the managing authority of the Pre-IPO Share Option and Restricted Share Award Schemes. The board of Supervisors and independent non-executive Directors are the supervising authorities of the Pre-IPO Share Option and Restricted Share Award Schemes.

### (d) Scope of Participants

The Directors, senior 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 shareholder and their spouses, parents, and children).

### (e) Source of Shares

The Shares underlying the Pre-IPO Share Option and Restricted Share Award Schemes shall be A Shares privately issued by the Company.

### (f) Maximum Number of Shares

The maximum number of shares involved with the Awards to be granted to an eligible employee under all effective Pre-IPO Share Option and Restricted Share Award Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of shares involved with all effective Pre-IPO Share Option and Restricted Share Award Schemes shall not exceed 10% of the total outstanding share capital of the Company.

### (g) Term of the Pre-IPO Share Option and Restricted Share Award Schemes

Subject to the termination provisions under the Pre-IPO Share Option and Restricted Share Award Schemes, the Pre-IPO Share Option and Restricted Share Award Schemes shall be valid and effective commencing on the date that the Awards are granted to when such Awards are no long under any lock-ups, fully exercised or cancelled. The term of validity shall not exceed 48 months.

### (h) Date of Grant

The date on which the Awards are granted shall be determined by the Board, subject to approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting, which shall be a trading day. The Awards shall be granted, registered and announced within 60 days after the approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting. Otherwise, the Pre-IPO Share Option and Restricted Share Award Schemes shall be terminated, and the Awards thereunder that have not been granted shall become invalid.

### (i) Lock-up Period

The lock-up periods for the Awards underlying the Pre-IPO Share Option and Restricted Share Award Schemes are 12 months, 24 months and 36 months, respectively, commencing from the date the Awards were registered. During the lock-up period, the Awards shall not be transferred, used as guarantee or repayment of debt.

## Corporate Governance and Other Information

### (j) Grant and Exercise of Awards

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

### (k) Rights and Obligations of the Company

- (1) the Company has the right to interpret and implement the Pre-IPO Share Option and Restricted Share Award Schemes, and evaluate the performance of the grantee in accordance with the provisions of the Pre-IPO Share Option and Restricted Share Award Schemes. If the performance of the grantee does not fulfill the conditions under the Pre-IPO Share Option and Restricted Share Award Schemes, the Company will repurchase or cancel the Awards as stipulated by the Pre-IPO Share Option and Restricted Share Award Schemes.
- (2) the Company shall not to provide loans or financial assistance in any other forms to the grantee.
- (3) the Company shall promptly perform the obligations of declaration and information disclosure of the Pre-IPO Share Option and Restricted Share Award Schemes in accordance with relevant regulations.
- (4) the Company shall actively assist the grantee on exercising the Awards in accordance with the relevant provisions under the Pre-IPO Share Option and Restricted Share Award Schemes and relevant regulates of the CSRC, the Shanghai Stock Exchange and China Securities Depository and Clearing Company Limited (中國證券登記結算有限責任公司) (“CSDC”). However, if the grantee fails to exercise its Awards for the reasons that are attributable to the Shanghai Stock Exchange or CSDC, the Company shall not be liable for the losses causes to such grantee.
- (5) the determination of the grantee under the Pre-IPO Share Option and Restricted Share Award Schemes by the Company does not mean the grantee is entitled to serve the Company, nor does it constitute any commitment to the employment period of the grantee. The employment relationship between the Company and the grantee remains subject to the employment contract signed by the Company and the grantee.

### (l) Rights and Obligations of the Grantee

- (1) the grantee shall work diligently abide by professional ethics, making contributions to the development of the Company.
- (2) The grantee shall lock up its granted Awards in accordance with the provisions of the Pre-IPO Share Option and Restricted Share Award Schemes.
- (3) The source of funds of the grantee shall be self-raised funds.
- (4) When the Company distributes dividends, the grantee of options and RSUs shall receive dividends in proportion to the underlying A Shares of the options and RSUs respectively.

## Corporate Governance and Other Information

- (5) The grantee of RSUs shall be entitled to voting rights in respect of the underlying A Shares of the RSUs. The grantee of options shall only be entitled to voting rights in respect of the underlying A Shares of the options upon the exercise of such options and grant of the corresponding A Shares to the grantee.
- (6) The Awards granted under the Pre-IPO Share Option and Restricted Share Award Schemes shall not be transferred, used as guarantee or repayment of debt.
- (7) The grantee shall pay personal income tax and other taxes in accordance with relevant laws and regulations with regard to the income obtained from the Pre-IPO Share Option and Restricted Share Award Schemes.
- (8) In the event that the grantee ceases to be an eligible grantee before the granted Awards are fully exercised, the unvested Awards shall be repurchased or cancelled by the Company.
- (9) In the event that the grantee ceases to be an eligible grantee due to the false records, misleading statements or material omissions in the disclosed documents by the Company, the grantee shall return all the benefits obtained from the Pre-IPO Share Option and Restricted Share Award Schemes to the Company.
- (10) Upon the approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting, a written agreement shall be signed by and between the Company and each of the grantee, stipulating respective rights and obligations and other related matters under such Pre-IPO Share Option and Restricted Share Award Schemes.
- (11) Other rights and obligations stipulated by relevant laws, regulations and the Pre-IPO Share Option and Restricted Share Award Schemes.

### LIST OF GRANTEES UNDER THE PRE-IPO SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

As of June 30, 2021, the maximum number of options and RSUs approved to be granted under the Pre-IPO Share Option and Restricted Share Award Schemes, namely, the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme, have been fully granted to the eligible grantees.

As of June 30, 2021, the Company had granted options under the Pre-IPO Share Option and Restricted Share Award Schemes to 360 grantees, including four Directors, two senior management members of the Company, 19 employees of the Group who have been granted options to subscribe for 25,000 A Share or more and 335 other employees of the Group to subscribe for an aggregate of 3,202,829 A Shares, representing approximately 1.18% of the Company's issued share capital as of June 30, 2021. No option under the Pre-IPO Share Option and Restricted Share Award Schemes has been granted to other connected person of the Company.

## Corporate Governance and Other Information

The following table summarizes the number of underlying A Shares of the outstanding options under the Pre-IPO Share Option and Restricted Share Award Schemes as of June 30, 2021.

Name of Grantee	Position	Exercise Price (RMB/Share)	Date of Grant	Vesting Period	Total Number of Shares Underlying the Exercised Options	Total Number of A Shares Underlying the Outstanding and Unexercised Options
<b>Directors</b>						
Zuo Conglin	Vice Chairperson of the Board, Executive Director	94.77	July 17, 2020	(Note 4)	96,000	96,000
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	94.77	July 17, 2020	(Note 4)	30,000	30,000
Sun Yunxia	Executive Director, Vice General Manager	94.77	June 24, 2020	(Note 3)	108,000	108,000
		94.77	July 17, 2020	(Note 4)	30,000	30,000
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	94.77	July 17, 2020	(Note 4)	30,000	30,000
<b>Subtotal</b>					294,000	294,000
<b>Senior Management</b>						
Gu Jingliang	Vice General Manager, Head of Sales Department	20.13	March 9, 2018	(Note 1)	0	0
Yu Aishui	Chief Financial Officer	94.77	June 24, 2020	(Note 3)	10,000	10,000
		94.77	July 17, 2020	(Note 4)	15,000	15,000
<b>Subtotal</b>					25,000	25,000
<b>Other employees</b>		20.13	March 9, 2018	(Note 1)	2,883,829	2,883,829
		34.12	September 9, 2019	(Note 2)		
		94.77	June 24, 2020	(Note 2)		
		94.77	July 17, 2020	(Note 3)		
<b>Total</b>					3,202,829	3,202,829

## Corporate Governance and Other Information

### Notes:

- (1) This batch of outstanding options under the 2018 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between April 19, 2019 and April 18, 2020; (ii) as to 30% of the aggregate number the options between April 19, 2020 and April 18, 2021; and (iii) as to 20% of the aggregate number of options between April 19, 2021 and April 18, 2022.
- (2) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between October 14, 2020 and October 13, 2021; (ii) as to 30% of the aggregate number of options between October 14, 2021 and October 13, 2022; and (iii) as to 20% of the aggregate number of options between October 14, 2022 and October 13, 2023.
- (3) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between August 11, 2021 and August 10, 2022; and (ii) as to 50% of the aggregate number of options between August 11, 2022 and August 10, 2023.
- (4) This batch of outstanding options under the 2020 Share Option Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options on between August 31, 2021 and August 30, 2022; (ii) as to 30% of the aggregate number of options between August 31, 2022 and August 30, 2023; and (iii) as to 20% of the aggregate number of options between August 31, 2023 and August 30, 2024.

The following table summarizes the number of underlying A Shares of the outstanding RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes as of June 30, 2021.

Name of Grantee	Consideration paid for the grant (RMB per Share)	Number of A Shares underlying the outstanding RSUs granted	Date of Grant	Unlocking Period	Total Number of Shares Underlying the vested RSUs	Total Number of Shares Underlying the outstanding RSUs
<b>Directors</b>						
Zuo Conglin	9.81/	31,976	March 9, 2018	(Note 1)	20,000	31,976
	16.94		September 9, 2019	(Note 2)	30,000	
Gao Dapeng	9.81/	31,976	March 9, 2018	(Note 1)	20,000	31,976
	16.94		September 9, 2019	(Note 2)	30,000	
Sun Yunxia	9.81/	31,976	March 9, 2018	(Note 1)	20,000	31,976
	16.94		September 9, 2019	(Note 2)	30,000	
Yao Dalin	9.81/	31,976	March 9, 2018	(Note 1)	20,000	31,976
	16.94		September 9, 2019	(Note 2)	30,000	
<b>Subtotal</b>		127,904			200,000	127,904
<b>Senior Management</b>						
Gu Jingliang	9.81/	40,390	March 9, 2018	(Note 1)	8,000	40,390
	16.94/		September 9, 2019	(Note 2)	30,000	
	47.39		June 24, 2020	(Note 3)	15,000	
Yu Aishui	47.39	4,000	June 24, 2020	(Note 3)	4,000	4,000
<b>Subtotal</b>		44,390			57,000	44,390



## Corporate Governance and Other Information

Name of Grantee	Consideration paid for the grant (RMB per Share)	Number of A Shares underlying the outstanding RSUs granted	Date of Grant	Unlocking Period	Total Number of Shares Underlying the vested RSUs	Total Number of Shares Underlying the outstanding RSUs
<b>Other employees</b>						
	9.81/	382,302	March 9, 2018	(Note 1)	251,000	382,302
	16.94/		September 9, 2019	(Note 2)	255,000	
<b>Total</b>	47.39		June 24, 2020	(Note 3)	44,000	
	554,596					554,596

Notes:

- (1) This batch of outstanding RSUs under the 2018 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between April 19, 2019 and April 18, 2020; (ii) as to 30% of the aggregate number of RSUs between April 19, 2020 and April 18, 2021; and (iii) as to 20% of the aggregate number of RSUs between April 19, 2021 and April 18, 2022.
- (2) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between October 14, 2020 and October 13, 2021; (ii) as to 30% of the aggregate number of RSUs between October 14, 2021 and October 13, 2022; and (iii) as to 20% of the aggregate number of RSUs between October 14, 2022 and October 13, 2023.
- (3) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between August 11, 2021 and August 10, 2022; and (ii) as to 50% of the aggregate number of RSUs between August 11, 2022 and August 10, 2023.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "CG Code"). From the Listing Date to the date of this report, the Company has complied with all the applicable code provisions in the CG Code.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor the Company's corporate governance code.

### COMPLIANCE WITH THE MODEL CODE

Our Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions. Our Company has made specific enquiries to all Directors and Supervisors concerning their compliance with the Model Code. All Directors and Supervisors confirmed that they had strictly observed all standards set out in our Company's code of conduct regarding Directors' securities transactions from the Listing Date to the date of this report.

# Corporate Governance and Other Information

## AUDIT COMMITTEE

The Audit Committee under the Board of Directors has reviewed the unaudited interim financial report of the Company for the six months ended June 30, 2021 with the management and the auditors of the Company, and did not raise any objection to the accounting policy and practices adopted by the Company.

## MATERIAL LITIGATION AND ARBITRATION

From the Listing Date to June 30, 2021, the Group did not have any material litigation or arbitration.

## CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (i) Change in Directors and Composition of Board Committees

From the Listing Date to June 30, 2021, there were no changes in Directors and composition of Board Committees.

### (ii) Change in Supervisors

From the Listing Date to June 30, 2021, there were no changes in Supervisors.

### (iii) Change in Biographies of Directors and Supervisors

From the Listing Date to June 30, 2021, there were no changes in Biographies of Directors and Supervisors.

### (iv) Change in Senior Management

From the Listing Date to June 30, 2021, there were no changes in Senior Management.

From the Listing Date to June 30, 2021, there was no change in the employees and remuneration policies of the Company. A review of the employees and remuneration policies of the Group during the Reporting Period is set out in "Management Discussion and Analysis – II. Financial Review – Employees and Remuneration Policy" in this report.

Save as disclosed above, there is no change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the publication of the Company's Prospectus.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H shares of the Company were listed on the Stock Exchange on February 26, 2021 (the "Listing Date") and the over-allotment option described in the Prospectus was partially exercised on March 19, 2021 in respect of an aggregate of 40,800 H Shares, issued and allotted by the Company at HK\$151.00 per H Share on March 24, 2021. The Company obtained proceeds in connection with the exercise of the global offering and the exercise of the over-allotment option amounted to approximately HK\$6,373.6 million (equivalent to approximately RMB5,285.2 million) (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the global offering and the over-allotment option).

## Corporate Governance and Other Information

From the Listing Date to June 30, 2021, the Company has utilized the net proceeds raised from the global offering for the following purposes. The Company intends to use the net proceeds in the same matter and proportion as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Use of Proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Amount of net proceeds utilized as of June 30, 2021 (RMB million)	Amount not yet utilized as of June 30, 2021 (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds
<b>(A) Expand the capacity of our Suzhou facilities for nonclinical Studies</b>	<b>16.0</b>	<b>845.6</b>	<b>-</b>	<b>845.6</b>	
(i) renovating our existing laboratory and research model facilities in Suzhou	7.9	417.5	-	417.5	completed in 2021
(ii) constructing the infrastructure of our new facilities in Suzhou	1.7	89.8	-	89.8	completed in 2021
(iii) procurement of cutting-edge equipment and laboratory technologies and investment in the research and development of novel, customized research models	5.5	290.7	-	290.7	1 to 3 years since Listing
(iv) upgrading our technical and scientific research capabilities with international background at our Suzhou facilities	0.9	47.6	-	47.6	3 to 5 years since Listing
<b>(B) Strengthen our U.S. operations to cater to the rising customer demand for services provided by Biomere</b>	<b>10.0</b>	<b>528.5</b>	<b>-</b>	<b>528.5</b>	
(i) upgrading our existing facilities and service team in northern California	7.6	401.7	-	401.7	1 to 2 years since Listing
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	2.4	126.8	-	126.8	1 to 2 years since Listing

## Corporate Governance and Other Information

Use of Proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Amount of net proceeds utilized as of June 30, 2021 (RMB million)	Amount not yet utilized as of June 30, 2021 (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds
<b>(C) Further expand our facility network and service capabilities in China</b>	<b>39.0</b>	<b>2,061.3</b>	<b>-</b>	<b>2,061.3</b>	
(i) building the Phase I of our new Guangzhou facilities with a focus on non-GLP and GLP-compliant non-clinical studies in Guangzhou	17.0	898.5	-	898.5	by the end of 2023
(ii) building the Phase I of our new laboratories, research model breeding facilities and clinical operations in Chongqing	17.0	898.5	-	898.5	by the end of 2023
(iii) enhancing our technical and scientific research capabilities at our Guangzhou and Chongqing facilities	2.6	137.4	-	137.4	3 to 5 years since Listing
(iv) developing cutting-edge laboratory and research model technologies	2.4	126.9	-	126.9	3 to 5 years since Listing
<b>(D) Broaden and deepen our integrated CRO service offerings with a particular focus on further expanding our clinical trial and related services</b>	<b>5.0</b>	<b>264.3</b>	<b>-</b>	<b>264.3</b>	
(i) hiring approximately 220 experienced clinical trial operation professionals who hold at least a bachelor's degree and who have at least two years of work experience in clinical operations, medicine, quality control, statistical analysis and analysis of clinical samples, with a focus on early-stage clinical trial projects	0.6	31.7	-	31.7	1 to 3 years since Listing
(ii) investing in business development efforts for our growing clinical trial business	0.4	21.2	-	21.2	1 to 3 years since Listing

## Corporate Governance and Other Information

Use of Proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Amount of net proceeds utilized as of June 30, 2021 (RMB million)	Amount not yet utilized as of June 30, 2021 (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds
(iii) procuring new equipment, technologies, systems, databases and infrastructure for use in clinical trials, as well as in the related services such as bioanalytical services, to strengthen our service quality and customer experience	4.0	211.4	–	211.4	1 to 3 years since Listing
<b>(E) Fund potential acquisitions of suitable (i) CROs focused on non-clinical studies, (ii) CROs focused on clinical trials, and/or (iii) research model production facilities in both China and overseas</b>	<b>20.0</b>	<b>1,057.0</b>	<b>–</b>	<b>1,057.0</b>	<b>1 to 3 years since Listing</b>
<b>(F) Working capital and general corporate purposes</b>	<b>10.0</b>	<b>528.5</b>	<b>17.5</b>	<b>511.0</b>	

On behalf of the Board

**Ms. Feng Yuxia**

*Chairperson of the Board*

Hong Kong, August 30, 2021

## Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For six months ended June 30, 2021  
(Expressed in RMB)

	Note	Six months ended June 30, 2021 RMB'000	Six months ended June 30, 2020 RMB'000
<b>Revenue</b>	4	<b>534,556</b>	397,355
Cost of services		<b>(265,985)</b>	(200,551)
<b>Gross profit</b>	4(b)	<b>268,571</b>	196,804
Other gains and losses, net	5	<b>70,356</b>	32,741
Selling and marketing expenses		<b>(7,253)</b>	(6,491)
General and administrative expenses		<b>(135,644)</b>	(93,105)
Research and development expenses		<b>(21,861)</b>	(28,055)
<b>Profit from operations</b>		<b>174,169</b>	101,894
Finance costs	6(a)	<b>(1,538)</b>	(1,861)
<b>Profit before taxation</b>	6	<b>172,631</b>	100,033
Income tax	7	<b>(19,538)</b>	(14,458)
<b>Profit for the period</b>		<b>153,093</b>	85,575
<b>Other comprehensive income for the period (after tax)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
– Equity investments at fair value through other comprehensive income (“FVOCI”) – net movement in fair value reserve (non-recycling)		–	38,396
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of financial statements of foreign operations		<b>(2,368)</b>	3,741
		<b>(2,368)</b>	42,137
<b>Total comprehensive income for the period</b>		<b>150,725</b>	127,712

## Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For six months ended June 30, 2021  
(Expressed in RMB)

	Note	Six months ended June 30, 2021 RMB'000	Six months ended June 30, 2020 RMB'000
<b>Profit for the period attributable to:</b>			
Equity shareholders of the Company		<b>153,735</b>	85,976
Non-controlling interests		<b>(642)</b>	(401)
<b>Profit for the period</b>		<b>153,093</b>	85,575
<b>Total comprehensive income for the period attributable to:</b>			
Equity shareholders of the Company		<b>151,367</b>	128,113
Non-controlling interests		<b>(642)</b>	(401)
<b>Total comprehensive income for the period</b>		<b>150,725</b>	127,712
<b>Earnings per share</b>			
	8		
Basic (RMB)		<b>0.60</b>	0.38
Diluted (RMB)		<b>0.59</b>	0.38

# Unaudited Consolidated Statement of Financial Position

At June 30, 2021  
(Expressed in RMB)

	Note	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
<b>Non-current assets</b>			
Property plant and equipment	9	<b>655,156</b>	645,871
Intangible assets		<b>57,794</b>	62,769
Goodwill		<b>124,051</b>	125,296
Biological assets	10	<b>42,010</b>	19,434
Financial assets at FVOCI		<b>102,445</b>	64,445
Other non-current assets	11	<b>1,442,095</b>	37,139
Deferred tax assets	22(b)	<b>73,286</b>	35,261
		<b>2,496,837</b>	990,215
<b>Current assets</b>			
Inventories	12	<b>82,258</b>	91,011
Contract costs	13	<b>396,728</b>	247,742
Biological assets	10	<b>94,097</b>	67,462
Contract assets	14(a)	<b>79,199</b>	66,812
Trade and bills receivables	15	<b>79,629</b>	91,041
Prepayments and other receivables	16	<b>72,753</b>	71,026
Financial assets at fair value through profit or loss ("FVTPL")	17	<b>364,555</b>	238,903
Cash at bank and on hand	18	<b>4,203,109</b>	308,690
		<b>5,372,328</b>	1,182,687
<b>Current liabilities</b>			
Interest-bearing borrowings		<b>3,107</b>	3,081
Trade payables	19	<b>51,843</b>	60,286
Contract liabilities	14(b)	<b>812,976</b>	583,537
Other payables	20	<b>205,165</b>	92,586
Lease liabilities		<b>14,355</b>	14,520
Income tax payable	22(a)	<b>8,634</b>	20,297
		<b>1,096,080</b>	774,307
<b>Net current assets</b>		<b>4,276,248</b>	408,380
<b>Total assets less current liabilities</b>		<b>6,773,085</b>	1,398,595



## Unaudited Consolidated Statement of Financial Position

At June 30, 2021  
(Expressed in RMB)

	Note	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings		8,722	21,375
Leases liabilities		46,622	53,170
Deferred tax liabilities	22(b)	45,740	35,200
Deferred income		62,715	67,041
		<b>163,799</b>	176,786
<b>NET ASSETS</b>			
		<b>6,609,286</b>	1,221,809
<b>CAPITAL AND RESERVES</b>			
Share capital	24	270,820	227,455
Reserves		6,339,843	995,089
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>6,610,663</b>	1,222,544
<b>Non-controlling interests</b>			
		<b>(1,377)</b>	(735)
<b>TOTAL EQUITY</b>			
		<b>6,609,286</b>	1,221,809

## Unaudited Consolidated Statement of Changes in Equity

For six months ended June 30, 2021  
(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share award reserve RMB'000	Other capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Non-controlling interests		Total Equity RMB'000
									Total	interests	
<b>Balance at January 1, 2021</b>	227,455	142,840	(9,916)	106,964	59,290	(15,357)	44,578	666,690	1,222,544	(735)	1,221,809
<b>Changes in equity for six months ended June 30, 2021:</b>											
Profit for the period	-	-	-	-	-	-	-	153,735	153,735	(642)	153,093
Other comprehensive income	-	-	-	-	-	(2,368)	-	-	(2,368)	-	(2,368)
Total comprehensive income	-	-	-	-	-	(2,368)	-	153,735	151,367	(642)	150,725
Issue of shares under H share initial public offering	43,365	5,241,856	-	-	-	-	-	-	5,285,221	-	5,285,221
Unlock of restricted shares	-	2,026	1,674	(2,026)	-	-	-	-	1,674	-	1,674
Recognition of share-based payments	-	-	-	14,874	-	-	-	-	14,874	-	14,874
Recognition of tax effect related with share-based payments	-	-	-	29,770	-	-	-	-	29,770	-	29,770
Dividends declared in respect of the previous year	-	-	-	-	-	-	-	(94,787)	(94,787)	-	(94,787)
<b>Balance at June 30, 2021</b>	<b>270,820</b>	<b>5,386,722</b>	<b>(8,242)</b>	<b>149,582</b>	<b>59,290</b>	<b>(17,725)</b>	<b>44,578</b>	<b>725,638</b>	<b>6,610,663</b>	<b>(1,377)</b>	<b>6,609,286</b>

## Unaudited Consolidated Statement of Changes in Equity

For six months ended June 30, 2021  
(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share award reserve RMB'000	Other capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
<b>Balance at January 1, 2020</b>	161,717	156,619	(14,283)	76,514	35,206	552	-	432,875	849,200	745	849,945
<b>Changes in equity for six months ended June 30, 2020:</b>											
Profit for the period	-	-	-	-	-	-	-	85,976	85,976	(401)	85,575
Other comprehensive income	-	-	-	-	-	3,741	38,396	-	42,137	-	42,137
<b>Total comprehensive income</b>	-	-	-	-	-	3,741	38,396	85,976	128,113	(401)	127,712
Issue of shares under bonus issue	64,766	(64,766)	-	-	-	-	-	-	-	-	-
Shares issued under share option scheme	199	6,291	-	(821)	-	-	-	-	5,669	-	5,669
Unlock of restricted shares	-	3,029	2,566	(3,029)	-	-	-	-	2,566	-	2,566
Recognition of share-based payments	-	-	-	12,149	-	-	-	-	12,149	1	12,150
Recognition of tax effect related with share-based payments	-	-	-	16,604	-	-	-	-	16,604	-	16,604
Dividends declared and paid in respect of the previous year	-	-	185	-	-	-	-	(55,051)	(54,866)	-	(54,866)
Acquisition of non-controlling interests	-	-	-	500	-	-	-	-	500	(500)	-
<b>Balance at June 30, 2020</b>	226,682	101,173	(11,532)	101,917	35,206	4,293	38,396	463,800	959,935	(155)	959,780

# Unaudited Consolidated Cash Flow Statement

For six months ended June 30, 2021  
(Expressed in RMB)

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
<b>Operating activities</b>		
Cash generated from operations	<b>229,966</b>	180,442
Income tax paid	<b>(27,501)</b>	(22,027)
<b>Net cash generated from operating activities</b>	<b>202,465</b>	158,415
<b>Investing activities</b>		
Payment for acquisition of financial assets at FVTPL	<b>(382,503)</b>	(349,000)
Payment for acquisition of financial assets at FVOCI	<b>(38,000)</b>	–
Payment for acquisition of non-current assets	<b>(1,376,900)</b>	–
Proceeds from disposal of financial assets at FVTPL	<b>316,581</b>	331,408
Purchase of property, plant and equipment	<b>(64,266)</b>	(67,786)
Purchase of intangible assets	<b>(15,186)</b>	(3,032)
Proceeds from disposal of property, plant and equipment	<b>177</b>	17
Placement of restricted deposits	–	(3,618)
Government grant received related to assets	–	1,710
<b>Net cash generated from/(used in) investing activities</b>	<b>(1,560,097)</b>	(90,301)
<b>Financing activities</b>		
Proceeds from H share initial public offering	<b>5,318,710</b>	–
Proceeds from shares issued under share option schemes	<b>3,590</b>	5,669
Proceeds from new interest-bearing borrowings	–	35,949
Repayment of interest-bearing borrowings	<b>(1,510)</b>	(30,767)
Dividends paid	–	(55,051)
Interest paid	<b>(227)</b>	(484)
Payments for repurchase of restricted shares	<b>(516)</b>	–
Capital element of lease rentals paid	<b>(7,365)</b>	(4,992)
Interest element of lease rentals paid	<b>(93)</b>	(63)
Payments for issuance costs in relation to H share initial public offering	<b>(10,296)</b>	–
<b>Net cash generated from/(used in) financing activities</b>	<b>5,302,293</b>	(49,739)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(50,270)</b>	936
<b>Net increase in cash and cash equivalents</b>	<b>3,894,391</b>	19,311
<b>Cash and cash equivalents at January 1</b>	<b>305,044</b>	176,958
<b>Cash and cash equivalents at June 30</b>	<b>4,199,435</b>	196,269

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 1. CORPORATE INFORMATION

JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司, the “Company”) was incorporated in the People’s Republic of China (the “PRC”) as a joint stock limited liability company under the PRC laws. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering of A shares and listed on the Shanghai Stock Exchange (stock code: 603127.SH) on August 25, 2017. The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (stock code: 6127.HK) on February 26, 2021.

The Company and its subsidiaries (together, the “Group”) are principally engaged in providing a comprehensive portfolio of contract research organisation (“CRO”) services including non-clinical studies services, clinical trial and related services and sales of research models.

## 2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on August 30, 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The financial information relating to the financial year ended December 31, 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- *Amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021*
- *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current period or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4. REVENUE AND SEGMENT REPORTING

### (a) Revenue

The Group is principally engaged in providing non-clinical drug safety assessment services to pharmaceutical and biotechnology companies. Disaggregation of revenue from contracts with customers by major service lines is as follows:

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15 Rendering services:		
Non-clinical studies services	<b>525,158</b>	393,830
Clinical trial and related services	<b>8,149</b>	2,709
Sales of goods:		
Sales of research models	<b>1,249</b>	816
	<b>534,556</b>	397,355

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer.

As at June 30, 2021, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied were RMB2,366,007,000 (December 31, 2020: RMB1,776,499,000). Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of reporting period will be recognised within 3 years from the end of the reporting period.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- ***Non-clinical studies services***

The Group currently offers a comprehensive range of non-clinical studies services in the PRC and the United States of America (the "USA"), including (i) drug safety assessment, (ii) drug metabolism and pharmacokinetics ("DMPK") studies; and (iii) pharmacology and efficacy studies.

- ***Clinical trial and related services***

These services are at their early stage, including (i) clinical CRO services, (ii) co-managed phase I clinical research units, and (iii) bioanalytical services.

- ***Sales of research models***

The Group engages in the design, production, breeding and sales of research models, currently including non-human primates and rodents.

### (i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

The Group's other operating income and expenses, such as other gains and losses, net and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

#### (b) Segment reporting (continued)

##### (i) Segment results (continued)

	Six months ended June 30, 2021			
	Non-clinical studies services RMB'000	Clinical trial and related services RMB'000	Sales of research models RMB'000	Total RMB'000
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	525,158	7,350	1,249	533,757
Over time	–	799	–	799
<b>Revenue from external customer</b>	525,158	8,149	1,249	534,556
Inter-segment revenue	–	–	3,900	3,900
<b>Reportable segment revenue</b>	525,158	8,149	5,149	538,456
<b>Reportable segment gross profit</b>	261,867	1,219	3,260	266,346
	Six months ended June 30, 2020			
	Non-clinical studies services RMB'000	Clinical trial and related services RMB'000	Sales of research models RMB'000	Total RMB'000
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	393,830	1,222	816	395,868
Over time	–	1,487	–	1,487
<b>Revenue from external customer</b>	393,830	2,709	816	397,355
Inter-segment revenue	–	752	–	752
<b>Reportable segment revenue</b>	393,830	3,461	816	398,107
<b>Reportable segment gross profit</b>	195,872	62	235	196,169



## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

#### (b) Segment reporting (continued)

##### (ii) Reconciliations of reportable segment gross profit

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Reportable segment gross profit	<b>266,346</b>	196,169
Elimination of inter-segment gross loss	<b>2,225</b>	635
Consolidated gross profit	<b>268,571</b>	196,804

##### (iii) Geographic information

The following tables set out information about the geographical location of the Group's revenue from external customers. The geographical information about the revenue prepared by external customers' respective country/region of domicile is as follows:

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
The PRC	<b>423,055</b>	264,411
The others	<b>111,501</b>	132,944
	<b>534,556</b>	397,355

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and biological assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

#### (b) Segment reporting (continued)

##### (iii) Geographic information (continued)

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
The PRC	<b>634,898</b>	588,220
The others	<b>244,113</b>	265,150
	<b>879,011</b>	853,370

### 5. OTHER GAINS AND LOSSES, NET

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Government grants (including amortisation of deferred income)	<b>21,618</b>	11,612
Interest income	<b>2,649</b>	1,158
Gains arising from changes in fair value of biological assets	<b>37,764</b>	17,272
Net foreign exchange (loss)/gain	<b>(50,172)</b>	724
Net loss on disposal of property, plant and equipment	<b>(26)</b>	(268)
Change in fair value of financial assets at FVTPL	<b>59,730</b>	2,344
Others	<b>(1,207)</b>	(101)
	<b>70,356</b>	32,741

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

#### (a) Finance costs

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Interest on interest-bearing borrowings	<b>228</b>	505
Interest on lease liabilities	<b>1,310</b>	1,356
	<b>1,538</b>	1,861

#### (b) Staff costs

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Salaries, wages and other benefits	<b>152,625</b>	129,646
Contributions to defined contribution retirement schemes	<b>10,420</b>	4,834
Equity-settled share-based payment expenses (Note 21)	<b>14,874</b>	12,150
	<b>177,919</b>	146,630

The employees of the Company and the subsidiaries of the Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these companies are required to contribute to the scheme at certain rates of the employees' basic salaries. Employees of these companies are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 6. PROFIT BEFORE TAXATION (CONTINUED)

#### (c) Other items

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Amortisation of intangible assets	<b>5,247</b>	5,383
Depreciation charge		
– Owned property, plant and equipment	<b>24,293</b>	20,139
– Right-of-use assets	<b>7,849</b>	6,094
Recognition/(reversal) of expected credit loss	<b>655</b>	(2,369)

### 7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
<b>Current tax</b>		
Provision for the period	<b>20,483</b>	10,263
	<b>20,483</b>	10,263
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(945)</b>	4,195
	<b>19,538</b>	14,458

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB153,735,000 (six months ended June 30, 2020: RMB85,976,000) and the weighted average number of ordinary shares calculated as below:

	<b>Six months ended June 30, 2021</b>	Six months ended June 30, 2020
Issued ordinary shares at January 1	<b>227,454,729</b>	161,716,920
Issue of shares under bonus issue in 2020 (Note 24)	–	64,686,768
H share initial public offering	<b>28,903,600</b>	–
Effect of restricted shares	<b>(497,703)</b>	(933,324)
Effect of shares issued under share option schemes	–	46,374
<b>Weighted average number of ordinary shares at June 30</b>	<b>255,860,626</b>	225,516,738

The weighted average number of ordinary shares shown above for the purposes of calculating basic earnings per share have been retrospectively adjusted to reflect the effect of issuance of shares under bonus issue (Note 24).

### (b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB153,735,000 (Six months ended June 30, 2020: RMB85,976,000) and the weighted average number of ordinary shares (diluted) calculated as below:

	<b>Six months ended June 30, 2021</b>	Six months ended June 30, 2020
<b>Weighted average number of ordinary shares at June 30</b>	<b>255,860,626</b>	225,516,738
Effect of restricted shares outstanding	<b>333,200</b>	361,157
Effect of deemed issue of shares under share option schemes	<b>3,029,654</b>	626,522
<b>Weighted average number of ordinary shares (diluted) at June 30</b>	<b>259,223,480</b>	226,504,417

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB49,680,000 (six months ended June 30, 2021: RMB82,872,000) for the expansion of production facilities and research capacity.

### 10. BIOLOGICAL ASSETS

The biological assets of the Group are mainly including research models for non-clinical studies which are classified as current assets, and research models for breeding which are classified as non-current assets of the Group.

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
<b>Non-current assets</b>		
– Non-human primates for breeding	<b>41,993</b>	19,421
– Rodents for breeding	<b>17</b>	13
	<b>42,010</b>	19,434
<b>Current assets</b>		
– Non-human primates for non-clinical studies	<b>93,804</b>	67,178
– Rodents for non-clinical studies	<b>293</b>	284
	<b>94,097</b>	67,462
	<b>136,107</b>	86,896

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 10. BIOLOGICAL ASSETS (CONTINUED)

#### (a) Analysis of non-human primates

	Non-human primates for breeding RMB'000	Non-human primates for non-clinical studies RMB'000	Total RMB'000
At January 1, 2021	19,421	67,178	86,599
Increase due to purchasing/raising	–	14,210	14,210
Breeding cost*	–	1,738	1,738
Decrease due to sales	–	(2,717)	(2,717)
Decrease due to mortality	(204)	(1,593)	(1,797)
Changes in fair value of biological assets	10,208	27,556	37,764
Transfer	12,568	(12,568)	–
At June 30, 2021	<b>41,993</b>	<b>93,804</b>	<b>135,797</b>

Note:

- \* Breeding cost incurred for non-human primates mainly include feeding costs, staff costs, depreciation and amortisation expenses and utilities costs. Breeding cost incurred for non-human primates for breeding has been charged to profit or loss.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 10. BIOLOGICAL ASSETS (CONTINUED)

#### (a) Analysis of non-human primates (continued)

The quantities of non-human primates are summarised as follows:

	<b>At June 30, 2021 (Heads)</b>	At December 31, 2020 (Heads)
<b>Non-current biological assets</b>		
– Non-human primates for breeding	<b>894</b>	674
<b>Current biological assets</b>		
– Non-human primates for non-clinical studies	<b>2,212</b>	2,096

#### (b) Fair value measurement of biological assets

The Group's non-human primates were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer at December 31, 2020. At June 30, 2021, the valuations were carried out by management. The fair values of biological assets are determined as follows:

<b>Fair value hierarchy</b>	<b>Valuation approach</b>	<b>Significant unobservable inputs</b>	<b>Relationship of significant unobservable inputs to fair value</b>
Level 3	Market price and replacement cost	Market price and replacement cost and adjustment factors based on the characteristics of the biological assets (including age, gender, health status, breeding useful life and etc.)	The higher the market price, the higher the fair value

The estimated fair value of non-human primates increases/decreases as a result of an increase/decrease in the market price and replacement cost. As at June 30, 2021 if market price and replacement cost increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB13,612,000 (December 31, 2020: RMB8,660,000).

Changes in fair value of biological assets are presented in "Other gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income.



## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 11. OTHER NON-CURRENT ASSETS

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Prepayment for land use rights	<b>38,625</b>	20,831
Prepayments for acquisition of property, plant and equipment	<b>22,510</b>	12,956
Certificates of deposits	<b>1,376,900</b>	–
Others	<b>4,060</b>	3,352
	<b>1,442,095</b>	37,139

Certificates of deposits are deposits with PRC commercial banks with maturity of 3 years. The Company measures the above financial assets at amortised cost.

### 12. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Raw materials and consumables	<b>82,258</b>	91,011

For the six months ended June 30, 2021, the group's amount of inventories recognised as expense and included in the consolidated statement of profit or loss is RMB152,697,000 (six months ended June 30, 2020: RMB83,797,000).

### 13. CONTRACT COSTS

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Costs to fulfill contracts	<b>403,176</b>	252,550
Less: write-down of contract costs	<b>(6,448)</b>	(4,808)
	<b>396,728</b>	247,742

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 14. CONTRACT ASSETS AND CONTRACT LIABILITIES

#### (a) Contract assets

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Contract assets	<b>79,597</b>	67,148
Less: loss allowance	<b>(398)</b>	(336)
	<b>79,199</b>	66,812

The contract assets primarily relate to the Group's right to the consideration for work completed but not yet billed. The contract assets will be transferred to trade receivables when the rights become unconditional.

#### (b) Contract liabilities

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Amounts received in advance of the delivery of services	<b>812,976</b>	583,537

  

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Revenue recognised during the period that was included in the contract liabilities at the beginning of the period	<b>236,103</b>	130,362

Normally the Group receives advanced payments before the provision of non-clinical study services to customers. Contract liabilities represent the Group's obligations to transfer services to customers for which the Group have received advanced payments received from such customers.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 15. TRADE AND BILLS RECEIVABLES

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Trade receivables	<b>83,712</b>	94,589
Less: loss allowance	<b>(6,083)</b>	(5,723)
	<b>77,629</b>	88,866
Bills receivables	<b>2,000</b>	2,175
	<b>79,629</b>	91,041

Trade receivables are due within 21 to 45 days from the date of billing. The ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Within 1 year	<b>59,430</b>	73,478
1 to 2 years	<b>8,389</b>	8,224
2 to 3 years	<b>9,038</b>	6,411
3 to 4 years	<b>772</b>	753
	<b>77,629</b>	88,866

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 16. PREPAYMENTS AND OTHER RECEIVABLES

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Prepayments for purchase of inventories and receiving of services	<b>53,522</b>	32,389
Prepayments for costs incurred in connection with the issuance of the Company's H shares	–	17,775
Deposits	<b>3,850</b>	7,683
Value added tax recoverable	<b>6,484</b>	4,034
Prepayments for miscellaneous expenses	<b>6,865</b>	6,209
Income tax recoverable	<b>1,092</b>	2,507
Others	<b>1,270</b>	539
	<b>73,083</b>	71,136
Less: loss allowance	<b>(330)</b>	(110)
	<b>72,753</b>	71,026

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

### 17. FINANCIAL ASSETS AT FVTPL

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
RMB wealth management products	<b>263,173</b>	238,903
Derivative financial assets	<b>4,782</b>	–
Equity investments in a listed company	<b>96,600</b>	–
	<b>364,555</b>	238,903

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 18. CASH AT BANK AND ON HAND

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Cash at bank	<b>4,203,109</b>	308,690
Cash at bank and on hand included in the consolidated statement of financial position	<b>4,203,109</b>	308,690
Less: restricted deposits	<b>(3,674)</b>	(3,646)
Cash and cash equivalents included in the consolidated cash flow statement	<b>4,199,435</b>	305,044

### 19. TRADE PAYABLES

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Trade payables	<b>51,843</b>	60,286

At June 30, 2021, the ageing analysis of trade payables, based on the invoice date, is as follows:

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Within 1 year	<b>51,843</b>	60,286

As at June 30, 2021, all trade payables of the Group are expected to be settled within one year or are payable on demand.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 20. OTHER PAYABLES

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Payables for staff related costs	<b>57,984</b>	49,700
Payables for acquisition of property, plant and equipment	<b>14,742</b>	17,128
Dividends payable	<b>94,787</b>	–
Payables for other taxes	<b>10,028</b>	8,573
Deposits received	–	1,570
Considerations received from employees for subscribing restricted shares of the Company under share incentive scheme	<b>11,316</b>	9,916
Interest payable	–	75
Others	<b>16,308</b>	5,624
	<b>205,165</b>	92,586

All of the other payables are expected to be settled within one year or are repayable on demand.

### 21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On February 27, 2018, a Share Option and Restricted Share Award scheme (“2018 Share Option and Restricted Share Award Scheme”) was approved at the Company’s first extraordinary general meeting of 2018. On March 9, 2018, the Company granted 396,000 share options and 342,000 restricted shares to the eligible directors and employees (the “Participants”) of the Group under 2018 Share Option and Restricted Share Award Scheme, of which the registration was completed on April 19, 2018. Each option gives the Participants the right to subscribe for one ordinary share of the Company at an exercise price of RMB56.62, and the Participants are entitled to subscribe the Company’s restricted shares at RMB28.31 each.

On August 15, 2019, a Share Option and Restricted Share Award scheme (“2019 Share Option and Restricted Share Award Scheme”) was approved at the Company’s 4th extraordinary general meeting of 2019. On September 9, 2019, the Company granted 1,124,000 share options and 405,000 restricted shares to the eligible directors and employees (the “Participants”) of the Group under 2019 Share Option and Restricted Share Award Scheme, of which the registration was completed on October 14, 2019 (the “First Batch”). Each option gives the Participants the right to subscribe for one ordinary share in the Company at an exercise price of RMB48.11, and the Participants are entitled to subscribe the Company’s restricted shares at RMB24.06 each.

On June 24, 2020, the Company granted 175,000 share options and 63,000 restricted shares to the eligible directors and employees (the “Participants”) of the Group under 2019 Share Option and Restricted Share Award Scheme, of which the registration was completed on August 11, 2020 (the “Second Batch”). Each option gives the Participants the right to subscribe for one ordinary share in the Company at an exercise price of RMB94.77, and the Participants are entitled to subscribe the Company’s restricted shares at RMB47.39 each.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

On July 15, 2020, a share Option and Restricted Share Award scheme (“2020 Share Option and Restricted Share Award Scheme”) was approved at the Company’s second extraordinary general meeting of 2020. On July 17, 2020, the Company granted 2,090,000 share options to the eligible directors and employees (the “Participants”) of the Group under 2020 Share Option and Restricted Share Award Scheme, of which the registration was completed on August 31, 2020. Each option gives the Participants the right to subscribe for one ordinary share of the Company at an exercise price of RMB94.77.

Pursuant to the terms of the above schemes, the numbers and exercise/repurchase prices of the outstanding share options and restricted shares will be adjusted according to the resolution in respect of the Company’s dividend distribution and transfer from share premium to share capital.

### Equity-settled share-based transactions

#### (a) Share options

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Contractual life of options
<b>Options granted to directors:</b>			
– on June 24, 2020 under 2019 Share Option and Restricted Share Award Scheme	108,000	Both performance and service period conditions apply (Note (ii))	1-2 years
– on July 17, 2020 under 2020 Share Option and Restricted Share Award Scheme	186,000	Both performance and service period conditions apply (Note (i))	1-3 years
<b>Options granted to employees:</b>			
– on March 9, 2018 under 2018 Share Option and Restricted Share Award Scheme	396,000	Both performance and service period conditions apply (Note (i))	1-3 years
– on September 9, 2019 under 2019 Share Option and Restricted Share Award Scheme	1,124,000	Both performance and service period conditions apply (Note (i))	1-3 years
– on June 24, 2020 under 2019 Share Option and Restricted Share Award Scheme	67,000	Both performance and service period conditions apply (Note (ii))	1-2 years
– on July 17, 2020 under 2020 Share Option and Restricted Share Award Scheme	1,904,000	Both performance and service period conditions apply (Note (i))	1-3 years
<b>Total share options granted</b>	<b>3,785,000</b>		

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

#### Equity-settled share-based transactions (continued)

##### (a) Share options (continued)

Notes:

- (i) The options will vest over a three-year period, with 50%, 30% and 20% of total options vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and the employees.
- (ii) The options will vest over a two-year period, with 50% and 50% of total options vesting respectively on the first trading day after the first and second anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and the employees.

The number and weighted average exercise prices of share options are as follows:

	Six months ended June 30, 2021		Six months ended June 30, 2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	<b>RMB64.29</b>	<b>3,202,829</b>	RMB43.40	1,479,740
Granted during the period	-	-	RMB94.77	175,000
Effect of issuance of shares under bonus issue	-	-	-	504,637
Exercised during the period	-	-	RMB28.52	(198,744)
Forfeited during the period	<b>RMB20.13</b>	<b>(8,779)</b>	RMB28.52	(19,404)
Outstanding at the end of the period	<b>RMB64.41</b>	<b>3,194,050</b>	RMB38.20	1,941,229
Exercisable at the end of the period	<b>RMB20.13</b>	<b>178,360</b>	-	-



# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### Equity-settled share-based transactions (continued)

#### (b) Restricted shares

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
<b>Restricted shares granted to directors:</b>			
– on March 9, 2018 under 2018 Share Option and Restricted Share Award Scheme	80,000	Both performance and service period conditions apply (Note (i))	1-3 years
– on September 9, 2019 under 2019 Share Option and Restricted Share Award Scheme	120,000	Both performance and service period conditions apply (Note (i))	1-3 years
<b>Restricted shares granted to employees:</b>			
– on March 9, 2018 under 2018 Share Option and Restricted Share Award Scheme	262,000	Both performance and service period conditions apply (Note (i))	1-3 years
– on September 9, 2019 under 2019 Share Option and Restricted Share Award Scheme	285,000	Both performance and service period conditions apply (Note (i))	1-3 years
– on June 24, 2020 under 2019 Share Option and Restricted Share Award Scheme	63,000	Both performance and service period conditions apply (Note (ii))	1-2 years
Total share Restricted shares granted	810,000		

Notes:

- (i) The restricted shares will vest over a three-year period, with 50%, 30% and 20% of total restricted shares vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and employees.
- (ii) The restricted shares will vest over a two-year period, with 50% and 50% of total restricted shares vesting respectively on the first trading day after the first and second anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the employees.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

#### Equity-settled share-based transactions (continued)

##### (b) Restricted shares (continued)

Set out below are details of the movements of the restricted shares:

	Six months ended June 30, 2021	Six months ended June 30, 2020
Outstanding at the beginning of the period	554,596	727,420
Granted during the period	–	63,000
Forfeited during the period	–	(15,092)
Effect of issuance of shares under bonus issue	–	218,056
Unlocked during the period	(170,678)	(182,280)
Outstanding at the end of the period	383,918	811,104

The restricted shares granted on March 9, 2018, September 9, 2019 and June 24, 2020 were valued at RMB32.57, RMB38.44 and RMB47.22 per share, respectively, which is the difference between the market price of the ordinary share at the grant date and the proceeds received from the employees.

##### (c) Share-based payment expenses

The Group has recognised share-based payment expenses of RMB14,874,000 during the six months ended June 30, 2021 (six months ended June 30, 2020: RMB12,150,000).

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 22. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Net balance of income tax payable at January 1	<b>17,790</b>	17,929
Provision for the period	<b>20,483</b>	10,263
Credit to reserve	<b>(3,231)</b>	(4,439)
Income tax paid	<b>(27,501)</b>	(22,027)
<b>Net balance of income tax payable at June 30</b>	<b>7,542</b>	1,726
Represented by:		
Income tax recoverable included in prepayments and other receivables (Note 16)	<b>(1,092)</b>	(404)
Income tax payable	<b>8,634</b>	2,130
	<b>7,542</b>	1,726

(b) Deferred tax assets and liabilities recognised:

Reconciliations to the statement of financial position:

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Deferred tax assets	<b>73,286</b>	35,261
Deferred tax liabilities	<b>(45,740)</b>	(35,200)
	<b>27,546</b>	61

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 23. DIVIDENDS

### (a) Interim dividend

The directors of the Company do not recommend the payment of any interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: RMBNil).

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the reporting period

On June 18, 2021, the 2020 profit distribution plan of the Company was approved at the 2020 annual general meeting of the Company as follows:

- a dividend of RMB0.35 per ordinary share (inclusive of tax) to shareholders on the record date for determining the shareholders' entitlement to the 2020 profit distribution plan; and
- 4 new shares for every 10 existing shares of the Company to be issued out of reserve to all shareholders of the Company on the record date for determining the shareholders' entitlement to the 2020 profit distribution plan.

Pursuant to the above 2020 profit distribution plan, the total dividend was paid by the company in August 2021 and the shares were issued.

## 24. SHARE CAPITAL

	No. of shares	Amount RMB'000
<b>Ordinary shares, issued:</b>		
At January 1, 2020	161,716,920	161,717
Issue of restricted shares	63,000	63
Shares issued under share option scheme	908,544	909
Issue of shares under bonus issue (Note (i))	64,766,265	64,766
At December 31, 2020	227,454,729	227,455
Issue of shares under H share initial public offering (Note (ii))	43,365,600	43,365
At June 30, 2021	<b>270,820,329</b>	<b>270,820</b>

Notes:

- Pursuant to the written resolutions of the shareholders of the Company passed on May 12, 2020, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 64,766,265 shares were issued and approximately RMB64,766,000 was transferred from share premium to share capital.
- On February 26, 2021, the Company's H shares were listed on the Hong Kong Stock Exchange, where 43,324,800 H shares were issued and subscribed at a price of HK\$151.00 per share. On March 19, 2021, the over-allotment option was partially exercised and an additional 40,800 H shares were issued at a price of HK\$151.00 per share.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 25. FAIR VALUES MEASUREMENT

### (a) Fair value hierarchy

Fair values are categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

### (b) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis.

<b>Financial assets</b>	<b>Fair value at June 30, 2021</b>	Fair value at December 31, 2020	<b>Fair value hierarchy</b>
Equity investments in a listed company	<b>96,600</b>	–	Level 2
Derivative financial assets	<b>4,782</b>	–	Level 2
Equity investments in a non-listed company	<b>102,445</b>	64,445	Level 3
RMB wealth management products	<b>263,173</b>	238,903	Level 3

During the six months ended June 30, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 25. FAIR VALUES MEASUREMENT (CONTINUED)

### (b) Financial assets measured at fair value (continued)

#### (i) Information about Level 2 fair value measurements

Derivative financial assets:

- Currency put option adopt the initial cost as the best estimate of the fair value.
- Forward foreign exchange contracts adopt the quoted price in the active market to determine the fair value.

Equity investments in a listed company adopt the Black-Scholes model to determine the fair value, which includes main inputs of Risk-Free interest rate, expected dividend yield and stock price volatility etc.

#### (ii) Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined using the price to book ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. At June 30, 2020, if the discount for lack of marketability had been one percentage point higher/lower, the Group's total comprehensive income and fair value reserve (non-recycling) would have been RMB900,000 lower/higher.

The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method. The main level 3 inputs used by the Group for RMB wealth management products are the expected rates of return. The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method. The main level 3 inputs used by the Group for RMB wealth management products are the expected rates of return. At June 30, 2021 if the expected rate of return of the investment in RMB wealth management products held by the Group had been one percentage point higher/lower, the Group's profit for the period and retained profits would have been RMB918,000 higher/lower.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 25. FAIR VALUES MEASUREMENT (CONTINUED)

#### (b) Financial assets measured at fair value (continued)

##### (ii) Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of Level 3 fair value measurements are as follows:

	<b>Unlisted equity instruments RMB'000</b>	<b>RMB wealth management products RMB'000</b>
At January 1, 2020	12,000	130,701
Additions in investments	–	444,000
Net realised and unrealised gains or losses recognised in profit or loss during the period	–	5,737
Changes in fair value recognised in other comprehensive income	52,445	–
Disposal of financial assets	–	(341,535)
<b>At December 31, 2020</b>	<b>64,445</b>	<b>238,903</b>
Additions in investments	38,000	336,000
Net realised and unrealised gains or losses recognised in profit or loss during the period	–	3,761
Disposal of financial assets	–	(315,491)
<b>At June 30, 2021</b>	<b>102,445</b>	<b>263,173</b>

#### (c) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at June 30, 2021.

## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 26. COMMITMENTS

Capital commitments outstanding at June 30, 2021 not provided for in the consolidated financial statements were as follows:

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Purchase of property, plant and equipment: – Contracted for	<b>43,747</b>	74,268

### 27. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) **Names and relationships of the related parties that had material transactions with the Group during both periods:**

Names of related parties	Relationship
Staidson (Beijing) Biopharmaceuticals Co., Ltd. ("Staidson") 舒泰神(北京)生物製藥股份有限公司*	A company controlled by the controlling shareholders
Beijing De Feng Rui Biotechnology Co., Ltd. 北京德豐瑞生物技術有限公司*	A subsidiary of Staidson
Beijing Sannuo Jiayi Biotechnology Co., Ltd. 北京三諾佳邑生物技術有限責任公司*	A subsidiary of Staidson
Staidson BioPharma Inc.	A subsidiary of Staidson
Biorichland LLC	A company controlled by close family members of the controlling shareholders
Beijing Heyu Pharmaceutical Technology Co., Ltd. ("Beijing Heyu") 北京和興醫藥科技有限公司*	A company controlled by close family members of the director of the Company
Heyu (Suzhou) Pharmaceutical Technology Co., Ltd. ("Suzhou Heyu") 和興(蘇州)醫藥科技有限公司*	A subsidiary of Beijing Heyu

\* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.



## Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

### 27. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Transactions with related parties

	<b>Six months ended June 30, 2021 RMB'000</b>	Six months ended June 30, 2020 RMB'000
Sales of research models to – Staidson	–	182
Provision of services to – Staidson and its subsidiaries	<b>23,643</b>	9,793
Lease offices and equipment from – Biorichland LLC	<b>4,004</b>	107

#### (c) Balances with related parties

The Group's balances with related parties as at the end of reporting period are as follows:

	<b>At June 30, 2021 RMB'000</b>	At December 31, 2020 RMB'000
Contract assets – Staidson and its subsidiaries	<b>23,546</b>	11,005
Trade and bills receivables – Staidson and its subsidiaries	<b>527</b>	837
Contract liabilities – Staidson and its subsidiaries	<b>12,209</b>	11,325
– Beijing Heyu and its subsidiary	<b>630</b>	66
Other payables – Biorichland LLC	<b>3,905</b>	2,262

The balances with related parties disclosed above are trade in nature.

#### (d) Key management personnel remuneration

Remuneration for key management personnel of the Group is RMB6,826,000 during the six months ended June 30, 2021 (six months ended June 30, 2020: RMB7,090,000).