



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



2022
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.

“2018 Share Option and Restricted Share Award Scheme”	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
“2019 Share Option and Restricted Share Award Scheme”	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
“2020 Share Option Scheme”	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
“2021 A Share Employee Stock Ownership Plan”	an employee share award scheme adopted and approved by the Company on January 19, 2022, the principal terms of which are set out in the circular dated December 30, 2021
“2021 Restricted A Share Incentive Scheme”	a restricted share award scheme adopted and approved by the Company on January 19, 2022, the principal terms of which are set out in the circular dated December 30, 2021
“A Shares”	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
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Biomere”	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 Joinn Laboratories (Delaware) Corporation, which is in turn wholly-owned by our Company
“Board”	the board of Directors of our Company
“CEO” or “Chief Executive Officer”	chief executive officer of our Company
“CG Code”	the “Corporate Governance Code” as contained in Part 2 Appendix 14 of the Listing Rules
“Chief Financial Officer”	chief financial officer of our Company

“China” or “PRC”	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
“Company”, “Our Company” or “JOINN”	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)
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Ms. Feng and Mr. Zhou
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the directors of the Company
“Global Offering”	the Hong Kong public offering and the international offering of the Shares
“Group”, “our Group”, “our”, “we” or “us”	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
“Guangxi Weimei”	Guangxi Weimei Bio-Tech Co., Ltd (廣西瑋美生物科技有限公司), a company established under the laws of the PRC with limited liability
“H Shares”	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
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“JOINN Suzhou”	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

“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	February 26, 2021
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Zhou”	Mr. Zhou Zhiwen (周志文), a Controlling Shareholder and the spouse of Ms. Feng
“Ms. Feng”	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
“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局)
“Post-IPO Restricted Award Scheme and ESOP”	the 2021 Restricted A Share Incentive Scheme and 2021 A Share Employee Stock Ownership Plan
“Pre-IPO Share Option and Restricted Share Award Schemes”	the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme
“Prospectus”	the prospectus of the Company dated February 16, 2021
“Reporting Period”	the six months ended June 30, 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU”	restricted share unit
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	shares (including the A Shares and the H Shares) in the share capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	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 40.23% in aggregate by Mr. Zhou and Ms. Feng, which includes 37.15% 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
“YoY”	year on year
“Yunnan Yinmore”	Yunnan Yinmore Bio-Tech Co., Ltd (雲南英茂生物科技有限公司), a company established under the laws of the PRC with limited liability

Glossary of Technical Terms

“antibody”	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
“assay”	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
“CGT”	means cell and gene therapy
“COVID-19”	means coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“CRO”	means 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
“distribution”	means in the context of DMPK, the process by which molecules are transported throughout the body
“DMPK”	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
“DNA”	means 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
“drug discovery”	means the process through which potential new medicines are identified and may involve a wide range of scientific disciplines, including biology, chemistry and pharmacology
“in vitro”	means “in glass” in Latin, studies of 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

“RP”

means radiopharmaceuticals for diagnosis and treatment

“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

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

REGISTERED OFFICE

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

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
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
Ms. Cheung Ka Lun Karen

AUTHORIZED REPRESENTATIVES

Ms. Feng Yuxia
Ms. Cheung Ka Lun Karen

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
Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower, The Landmark
15 Queen's Road, Central
Hong Kong

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

COMPANY'S WEBSITE

www.joinnlabs.com

Financial Summary

	Six months ended June 30,		
	2022 RMB'000	2021 RMB'000	Change
	(Unaudited)	(Unaudited)	
Operating results			
Revenue	776,881	534,556	45.3%
Gross profit	377,942	268,571	40.7%
Profit for the period	370,384	153,093	141.9%
Profit for the period attributable to equity shareholders of the Company	371,120	153,735	141.4%
Profitability			
Gross profit margin			1.6 percentage point
	48.6%	50.2%	
Profit margin for the period			19.1 percentage point
	47.7%	28.6%	
Earnings per share			
Basic (RMB)	0.97	0.43	125.6%
Diluted (RMB)	0.97	0.42	131.0%

	As at		
	June 30, 2022 RMB'000	December 31, 2021 RMB'000	Change
	(Unaudited)	(Audited)	
Total assets	10,646,728	8,537,077	24.7%
Total liabilities	3,240,946	1,392,641	132.7%
Net assets	7,405,782	7,144,436	3.7%
Total equity attributable to the equity shareholders of the Company	7,398,296	7,136,214	3.7%

Chairperson's Statement

In the first half of 2022, the COVID-19 pandemic still persists, with the global economy confronting huge impact and challenges, and the biopharmaceutical industry was also facing numerous difficulties such as the supply of raw materials for production was not timely. All employees of JOINN were determined to implement our long-term development strategies and insist on putting customer service as our first priority. We supported early stage R&D and innovative companies with regulations, provided consultation and technical support for the whole R&D process with clinical needs in mind, and utilized our comprehensive platform to help R&D companies complete evaluation in the shortest possible time and accelerate the introduction of products into the clinical stage. At the same time, JOINN has been steadfastly implementing the strategy of innovation empowerment, closely tracking new technologies and new targets in domestic and overseas R&D, and constantly exploring new fields and stockpiling new technologies, so that JOINN's drug evaluation technologies would always be at the forefront of the industry.

In the future, JOINN will continue to focus on the safety evaluation and monitor of the entire life cycle of drugs, focus on the non-clinical evaluation business of drugs while continuously develops new technologies and expands new service capabilities, and actively integrate industrial resources to develop and deploy new business capabilities and service models while steadily develops its core businesses. At the same time, we will continue to improve our management and operational capabilities to maximize the release of production capacity and improve our overall profitability to ensure the stable operation of the Company as well as its sustainable development in the future.

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

To meet the continuous growth of business of the Company, we keep on expanding our technical and management team. As of July 31, 2022, we have a professional service team of more than 2,600 people, representing an increase of nearly 500 people as compared with the end of 2021. The number of the non-clinical and clinical research service team recorded rapid growth, with their technical capabilities being further improved. As our subsidiaries grow up rapidly, we continue to optimize the organizational structure as well, streamline the management processes and refine the job responsibilities. Meanwhile, the Company has further optimized the training, performance assessment and compensation systems, further inducing higher initiative and solidarity among the staff, so as to provide clear policy support for the orderly commencements of various business segments and the businesses of our subsidiaries, as well as the stability of the team, so as to ensure the Company's excellent tradition of talent stability as in previous years.

In the first half of 2022, JOINN Suzhou's participation in the "Suzhou Biopharmaceutical Coalition of Industry and Education Integration" has been approved. The coalition will commence comprehensive and continuous cooperation for aspects including talent training, improvement in science and research technology, and resource allocation of the biopharmaceutical industry, as well as achieving the innovative and diversified synergic mechanism for talent cultivation, and the improvement of coordinated management system. This would facilitate the engagement and training of talents for JOINN Suzhou in the future.

Production Capacity Expansion

To assure the successful delivery of orders, the Company has established and implemented the expansion plan for its facilities. JOINN Suzhou's facility of over 8,000 sq.m. (Phase I construction) has started to operate in January 2022. The construction of JOINN Suzhou's facility of approximately 20,000 sq.m. (Phase II construction) is progressing in an orderly manner, with infrastructure work preliminarily completed in the first half of the year, and interior renovations will start in the second half of the year. The new facility is expected to further scale up the Company's business throughput and lay a solid foundation for business execution and growth in the future.

The construction of the safety assessment base of JOINN Laboratories (Guangzhou) Co., Ltd., which has commenced in October 2021, is progressing in an orderly manner, and the infrastructure work is expected to be completed by the end of 2022.

The Company jointly invested with Jiangsu Sinotau Molecular Imaging Technology Co., Ltd. to build a state-of-the-art radiopharmaceutical evaluation center in Wuxi, so as to meet the demand for radiopharmaceutical R&D in China. The structure of the main building was completed during the Reporting Period and the interior decoration of the laboratory is in progress.

In order to meet the majority needs of biotechnology companies in the early stage of R&D, construction of laboratory by JOINN Express & Collabo Laboratories (Suzhou) Co., Ltd., a wholly-owned subsidiary of our company which focuses on new drug screening, has been commenced.

Business Capability Development

1. *Drug Non-clinical Business:*

In the field of non-clinical assessment business of drugs, the Company focused on and followed the R&D demands of the industry, to establish a professional R&D team in a timely manner, improving its non-clinical assessment capability continuously. For example, the Company initiated deep cooperation and research with a famous domestic pediatric hospital on pediatric translational medicine and precision medicine; to further implement the 3R principles, the Company has also distributed human and animal simulation organoid models for the comparison of research results in pharmacology and toxicology, in hopes of being a reliable source to substitute or partially substitute animals in non-clinical study; under the background of following the ICH S7/E14 guideline, the Company has conducted research and exploration on the cardiotoxicity risks of innovative small molecule compounds. By combining K⁺ channel Herg and polyion channel, changes in action potential as well as the overall discovery of animal ECG marking, in addition to the exploration with clinical investigators, the risk of occurrence of TdP arrhythmia can be evaluated, and further enriching the experience of implementing ICH S7/E14 guideline; RP are new clinical methods. It is expected that more effective new molecule drugs will emerge in the future, and the RP research team of the Company has started extensive study on drug evaluation, such as the production of various isotopes, marking, administration of drugs in facilities and imaging inspection, laying down solid foundation related to pharmacology, pharmacokinetics and toxicology evaluations for the system in the future; in recent year, the R&D of CGT products have achieved breakthroughs, with new products emerging continuously. As for different innovative CGT products, the Company keeps on exploring, researching and implementing in the directions of toxicology, tissue distribution and bioanalytical development, toxicological evaluation key points, etc., in order to provide comprehensive non-clinical evaluation services for innovative CGT products. The Company has maintained its leading position among the domestic laboratories which undertakes non-clinical evaluation projects for innovative CGT products. In the first half of 2022, the CGT orders received by the Company has achieved multiplying growth as compared with the corresponding period of last year.

Built on the existing integrated non-clinical evaluation platform, the Company has built up its capabilities and enhanced its technologies in varied technical fields, in particular the adoption of R&D capabilities for emerging fields, such as the assessment ability for product pipelines including CGT, nucleic acid drugs, cellular exosomes, innovative delivery system drugs, etc., in support of innovative drug R&D. The Company has improved its system, enhanced its ability, and maintained an unassailable lead in the aspects including non-clinical evaluation, trial and diagnosis platforms, bioanalytical capability and special administration of drugs in the industry.

Management Discussion and Analysis

For product sub-sectors, such as ophthalmic drug evaluation, the Company has developed and optimized more ophthalmic disease models, including dry eye models, myopia models, retinal leakage models, etc., while establishing technologies such as injection for suprachoroidal space in non-rodent research models; as for otology medicine evaluation, the Company has established the technology platform for hearing tests, otologic examination and pathological diagnosis, as well as developed the methods of administration of otologic drugs for various animals as well as disease models. As for the evaluation of inhalants, the Company has optimized the aerosol generation and drug delivery systems of big molecule inhalers and nucleic acid inhalers, and has completed the non-clinical evaluation works for big molecule and nucleic acid drugs in various major projects; as for the evaluation of psychopharmaceutical drugs, the Company has established skull intubation technology for long-term administration of CNS drugs and EEG remote sensing platform, as well as self-owned testing for administration of drugs and drug identification in accordance with the requirements of related FDA and NMPA guidelines. At the same time, various technological methods for structural and functional study of neurons have been established, and will be utilized in drug evaluation.

Additionally, the Company has expanded and strengthened the special administration and operation capability of drugs, including the administrations of ovary drugs, rectum wall drugs, paralumbar drugs, temporal vein drugs, pleural cavity drugs, etc.

As an important member, the Company proactively participated in the R&D process of the national subject of "The Mechanism Study of New DNA Vaccines Platform", which has been approved by the Ministry of Science and Technology in the first half of 2022. This national key R&D project will enhance the Company's service capability in the field of new special drugs, especially the new DNA vaccines, in order to contribute to the national "Mechanism Study of Etiology and Pandemic Prevention Capability".

2. Drug Clinical Trial Services:

The new contract value of clinical services segment of the Company has achieved substantial YoY growth. The comprehensive clinical operation services included registration and filing, medical writing, project management, pharmacovigilance, etc., involving IIT, I phase and II phase, with the III phase of some of the tests about to be commenced. The therapeutic areas covered innovative gene and cellular drugs, tumors, metabolism, endocrine systems, neurology, rare diseases, etc., so as to achieve seamless transition from preclinical stage to clinical stage, and progress steadily on the path of quality development.

The new contract value of clinical sample trial segment of the Company has achieved substantial YoY growth, covering the analysis of clinical samples of drugs in gene and cell therapies, innovative bispecific antibody drugs, monoclonal antibody (mAb) drugs for innovative targets, preventive biological products, and small molecule drugs for innovative targets, as well as the study of metabolism of small molecule drugs. The clinical sample trial segment has gradually entered into the period of rapid growth, as the bioanalytical method has seamlessly transitioned from preclinical stage to clinical stage. In June 2022, JOINN (Beijing) Inspection Technology Co., Ltd. has passed the CNAS-CL01 (ISO/IEC 17025) on-site assessment and was awarded the CNAS certificate issued by the CNCA, indicating that the testing capabilities for both big molecule drugs and gene amplification of the Company, as well as its quality management system, have reached standardized levels. With the continuous increase in the number of orders received by the clinical bioanalytical as well as the significant expansion in its service capability, it will become another new growth driver of the Company.

3. Cell-based Assay (CBA) Services:

To speed up the development of CBA business, the Company has expanded professional technical team and established a wholly-owned subsidiary named JOINN (Beijing) Inspection and Study Co. Ltd., which engaged in the quality study and inspection of innovative drugs such as protein drugs, vaccines, gene and cellular drugs. The Company will establish new methods, technologies and standards pursuant to the requirement of innovative drugs quality reporting evaluation, to offer the society related services such as the quality standardized study for innovative drugs, establishment of inspection methods, standardization material preparation and verification, inspection for call banks, bacteria and virus banks, stock solution and products, as well as key procedures in production technology quality control (such as virus inactivation and verification clearing), in order to fulfill the emergence of research and inspection needs for innovative drugs, and support and drive the R&D and industrialization processes for innovative drugs. Orders have been undertaken by the drugs evaluation business, and CNAS verification related work will be commenced in the second half of the year.

4. Research Model Study:

In the first half of 2022, Qichen (Suzhou) Biological Science and Technology Co., Ltd., a subsidiary of the Company, has commenced the large scale development of disease models of animals based on the established and improved animal gene-edited technology platform. As for large animals, prolonged and detailed phenotype inspection has been conducted for the acquired gene-edited dog models, and significant typical symptoms have been shown. It is expected that phenotype verification will be finished within the year, and marketing will be commenced. As for small animals, over 30 types of gene-edited cell and mice models, which are used for the preclinical evaluation for rare disease and antitumor drugs, have been developed in the first half of the year. The production scale will be expanded in the second half of the year, so as to establish and improve high and throughput production lines for gene-edited models, and offer technical support for preclinical drugs evaluation.

The construction of the Wuzhou base has essentially been completed. The Wuzhou base is expected to be a leading research model base in terms of quality and scale.

The Company has fully acquired Guangxi Weimei and Yunnan Yinmore for strengthening the strategic inventory and cost control of key research models, reducing the risks from the supply end, so as to fulfill the expansion needs of the Company's main business as well as to guarantee and enhance the continuous service capability of the Company. This would offer strong guarantee for non-clinical safety assessment business of drugs.

Management Discussion and Analysis

Implementation of Special Tests

Implementation of evaluation in featured areas: In the first half of 2022, against the backdrop of a shortage of research models, the Company took the number of newly launched, completed and in-progress projects to the next level, thanks to continued efforts on resource allocation, proper planning and integrated management. For the six months ended June 30, 2022, the Company had orders in hand worth over RMB4.1 billion in total, offering guarantee to future business performance.

Marketing

The Company continues to facilitate the innovation in terms of its technological capabilities and business lines, speeds up the establishment and standardization of a technical platform for innovative drug evaluation, and cultivates business sub-sectors. By constantly stepping up support to the R&D of innovative drugs and original innovations in new technical platforms in recent years, the Company is highly trusted by innovation-driven R&D organizations. Orders awarded to the Group were worth more than RMB2.0 billion in total in the first half of 2022. Of the total, the value of orders undertaken by China-based companies was more than RMB1.8 billion, continuing to present an impressive YoY growth of over 50%; orders undertaken by Biomedical Research Models, Inc., an overseas subsidiary, amounted to about RMB200 million, representing a steady YoY jump of about 30%. Marketing actions high on the agenda aligned with the Company's strategies in the first half of 2022 are detailed as follows:

1. Continue to maintain an unassailable lead in the core business line of non-clinical evaluation, proactively expand the customer base and increase the number of orders.
2. Keeping abreast with new technologies, new targets, new inhalants and new fields developed in China and elsewhere pursuant to the Company's development strategy, in particular, in the fields of innovative cell therapy (including new targets, multi-target CAR-T, NK cells, neoantigen cells, gene-edited cells), nucleotide drugs, innovative antibodies (including mAbs, bispecific antibody and multi-target antibody), innovative ADC (including bispecific ADC, new targets, new molecules), stem cell therapy (proportional and systematic administration of drugs) innovative PDC drugs and gene therapy (including oncolytic virus, AAV virus), innovative technical route-based vaccines, innovative inhalational macromolecular drugs and CNS drugs. For the sub-sectors of project commenced, the orders of reproductive toxicity, carcinogenesis tests, ophthalmic tests, inhalation tests and CNS tests have increased significantly. The Company will provide legal aid and technical support throughout the R&D process at the early stage to original innovators. In this way, the customers may have a full understanding of the legal and regulatory requirements for non-clinical drug evaluation. The Company can provide constructive opinions about drugs R&D to customers and make use of the resources of its comprehensive platform to help R&D organizations complete evaluation in the shortest possible time and start clinical trials of their products.
3. Step up marketing and publicity efforts in the new business segments, including clinical trials, clinical assays and quality assurance, and achieve the awareness of the Company's business lines among more target customers through more intensive online and offline promotions.

Management Discussion and Analysis

4. Strengthen synergy among the existing business lines. The sales force should be consolidated to make the most of the Company's market position in the non-clinical business sector and privileged access to project resources, grow and strengthen the upstream and downstream segments along the business chain, and offer high-quality one-stop services to the customers. These include JOINN's biomacromolecule CDMO, non-clinical evaluation, biological products assay, clinical CRO, and clinical assay. A number of projects have been completed. This can lead to time saving and efficiency improvement.
5. Expand overseas businesses continuously. Since the integrated operation of the Company with Biomere, the synergic effect of both sides deepens and enhances continuously by leveraging each of their advantages, and has achieved satisfying results in overseas business expansion. In the first half of 2022, Biomere continued to deliver strong performance. It received orders to the total amount of about RMB200 million in the year, marking a 30% YoY increase; while JOINN's China-based members achieved greater breakthroughs in receiving international orders, worth about RMB160 million, surging more than 100% YoY, reaching historic high.

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, 2022 was RMB776.9 million, representing an increase of 45.3% as compared to RMB534.6 million for the six months ended June 30, 2021. 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,			
	2022		2021	
	RMB'000	%	RMB'000	%
Non-clinical studies services	755,335	97.2	525,158	98.3
Clinical trial and related services	19,839	2.6	8,149	1.5
Sales of research models	1,707	0.2	1,249	0.2
Total revenue	776,881	100.0	534,556	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, 2022 was RMB398.9 million, representing an increase of 50.0% as compared to RMB266.0 million for the six months ended June 30, 2021, which was largely in line with our revenue growth and the increase of price of research models.

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,			
	2022		2021	
	RMB'000	%	RMB'000	%
Non-clinical studies services	386,356	96.9	258,305	97.1
Clinical trial and related services	11,326	2.8	6,931	2.6
Sales of research models	1,257	0.3	749	0.3
Total cost of services	398,939	100.0	265,985	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, 2022, the gross profit and gross profit margin was RMB377.9 million and 48.6%, respectively, as compared to RMB268.6 million and 50.2%, respectively, for the six months ended June 30, 2021. The increase in gross profit was mainly driven by our increased gross profit of our non-clinical studies services. Our gross profit margin slightly decreased for the six months ended June 30, 2022, primarily due to the increase of cost of services as discussed above.

Other Gains and Losses, Net

For the six months ended June 30, 2022, other gains and losses, net was RMB120.4 million, represent an increase of 269.5% as compared to RMB32.6 million for the six months ended June 30, 2021. The increase in other gains and losses, net was primarily due to reasons as follows:

- For the six months ended June 30, 2022, the net foreign exchange gain was RMB18.8 million, representing a large gain as compared to the foreign exchange loss of RMB50.2 million for the six months ended June 30, 2021. The net foreign exchange gain was primarily due to exchange rate fluctuations.
- For the six months ended June 30, 2022, the interest income was RMB68.7 million, representing an increase of 2,492.8% as compared to RMB2.6 million for the six months ended June 30, 2021. The increase in interest income was primarily due to the funds from the global offering of H shares of the Company and the continuous improvement of the ability of capital management.
- For the six months ended June 30, 2022, the balance between the fair value of consideration and net assets acquired was RMB14.4 million, which is RMB Nil for the six months ended June 30, 2021. This was primarily due to the acquisition of Guangxi Weimei and Yunnan Yinmore on May 15, 2022.

Gains Arising from Changes in Fair Value of Biological Assets

For research models that remained as our biological assets for the six months ended June 30, 2022, we recognized gain of RMB131.3 million arising from changes in fair value of biological assets, representing an increase of 247.7% as compared to RMB37.8 million for the six months ended June 30, 2021. 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 research models and the increasing number of research models from acquisition of Guangxi Weimei and Yunnan Yinmore.

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, 2022 was RMB8.2 million, representing an increase of 12.8% as compared to RMB7.3 million for the six months ended June 30, 2021. Our selling and marketing expenses remained relatively stable for the six months ended June 30, 2022 as compared with the same period in 2021.

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, 2022 was RMB158.8 million, representing an increase of 17.1% as compared to RMB135.6 million for the six months ended June 30, 2021. Our general and administrative expenses remained relatively stable for the six months ended June 30, 2022 as compared with the same period in 2021.

Research and Development Expenses

The research and development expenses of 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, 2022 was RMB25.5 million, representing an increase of 16.6% as compared to RMB21.9 million for the six months ended June 30, 2021. Our research and development expenses remained relatively stable for the six months ended June 30, 2022 as compared with the same period in 2021.

Finance Costs

The Group's finance costs for the six months ended June 30, 2022 was RMB1.7 million, representing an increase of 12.3% as compared to RMB1.5 million for the six months ended June 30, 2021. Our finance costs for the six months ended June 30, 2022 remained relatively stable as compared with the same period in 2021.

Income Tax Expense

The Group's income tax expense for the six months ended June 30, 2022 was RMB64.8 million, representing an increase of 231.5% as compared to RMB19.5 million for the six months ended June 30, 2021. 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, 2022 was 14.9% (for the six months ended June 30, 2021: 11.3%). The increase was primarily due to the increased non-taxable income of Biomere for the same period in 2021.

Management Discussion and Analysis

Profit for the Period

As a result of the foregoing reasons, our profit for the period increased by 141.9% from RMB153.1 million for the six months ended June 30, 2021 to RMB370.4 million for the six months ended June 30, 2022. Our net profit margin increased from 28.6% for the six months ended June 30, 2021 to 47.7% for the six months ended June 30, 2022, primarily due to the continuous improvement in our operating efficiency, increased other gains and losses, net and gains arising from changes in fair value of biological assets 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.

Liquidity and Financial Resources

The Group's cash and cash equivalent as at June 30, 2022 were RMB3,801.0 million, representing a decrease of 8.5% as compared to RMB4,154.1 million as at December 31, 2021. The Group's cash and cash equivalent remained relatively stable.

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary course of business, which was mainly the payments received from our customers for our services in non-clinical studies.

As at June 30, 2022, the Group has interest-bearing bank borrowings amounted to approximately RMB8.2 million (2021: approximately RMB9.5 million). The Group's bank borrowings of RMB4.5 million (2021: RMB5.5 million) carry fixed interest rate of 3.98% per annum (2021: 3.98% per annum). As at June 30, 2022, bank borrowings of approximately RMB3.7 million (2021: RMB4.0 million) carried variable market interest rates of 2.81% per annum (2021: 2.81% per annum).

Gearing ratio

The gearing ratio (calculated by interest-bearing bank borrowings divided by total equity) of the Group as at June 30, 2022 was 0.1%, and remained stable as compared with 0.1% as at December 31, 2021.

Management Discussion and Analysis

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, preferred shares 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

During the Reporting Period, the Group did not have any significant investments, acquisitions or disposals.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

On May 15, 2022, the Company entered into an agreement to acquire 100% equity interest of Guangxi Weimei and Yunnan Yinmore for a cash consideration of RMB1,803,965,000. The main business of Guangxi Weimei and Yunnan Yinmore are the breeding, feeding and sales of research model animals. For further details, please refer to the announcements of the Company dated April 28, 2022.

Capital Expenditure and Commitments

The Group's capital expenditures for the six months ended June 30, 2022 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, 2022, the Group incurred RMB151.3 million in relation to capital expenditures as compared to RMB79.8 million for the same period in 2021.

Charges on Group Assets

As of June 30, 2022, the Group did not have any material charges over its assets.

Contingent Liabilities

The Group had no material contingent liabilities as of June 30, 2022.

Management Discussion and Analysis

Event after the end of the Reporting Period

Issue of Capitalization Shares pursuant to the Proposed 2021 Profit Distribution Plan

On June 24, 2022, the proposed 2021 Profit Distribution Plan was passed at the 2021 annual general meeting, the second A Share class meeting for 2022 and the second H Share class meeting of 2022. According to the proposed 2021 Profit Distribution Plan, four Shares of the Company were issued for every ten Shares of the Company held by the shareholders of the Company on the relevant record date by way of capitalization of reserve. Accordingly, 128,341,386 A Shares and 24,284,736 H Shares were issued on August 8, 2022 and August 23, 2022, respectively, and the total number of Shares of the Company has changed to 534,191,429 Shares.

2022 Restricted A Share Incentive Scheme and 2022 A Share Employee Stock Ownership Plan

On August 15, 2022, the Company convened the 34th meeting of the third session of the Board. The Board resolved to propose the adoption of 2022 Restricted A Share Incentive Scheme and 2022 A Share Employee Stock Ownership Plan, and resolved to propose to the Shareholders to approve the relevant schemes at the forthcoming extraordinary general meeting, A Share class meeting and H Share class meeting. For details, please refer to the announcement of the Company dated August 15, 2022.

Employee and Remuneration Policy

As at June 30, 2022, the Group had 2,276 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 RMB303.0 million (for the same period in 2021: RMB212.7 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.

Management Discussion and Analysis

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. Also the establishment of the Suzhou facilities is in progress during 2022.

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.

Management Discussion and Analysis

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 U.S. operations primarily through our subsidiary Biomere and our future U.S. operations in northern California.

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.

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. During the first half of 2022, the construction of the Wuzhou base has essentially been completed. The Wuzhou base is expected to be a leading research model base in terms of quality and scale. 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, 2022 to the Shareholders.

DISCLOSURE OBLIGATIONS AND CONTINUING DISCLOSURE UNDER THE LISTING RULES

Saved as disclosed in this Report, the Company had no other disclosure obligations under Rules 13.13, 13.14, 13.15 and 13.20 of the Listing Rules.

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, 2022, 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, 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 ⁽²⁾	Approximate percentage in the relevant class of Shares ⁽³⁾	Approximate percentage in total Shares ⁽³⁾
Ms. Feng ⁽¹⁾	Chairperson of the Board, Executive Director	Beneficial Owner	A Shares	85,286,037 (L)	26.57%	22.35%
		Interest of Spouse	A Shares	45,981,079 (L)	14.33%	12.05%
Mr. Gu Xiaolei	Non-executive Director	Beneficial Owner	A Shares	18,472,397 (L)	5.76%	4.84%
Mr. Zuo Conglin	Executive Director	Beneficial Owner	A Shares	13,339,845 (L)	4.16%	3.50%
Ms. Sun Yunxia	Executive Director	Beneficial Owner	A Shares	2,595,642 (L)	0.81%	0.68%
Mr. Gao Dapeng	Executive Director, Secretary to the Board, Joint Company Secretary	Beneficial Owner	A Shares	274,646 (L)	0.09%	0.07%
Dr. Yao Dalin	Executive Director	Beneficial Owner	A Shares	95,764 (L)	0.03%	0.03%

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 85,286,037 of our A Shares, representing 22.35% of our total issued share capital as of June 30, 2022 (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 45,981,079 of our A Shares, representing 12.05% of our total issued share capital as of June 30, 2022 (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 131,267,116 Shares, representing 34.40% of our total issued share capital as of June 30, 2022 (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, 2022, the Company had 381,642,192 issued shares in total, comprised of 320,930,352 A Shares and 60,711,840 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, 2022, 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.

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, 2022, 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 ⁽¹⁾	Approximate percentage in the relevant class of Shares ⁽²⁾	Approximate percentage in total Shares ⁽²⁾
Mr. Zhou	Beneficial owner	A Shares	45,981,079 (L) ⁽³⁾	14.33%	12.05%
	Interest of spouse	A Shares	85,286,037 (L) ⁽³⁾	26.57%	22.35%
UBS Group AG	Interests of controlled corporation	H Shares	8,178,895 (L)	13.47%	2.14%
Aggregate of abrdn plc affiliated investment management entities	Investment manager	H Shares	5,457,900 (L)	8.99%	1.43%
APG Asset Management N.V.	Investment manager	H Shares	3,067,100 (L)	5.05%	0.80%
APG Groep N.V.	Investment manager	H Shares	3,067,100 (L)	5.05%	0.80%
Stichting Pensioenfonds ABP	Investment manager	H Shares	3,067,100 (L)	5.05%	0.80%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) As of June 30, 2022, the Company had 381,642,192 issued shares in total, comprised of 320,930,352 A Shares and 60,711,840 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 "Interests in the Shares of the Company" 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 Ning (姚寧)	35
Qichen (Suzhou) Biological Science and Technology Co., Ltd. (蘇州啟辰生物科學有限公司)	RMB10,000,000	Huang Wenjuan (黃雯涓)	45
JOINN Laboratories (Wuxi) Co., Ltd. (昭衍(無錫)新藥研究中心有限公司)	RMB50,000,000	Jiangsu Sinotau Molecular Imaging Science & Technology Co., LTD. (江蘇先通分子影像 科技有限公司)	20

Except as disclosed in this section, to the best knowledge of the Company, as of June 30, 2022, 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 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 at June 30, 2022, 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 at June 30, 2022, the Company had granted options under the Pre-IPO Share Option and Restricted Share Award Schemes to 360 grantees, including four Directors and one senior management member of the Company who have been granted options to subscribe for 429,100 A Shares after the exercise, representing approximately 0.11% of the Company's issued share capital as at the date of this report. Assuming all the said 2,134,853 outstanding share options were exercised as at June 30, 2022, the total number of Shares as at June 30, 2022 would be 383,777,045, and the aggregate shareholding percentage in the Company of Ms. Feng Yuxia and Mr. Zhou Zhiwen would drop from 34.40% to 34.20%. Save as disclosed above, no option under the Pre-IPO Share Option and Restricted Share Award Schemes has been granted to other connected person of the Company.

As at June 30, 2022, the Company had granted restricted shares under the Pre-IPO Share Option and Restricted Share Award Schemes to 88 grantees, including four Directors and two senior management member of the Company who have been granted restricted shares of 72,100 A Shares, representing approximately 0.02% of the Company's issued share capital as at the date of this report. Assuming all the said 189,532 outstanding restricted shares became awarded shares as at June 30, 2022, the total number of Shares as at June 30, 2022 would be 381,831,724, and the aggregate shareholding percentage in the Company of Ms. Feng Yuxia and Mr. Zhou Zhiwen would drop from 34.40% to 34.38%. Save as disclosed above, no restricted shares 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 at the date of June 30, 2022. For details of fair value and exercise price of outstanding options, please refer to note 23(a) to the financial statements of this report.

Name of Grantee	Position	Exercise Price (RMB/Share)	Date of Grant	Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Vesting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2022
Directors										
Zuo Conglin	Vice Chairperson of the Board, Executive Director	67.44	July 17, 2020	134,400	0	0	(Note 4)	0	0	134,400
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	67.44	July 17, 2020	42,000	0	21,000	(Note 4)	0	0	21,000
Sun Yunxia	Executive Director, Vice General Manager	67.44	June 24, 2020	151,200	0	0	(Note 3)	0	0	151,200
		67.44	July 17, 2020	42,000	0	0	(Note 4)	0	0	42,000
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	67.44	July 17, 2020	42,000	0	0	(Note 4)	0	0	42,000
Subtotal				411,600	0	21,000		0	0	390,600
Senior Management										
Yu Aishui	Chief Financial Officer	67.44	June 24, 2020	7,000	0	0	(Note 3)	0	0	7,000
		67.44	July 17, 2020	10,500	0	0	(Note 4)	0	0	10,500
Subtotal				17,500	0	0		0	0	17,500
Other employees										
		20.13	March 9, 2018	1,735,153	0	8,400	(Note 1)	0	0	1,726,753
		24.12	September 9, 2019		0		(Note 2)	0		
		67.44	June 24, 2020		0		(Note 2)	0		
		67.44	July 17, 2020		0		(Note 3)	0		
Total				2,164,253	0	29,400		0	0	2,134,853

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 of 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.
- (5) The term of validity of outstanding options shall not exceed 48 months. And the exercise period of outstanding options shall commence from the date on which such options are no longer under any lock-up, to shall not exceed the validity period.
- (6) Exercise prices of the outstanding options will be adjusted according to the resolution in respect of the Company's dividend distribution and transfer from share premium in capital reserve to share capital.

Corporate Governance and Other Information

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 at the date of June 30, 2022. For details of fair value and exercise price of outstanding restricted shares, please refer to note 23(b) to the financial statements of this report.

Name of Grantee	Position	Exercise Price (RMB/Share)	Date of Grant	Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Vesting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2022
Directors										
Zuo Conglin	Vice Chairperson of the Board, Executive Director	9.81	March 9, 2018	0	0	0	(Note 1)	0	0	0
		16.94	September 9, 2019	11,760	0	0	(Note 2)	0	0	11,760
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	9.81	March 9, 2018	0	0	0	(Note 1)	0	0	0
		16.94	September 9, 2019	11,760	0	0	(Note 2)	0	0	11,760
Sun Yunxia	Executive Director, Vice General Manager	9.81	March 9, 2018	0	0	0	(Note 1)	0	0	0
		16.94	September 9, 2019	11,760	0	0	(Note 2)	0	0	11,760
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	9.81	March 9, 2018	0	0	0	(Note 1)	0	0	0
		16.94	September 9, 2019	11,760	0	0	(Note 2)	0	0	11,760
Subtotal				47,040	0	0		0	0	47,040
Senior Management										
Gu Jingliang		9.81	March 9, 2018	0	0	0	(Note 1)	0	0	0
		16.94	September 9, 2019	11,760	0	0	(Note 2)	0	0	11,760
		47.39	June 24, 2020	10,500	0	0	(Note 3)	0	0	10,500
Yu Aishui	Chief Financial Officer	47.39	June 24, 2020	2,800	0	0	(Note 3)	0	0	2,800
Subtotal				25,060	0	0		0	0	25,060
Other employees										
		9.81	March 9, 2018	0	0	0	(Note 1)	35,725	0	0
		16.94	September 9, 2019	86,632	0	0	(Note 2)	41,160	0	86,632
		47.39	June 24, 2020	30,800	0	0	(Note 3)	0	0	30,800
Total				189,532	0	0		76,885	0	189,532

Corporate Governance and Other Information

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.
- (4) The term of validity of outstanding RSUs shall not exceed 48 months. And the exercise period of outstanding RSUs shall commence from the date on which such restricted shares are no longer under any lock-up, to shall not exceed the validity period.
- (5) Exercise prices of the outstanding RSUs will be adjusted according to the resolution in respect of the Company's dividend distribution and transfer from share premium in capital reserve to share capital.

POST-IPO RESTRICTED SHARE INCENTIVE SCHEME AND THE STOCK OWNERSHIP PLAN

The Company adopted 2021 Restricted A Share Incentive Scheme and 2021 A Share Employee Stock Ownership Plan (the "**Post-IPO Restricted Award Scheme and ESOP**") on January 19, 2022. The terms of the Post-IPO Restricted Award Scheme and ESOP are not subject to the provisions of Chapter 17 of the Listing Rules as they are discretionary schemes of the Company and do not involve the grant of options over new Shares or any other new securities issued by the Company (or any of its subsidiaries), and do not constitute a share option scheme.

SUMMARY OF TERMS

(a) Purpose

The purpose of the 2021 Restricted A Share Incentive Scheme is to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the Company's employees, ensure the realization of the Company's development strategy and business objectives, and promote the long-term development of the Company.

The purpose of the 2021 A Share Employee Stock Ownership Plan is to establish and improve the benefit sharing mechanism for employees and shareholders, improve the corporate governance level, enhance the cohesion of employees and the competitiveness of the Company, mobilize the enthusiasm and creativity of employees, and promote the long-term, sustainable and healthy development of the Company.

(b) Types of Awards

The 2021 Restricted A Share Incentive Scheme provides for awards of restricted A shares (the "**Restricted A Shares**") and the 2021 A Share Employee Stock Ownership Plan provides the participants with the subscription of Shares.

Corporate Governance and Other Information

(c) Administration

Given that the Restricted A Shares are to be held by the grantees directly, upon the Restricted A Shares being unlocked, the grantees could make their own decision in respect of their respective unlocked Restricted A Shares under the 2021 Restricted A Share Incentive Scheme.

As to the 2021 A Share Employee Stock Ownership Plan, the holder's meeting shall be the highest internal management authority of the 2021 A Share Employee Stock Ownership Plan, and the management committee shall be established as the management body supervising the daily management of the 2021 A Share Employee Stock Ownership Plan, and exercise the shareholders' rights attached to the underlying Shares.

(d) Scope of Participants

There are 505 Participants under the 2021 Restricted A Share Incentive Scheme, all of them are key technical (business) personnel. The participants under the 2021 Restricted A Share Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding 5% or more of the Shares of the Company or the de facto controllers and their spouses, parents or children.

As to the 2021 A Share Employee Stock Ownership Plan, participants shall be supervisors, senior management or key technical (business) personnel of the Company. The total number of participants shall not exceed 11, including 4 Supervisors and senior management personnel.

(e) Source

The Restricted A Shares under the 2021 Restricted A Share Incentive Scheme are new Shares to be issued and allotted by the Company. The underlying Shares for the 2021 A Share Employee Stock Ownership Plan are existing Shares repurchased by the Company and held by the Company through its special securities account for share repurchase, which are to be transferred by the Company to the 2021 A Share Employee Stock Ownership Plan at the transfer price.

(f) Maximum Number of Shares

675,400 Restricted A Shares under the 2021 Restricted A Share Incentive Scheme was granted to the Participants, the underlying shares of which are RMB ordinary A Shares, representing approximately 0.18% of the total issued share capital of the Company as at the date of this report.

The total number of underlying shares involved in all the share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company as at the date of this report. The number of Restricted A Shares to be granted to any particular participant under the 2021 Restricted A Share Incentive Scheme does not exceed 1% of the total share capital of the Company as at the date of this report.

The number of Shares to be subscribed for under the 2021 A Share Employee Stock Ownership Plan shall not exceed 32,600 Shares, representing approximately 0.009% of the current total share capital of the Company. The stake of each holder in the 2021 A Share Employee Stock Ownership Plan shall be determined according to the actual payment made by the employees.

Corporate Governance and Other Information

(g) Term of the Post-IPO Restricted Award Scheme and ESOP

Subject to the termination provisions under the Post-IPO Restricted Award Scheme and ESOP, the term of the 2021 Restricted A Share Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted A Shares and end on the date on which all the Restricted Shares granted to the participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.

The term of the 2021 A Share Employee Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the last transfer of the underlying shares to the 2021 A Share Employee Stock Ownership Plan.

(h) Date of Grant

The 2021 Restricted A Share Incentive Scheme was approved at the first Extraordinary General Meeting of 2022, the first A Share Class Meeting for 2022 and the first H Share Class Meeting for 2022. The date of grant was January 28, 2022. For the details of grant, please refer to the Company's announcement on January 28, 2022.

As of the date of this Report, no share has been granted under the 2021 A Share Employee Stock Ownership Plan.

(i) Lock-up Period

The lock-up period of the Restricted Shares granted under the 2021 Restricted A Share Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares to the participants, respectively. The Restricted A Shares granted to the participants under the 2021 Restricted A Share Incentive Scheme shall not be transferred, pledged or used for repayment of debts before the unlocking of which.

The lock-up period of the shares under the 2021 A Share Employee Stock Ownership Plan shall be 12 months, 24 months and 36 months, from the date of announcement of the transfer of the last batch of underlying shares of the 2021 A Share Employee Stock Ownership Plan. The Shares derived from the underlying shares held by the 2021 A Share Employee Stock Ownership Plan as a result of the distribution of share dividends, capitalisation of capital reserve by the listed company shall also be subject to the above lock-up arrangement.

(j) Grant and Exercise of Awards

On and subject to certain terms of the 2021 Restricted A Share Incentive Scheme, the Restricted A Shares can be granted to by any eligible employee, i.e., linking the grant 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

On and subject to certain terms of the 2021 A Share Employee Stock Ownership Plan, shares can be granted to by any eligible employee, i.e., linking the grant 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 undistributed portion shall be disposed of at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the individual. Where there is still revenue to be made after the return to the holders, the revenue shall be returned to the Company.

Corporate Governance and Other Information

LIST OF GRANTEES UNDER THE POST-IPO RESTRICTED A SHARE INCENTIVE SCHEME AND THE STOCK OWNERSHIP PLAN

As at the date of June 30, 2022, the maximum number of Restricted Shares approved to be granted under the 2021 Restricted A Share Incentive Scheme has been fully granted to the eligible grantees. On March 31, 2022, the grant registration procedure was completed. For details of completion of grant registration under the 2021 Restricted A Share Incentive Scheme, please refer to the announcement made by the Company on March 31, 2022.

The following table summarizes the number of underlying A Shares of the outstanding Restricted Shares under the the 2021 Restricted A Share Incentive Scheme as at June 30, 2022. For details of fair value and exercise price of outstanding restricted shares, please refer to note 33 to the financial statements of this report.

Name of Grantee	Exercise Price (RMB/Share)	Date of Grant	Outstanding	Grant during the year	Exercised during the year	Vesting Period	Canceled during the year	Lapsed during the year	Outstanding
			as at January 19, 2022						as at June 30, 2022
Key technical (business) personnel (297 persons)	83.97	March 21, 2022	0	366,300	0	(Note 1)	0	0	0

Note:

1. This batch of outstanding RSUs under the 2021 Restricted A Share Incentive Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 40% of the aggregate number of Restricted Shares between March 29, 2023 and March 28, 2024; (ii) as to 30% of the aggregate number of RSUs between March 29, 2024 and March 28, 2025; and (iii) as to 30% of the aggregate number of RSUs between March 29, 2025 and March 28, 2026.

As of the date of this report, the maximum number of Restricted A Shares approved to be subscribed by the participants under 2021 A Share Employee Stock Ownership Plan has not been subscribed by the eligible participants, representing approximately 0.1% of the Company's issued share capital as of the date of this report.

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

On March 30, 2022, the Company convened the 32nd meeting of the third session of the Board. The Board resolved and approved to repurchase and cancel part of the 2018 Restricted A Shares and 2019 Restricted A Shares pursuant to the 2018 Share Option and Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme. Relevant repurchase and cancellation was completed on July 25, 2022. For details, please refer to the announcement of the Company dated July 20, 2022.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the CG Code, and has complied with the applicable code provisions during the six months ended 30 June 2022.

The Board will examine and review, from time to time, the Company's corporate governance practices and operations in order to meet the relevant provisions under the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The 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 by Directors of Listed Issuers set out in the Model Code. Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the six months ended June 30, 2022.

AUDIT COMMITTEE

The Audit Committee has three members comprising all independent non-executive Directors, being Mr. Sun Mingcheng (chairman), Dr. Zhai Yonggong and Mr. Zhang Fan, with terms of reference in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls, risk management and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2022. The Audit Committee considers that the interim financial results for the six months ended June 30, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

MATERIAL LITIGATION AND ARBITRATION

From the Listing Date to June 30, 2022, 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

For the six months ended June 30, 2022, there were no changes in Directors and composition of Board Committees.

(ii) Change in Supervisors

For the six months ended June 30, 2022, there were no changes in Supervisors.

Corporate Governance and Other Information

(iii) Change in Biographies of Directors and Supervisors

For the six months ended June 30, 2022, there were no changes in biographies of Directors and Supervisors.

(iv) Change in Senior Management

For the six months ended June 30, 2022, there were no changes in senior management.

For the six months ended June 30, 2022, 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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H shares of the Company were listed on the Stock Exchange on 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 net 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) (the “**Net Proceeds**”).

Having considered (i) the reasons for and benefits of the transactions as set out in the announcements in relation to the acquisition of Yunnan Yinmore and Guangxi Weimei dated April 28, 2022; and (ii) the reasons as stated in the announcement in the relation to proposed change in use of the Net Proceeds dated April 28, 2022, in order to better utilize the financial resources of the Group and to capture favourable investment opportunities, the Board has reviewed the utilization plan of the Net Proceeds and resolved to re-allocate part of the Net Proceeds amounting to approximately RMB787.9 million from the Global Offering to funding 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, which comprise, among others, the acquisition of Yunnan Yinmore and Guangxi Weimei.

Corporate Governance and Other Information

For the period from the Listing Date up to June 30, 2022, the Company has used RMB1,220.7 million for the following purposes.

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the Proceeds (RMB million)	Amount of net proceeds utilized as at June 30, 2022 (RMB million)	Balance of the unutilized net proceeds after proposed re-allocation (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(A) Expand the capacity of our Suzhou facilities for non-clinical Studies	16.0	845.6	57.7	50.0	7.7	
(i) renovating our existing laboratory and research model facilities in Suzhou	7.9	417.5	16.0	16.0	-	
(ii) constructing the infrastructure of our new facilities in Suzhou	1.7	89.8	36.7	29.0	7.7	By the end of 2022
(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	5.0	5.0	-	
(iv) upgrading our technical and scientific research capabilities with international background at our Suzhou facilities	0.9	47.6	-	-	-	
(B) Strengthen our U.S. operations to cater to the rising customer demand for services provided by Biomere	10.0	528.5	528.5	18.5	510.0	
(i) upgrading our existing facilities and service team in northern California	7.6	401.7	401.7	18.5	383.2	1 to 2 years from Listing
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	2.4	126.8	126.8	-	126.8	1 to 2 years from Listing

Corporate Governance and Other Information

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the Proceeds (RMB million)	Amount of net proceeds utilized as at June 30, 2022 (RMB million)	Balance of the unutilized net proceeds after proposed re-allocation (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(C) Further expand our facility network and service capabilities in China	39.0	2,061.3	2,061.3	95.3	1,966.0	
(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	77.7	820.8	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	10.4	888.1	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	7.2	130.2	3 to 5 years from Listing
(iv) developing cutting-edge laboratory and research model technologies	2.4	126.9	126.9	–	126.9	3 to 5 years from Listing
(D) Broaden and deepen our integrated CRO service offerings with a particular focus on further expanding our clinical trial and related services	5.0	264.3	264.3	16.9	247.4	
(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	4.2	27.5	1 to 3 years from Listing

Corporate Governance and Other Information

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the Proceeds (RMB million)	Amount of net proceeds utilized as at June 30, 2022 (RMB million)	Balance of the unutilized net proceeds after proposed re-allocation (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(ii) investing in business development efforts for our growing clinical trial business	0.4	21.2	21.2	–	21.2	1 to 3 years from Listing
(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	12.7	198.7	1 to 3 years from Listing
(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	20.0	1,057.0	1,844.9	844.6	1,000.3	1 to 3 years from Listing
(F) Working capital and general corporate purposes	10.0	528.5	528.5	195.4	333.1	

Ms. Feng Yuxia

Chairperson of the Board

Hong Kong, August 30, 2022

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For six months ended June 30, 2022
(Expressed in RMB)

	Note	Six months ended June 30, 2022 RMB'000 (Unaudited)	Six months ended June 30, 2021 RMB'000 (Unaudited)
Revenue	4	776,881	534,556
Cost of services		(398,939)	(265,985)
Gross profit	4(b)	377,942	268,571
Other gains and losses, net	5	120,412	32,592
Gains arising from changes in fair value of biological assets	6	131,321	37,764
Selling and marketing expenses		(8,184)	(7,253)
General and administrative expenses		(158,784)	(135,644)
Research and development expenses		(25,482)	(21,861)
Profit from operations		437,225	174,169
Finance costs	7(a)	(1,727)	(1,538)
Share of losses of an associate		(350)	–
Profit before taxation	7	435,148	172,631
Income tax	8	(64,764)	(19,538)
Profit for the period		370,384	153,093
Other comprehensive income for the period (after tax)			
<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)		5,235	–
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences on translation of financial statements of foreign operations		12,852	(2,368)
		18,087	(2,368)
Total comprehensive income for the period		388,471	150,725

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For six months ended June 30, 2022
(Expressed in RMB)

	Note	Six months ended June 30, 2022 RMB'000 (Unaudited)	Six months ended June 30, 2021 RMB'000 (Unaudited)
Profit for the period attributable to:			
Equity shareholders of the Company		371,120	153,735
Non-controlling interests		(736)	(642)
Profit for the period		370,384	153,093
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		389,207	151,367
Non-controlling interests		(736)	(642)
Total comprehensive income for the period		388,471	150,725
Earnings per share			
Basic (RMB)	9	0.97	0.43
Diluted (RMB)		0.97	0.42

Unaudited Consolidated Statement of Financial Position

At June 30, 2022
(Expressed in RMB)

	Note	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	1,149,350	814,728
Intangible assets		62,647	57,068
Interest in an associate		24,938	25,289
Goodwill		128,877	122,431
Biological assets	11	777,776	74,115
Financial assets at FVTOCI		111,820	105,661
Financial assets at FVTPL	12	155,000	–
Prepayment for investment	13	317,425	–
Certificates of deposits		1,431,374	1,405,323
Other non-current assets	14	40,822	74,124
Deferred tax assets	24(b)	35,178	43,854
		4,235,207	2,722,593
Current assets			
Inventories	15	185,757	106,293
Contract costs	16	699,539	433,794
Biological assets	11	1,122,987	160,499
Contract assets	17(a)	97,512	98,999
Trade and bills receivables	18	134,312	115,510
Prepayments and other receivables	19	62,117	64,312
Financial assets at FVTPL	12	308,306	680,978
Cash at bank and on hand	20	3,800,991	4,154,099
		6,411,521	5,814,484
Current liabilities			
Interest-bearing borrowings		3,343	4,544
Trade payables	21	84,063	53,644
Contract liabilities	17(b)	1,385,695	972,213
Other payables	22	1,405,973	140,328
Lease liabilities		22,417	21,651
Income tax payable	24(a)	36,247	21,862
		2,937,738	1,214,242
Net current assets		3,473,783	4,600,242
Total assets less current liabilities		7,708,990	7,322,835

Unaudited Consolidated Statement of Financial Position

At June 30, 2022
(Expressed in RMB)

	Note	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (audited)
Non-current liabilities			
Interest-bearing borrowings		4,879	4,939
Leases liabilities		58,432	64,188
Deferred tax liabilities	24(b)	178,842	48,428
Deferred income		61,055	60,844
		303,208	178,399
NET ASSETS			
		7,405,782	7,144,436
CAPITAL AND RESERVES			
Share capital	26	381,642	381,246
Reserves		7,016,654	6,754,968
Total equity attributable to equity shareholders of the Company			
		7,398,296	7,136,214
Non-controlling interests			
		7,486	8,222
TOTAL EQUITY			
		7,405,782	7,144,436

Unaudited Consolidated Statement of Changes in Equity

For six months ended June 30, 2022
(Expressed in RMB)

Attributable to equity shareholders of the Company											
		Share	Share	Statutory	Exchange	Fair value	Retained		Non-	Total	
	Share	capital	award	reserve	reserve	reserve	profits	Total	controlling	Equity	
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Note(26)					(non- recycling)			interests		
Balance at December 31, 2021		381,246	5,543,570	(3,935)	87,428	(20,569)	47,312	1,101,162	7,136,214	8,222	7,144,436
Changes in equity for six months ended June 30, 2022:											
Profit for the period		-	-	-	-	-	371,120	371,120	(736)	370,384	
Other comprehensive income		-	-	-	-	12,852	5,235	-	18,087	-	18,087
Total comprehensive income		-	-	-	-	12,852	5,235	371,120	389,207	(736)	388,471
Issue of restricted shares	26	366	30,392	(30,758)	-	-	-	-	-	-	-
Shares issued under share option scheme	26	30	1,954	-	-	-	-	1,984	-	-	1,984
Recognition of share-based payments	23	-	6,284	-	-	-	-	6,284	-	-	6,284
Recognition of tax effect related with share-based payments		-	1,856	-	-	-	-	1,856	-	-	1,856
Dividends declared in respect of the previous year		-	-	-	-	-	-	(137,249)	(137,249)	-	(137,249)
Balance at June 30, 2022		381,642	5,584,056	(34,693)	87,428	(7,717)	52,547	1,335,033	7,398,296	7,486	7,405,782

Unaudited Consolidated Statement of Changes in Equity

For six months ended June 30, 2022
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital	capital reserve	Share award reserve	Statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total Equity
Balance at January 1, 2021	227,455	249,804	(9,916)	59,290	(15,357)	44,578	666,690	1,222,544	(735)	1,221,809
Changes in equity for six months ended June 30, 2021:										
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	-	-	1,674	-	-	-	-	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)
Balance at June 30, 2021	270,820	5,536,304	(8,242)	59,290	(17,725)	44,578	725,638	6,610,663	(1,377)	6,609,286

Unaudited Consolidated Cash Flow Statement

For six months ended June 30, 2022
(Expressed in RMB)

	Six months ended June 30, 2022 RMB'000 (Unaudited)	Six months ended June 30, 2021 RMB'000 (Unaudited)
Operating activities		
Cash generated from operations	589,749	229,966
Income tax paid	(44,255)	(27,501)
Net cash generated from operating activities	545,494	202,465
Investing activities		
Acquisition of a subsidiary, net of cash acquired	(753,179)	–
Prepayment for investment	(317,425)	–
Payment for acquisition of financial assets at FVTPL	(370,000)	(382,503)
Payment for acquisition of financial assets at FVOCI	–	(38,000)
Payment for acquisition of non-current assets	–	(1,376,900)
Proceeds from disposal of financial assets at FVTPL	616,174	316,581
Purchase of property, plant and equipment	(115,337)	(64,266)
Purchase of intangible assets	(1,495)	(15,186)
Proceeds from disposal of property, plant and equipment	10	177
Net cash used in investing activities	(941,252)	(1,560,097)
Financing activities		
Proceeds from H share initial public offering	–	5,318,710
Proceeds from shares issued under share option schemes	1,983	3,590
Proceeds from issuance of restricted shares	30,758	–
Repayment of interest-bearing borrowings	(1,702)	(1,510)
Interest paid	(156)	(227)
Payments for repurchase of restricted shares	(74)	(516)
Capital element of lease rentals paid	(11,862)	(7,365)
Interest element of lease rentals paid	(150)	(93)
Payments for issuance costs in relation to H share initial public offering	–	(10,296)
Net cash generated from financing activities	18,797	5,302,293
Effect of foreign exchange rate changes on cash and cash equivalents	23,824	(50,270)
Net increase in cash and cash equivalents	(353,137)	3,894,391
Cash and cash equivalents at January 1	4,150,396	305,044
Cash and cash equivalents at June 30	3,797,259	4,199,435

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 got listed on the Main Board of The Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (stock code: 6127.HK) on February 26, 2021.

The Company and its subsidiaries (collectively, 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, 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 condensed 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 2021 annual financial statements. The condensed 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, 2021 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 IAS 16, Property, plant and equipment: Proceeds before intended use*
- *Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts cost of fulfilling a contract, 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. Further details regarding the Group's principal activities are disclosed in Note 4(b). Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by major service lines is as follows:

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Rendering services:		
Non-clinical studies services	755,335	525,158
Clinical trial and related services	19,839	8,149
Sales of goods:		
Sales of research models	1,707	1,249
	776,881	534,556

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, 2022, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied were RMB4,100 million (December 31, 2021: RMB2,900 million). 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, 2022			
	Non-clinical studies services RMB'000	Clinical trial and related services RMB'000	Sales of research models RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	614,851	9,821	1,707	626,379
Over time	140,484	10,018	–	150,502
Revenue from external customer	755,335	19,839	1,707	776,881
Inter-segment revenue	789	–	165,600	166,389
Reportable segment revenue	756,124	19,839	167,307	943,270
Reportable segment gross profit	358,054	8,514	5,141	371,709
	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
Disaggregated by timing of revenue recognition				
Point in time	525,158	7,350	1,249	533,757
Over time	–	799	–	799
Revenue from external customer	525,158	8,149	1,249	534,556
Inter-segment revenue	–	–	3,900	3,900
Reportable segment revenue	525,158	8,149	5,149	538,456
Reportable segment gross profit	261,867	1,219	3,260	266,346

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

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Reportable segment gross profit	371,709	266,346
Elimination of inter-segment gross loss	6,233	2,225
Consolidated gross profit	377,942	268,571

(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:

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
The PRC	605,540	423,055
The others	171,341	111,501
	776,881	534,556

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, goodwill and interests in an associate.

	At June 30, 2022 RMB'000	At December 31, 2020 RMB'000
The PRC	1,827,041	794,585
The USA	316,547	299,046
	2,143,588	1,093,631

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

5. OTHER GAINS AND LOSSES, NET

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Government grants (including amortisation of deferred income)	9,710	21,618
Interest income	68,683	2,649
Net foreign exchange gain/(loss)	18,775	(50,172)
Net loss on disposal of property, plant and equipment	(142)	(26)
Change in fair value of RMB wealth management products	4,604	6,750
Change in fair value of equity investment in a listed Company	4,212	52,980
Balance between the fair value of consideration and net assets acquired	14,366	–
Others	204	(1,207)
	120,412	32,592

6. GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Unrealised gains	120,435	36,187
Realised gains	10,886	1,577
	131,321	37,764

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Interest on interest-bearing borrowings	156	228
Interest on lease liabilities	1,571	1,310
	1,727	1,538

(b) Staff costs

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Salaries, wages and other benefits	220,318	152,625
Contributions to defined contribution retirement schemes	15,270	10,420
Equity-settled share-based payment expenses	6,284	14,874
	241,872	177,919

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)

7. PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Amortisation of intangible assets	8,920	5,247
Depreciation charge		
– Owned property, plant and equipment	28,789	24,293
– Right-of-use assets	12,851	7,849
Recognition of expected credit loss	1,406	655

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

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Current tax		
Provision for the period	55,774	20,483
	55,774	20,483
Deferred tax		
Origination and reversal of temporary differences	8,990	(945)
	64,764	19,538

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9. 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 RMB371,120,000 (Six months ended June 30, 2021: RMB153,735,000) and the weighted average number of ordinary shares calculated as below:

	Six months ended June 30, 2022 '000	Six months ended June 30, 2021 '000
Issued ordinary shares at January 1	381,246,492	227,454,729
H share initial public offering	–	28,903,600
Issue of shares under bonus issue in 2021	–	102,543,331
Effect of restricted shares	(189,532)	(696,784)
Effect of shares issued under share option schemes	4,900	–
Weighted average number of ordinary shares at June 30	381,061,860	358,204,876

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.

(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 RMB371,120,000 (Six months ended June 30, 2021: RMB153,735,000) and the weighted average number of ordinary shares (diluted) calculated as below:

	Six months ended June 30, 2022 '000	Six months ended June 30, 2021 '000
Weighted average number of ordinary shares at June 30	381,061,860	358,204,876
Effect of restricted shares outstanding	1,211,532	466,480
Effect of deemed issue of shares under share option schemes	1,995,028	4,241,516
Weighted average number of ordinary shares (diluted) at June 30	384,268,420	362,912,872

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB169,338,000 (six months ended June 30, 2021: RMB49,680,000) for the expansion of production facilities and research capacity, and acquired property, plant and equipment of approximately RMB209,766,000 through acquisition of subsidiaries for its expansion of industrial chain.

11. 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.

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Non-current assets	777,776	74,115
Current assets	1,122,987	160,499
	1,900,763	234,614

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11. 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	–	86,896	86,896
Breeding cost*	–	3,347	3,347
Decrease due to sales	–	(65,584)	(65,584)
Decrease due to mortality	(389)	(1,882)	(2,271)
Changes in fair value of biological assets	35,522	89,801	125,323
Transfer	19,548	(19,548)	–
At December 31, 2021	74,102	160,208	234,310
Acquisition of subsidiaries	674,185	1,018,865	1,693,050
Breeding cost*	–	5,220	5,220
Decrease due to sales	–	(160,910)	(160,910)
Decrease due to mortality	(1,627)	(819)	(2,446)
Changes in fair value of biological assets	28,075	103,246	131,321
Transfer	3,037	(3,037)	–
At June 30, 2022	777,772	1,122,773	1,900,545

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)

11. BIOLOGICAL ASSETS (CONTINUED)

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

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

	At June 30, 2022 (Heads)	At December 31, 2021 (Heads)
Non-current biological assets		
– Non-human primates for breeding	9,555	1,043
Current biological assets		
– Non-human primates for non-clinical studies	12,716	2,169

(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, 2021. At June 30, 2022, the valuations were carried out by management. The fair values of biological assets are determined as follows:

Fair value hierarchy	Valuation approach	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
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, 2022 if market price and replacement cost increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB190,055,000 (December 31, 2021: RMB23,431,000).

Changes in fair value of biological assets are presented in "Gains arising from changes in fair value of biological assets" in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Unaudited Interim Financial Report

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12. FINANCIAL ASSETS AT FVTPL

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
RMB wealth management products (i)	235,477	605,534
Equity investments in a listed company (ii)	72,829	75,444
Unlisted fund investments (iii)	155,000	–
	463,306	680,978

Notes:

- (i) The RMB wealth management products include structured deposits, non-fixed term deposits, etc. which are yield enhancement deposits with expected but not guaranteed rates of return. The Directors considered the RMB wealth management products shall be classified as financial assets at FVTPL and the amount paid for the products approximates its fair value at the end of each reporting period.
- (ii) The amount represents investment in a company listed on the Shanghai Stock Exchange and has been unlocked until June 30, 2022.
- (iii) The unlisted fund investments are new investments, the fair value is close to investment cost.

13. PREPAYMENT FOR INVESTMENT

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Prepayments for investment (i)	317,425	–
	317,425	–

Note:

- (i) The amount represents prepayments for investment in JOINN Biologics Inc. and the equity registration procedures has not been completed by the end of June 30, 2022.

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14. OTHER NON-CURRENT ASSETS

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Prepayment for land use rights	17,794	17,794
Prepayments for acquisition of property, plant and equipment	20,926	52,432
Others	2,102	3,898
	40,822	74,124

15. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Raw materials and consumables	185,757	106,293
Less: write-down of inventories	-	-
	185,757	106,293

For the six months ended June 30, 2022, the Group's amount of inventories recognised as expense and included in the consolidated statement of profit or loss is RMB221,146,000 (six months ended June 30, 2021: RMB152,697,000)

16. CONTRACT COSTS

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Costs to fulfill contracts	706,662	439,933
Less: write-down of contract costs	(7,123)	(6,139)
	699,539	433,794

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17. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Contract assets	98,002	99,496
Less: loss allowance	(490)	(497)
	97,512	98,999

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

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Amounts received in advance of the delivery of services	1,385,695	972,213

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Revenue recognised during the period that was included in the contract liabilities at the beginning of the period	368,338	236,103

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.

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18. TRADE AND BILLS RECEIVABLES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Trade receivables	140,277	112,967
Less: loss allowance	(6,597)	(5,361)
	133,680	107,606
Bills receivable	632	7,904
	134,312	115,510

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:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Within 1 year	112,370	89,926
1 to 2 years	11,023	10,657
2 to 3 years	6,882	6,728
3 to 4 years	3,405	295
	133,680	107,606

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19. PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Prepayments for purchase of inventories and receiving of services	38,769	38,806
Value added tax recoverable	7,234	11,354
Prepayments for miscellaneous expenses	5,733	8,051
Deposits	6,388	5,057
Income tax recoverable	3,442	275
Others	1,101	1,099
	62,667	64,642
Less: loss allowance	(550)	(330)
	62,117	64,312

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

20. CASH AT BANK AND ON HAND

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Cash on hand	2	
Cash at bank	3,800,989	4,154,099
Cash at bank and on hand included in the consolidated statement of financial position	3,800,991	4,154,099
Less: restricted deposits	(3,732)	(3,703)
Cash and cash equivalents included in the consolidated cash flow statement	3,797,259	4,150,396

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21. TRADE PAYABLES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Trade payables	84,063	53,644

At June 30, 2022, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Within 1 year	82,642	53,285
1 to 2 years	1,421	359
	84,063	53,644

As at June 30, 2022, 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)

22. OTHER PAYABLES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Payables for staff related costs	103,671	76,953
Payables for acquisition of property, plant and equipment	76,856	46,951
Dividends payable (Note 25)	137,249	–
Payables for other taxes	17,016	7,596
Payables for acquisition of subsidiaries (Note 29)	1,026,086	–
Considerations received from employees for subscribing restricted shares of the Company under share incentive scheme	33,964	3,935
Others	11,131	4,893
	1,405,973	140,328

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

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 27 February, 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 9 March, 2018, the Company granted 396,000 share options and 342,000 restricted shares respectively to the eligible directors and employees of the Group under 2018 Share Option and 2018 Restricted Share Award Scheme, of which the registration was completed on 19 April, 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 15 August, 2019, a share option and a restricted share award scheme (“2019 Share Option and 2019 Restricted Share Award Scheme”) was approved at the Company’s 4th extraordinary general meeting of 2019. On 9 September, 2019, the Company granted 1,124,000 share options and 405,000 restricted shares respectively to the eligible directors and employees of the Group under 2019 Share Option and 2019 Restricted Share Award Scheme, of which the registration was completed on 14 October, 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 24 June, 2020, the Company granted 175,000 share options and 63,000 restricted shares respectively to the eligible directors and employees of the Group under 2019 Share Option and 2019 Restricted Share Award Scheme, of which the registration was completed on 11 August, 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.

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

On 19 January, 2022, a restricted share award scheme (“2021 Restricted Share Award Scheme”) was approved at the Company’s first extraordinary general meeting of 2022. On 28 January, 2022, the Company granted 366,300 restricted shares respectively to the eligible directors and employees of the Group under 2021 Restricted Share Award Scheme, of which the registration was completed on 29 March, 2022. The participants are entitled to subscribe the Company’s restricted shares at RMB83.97 each.

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 in capital reserve 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
Options granted to directors:			
– on 24 June 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 17 July 2020 under 2020 Share Option and Restricted Share Award Scheme	186,000	Both performance and service period conditions apply (Note (i))	1-3 years
Options granted to employees:			
– on 9 March 2018 under 2018 Share Option and Restricted Share Award Scheme	396,000	Both performance and service period conditions apply (Note (ii))	1-3 years
– on 9 September 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 24 June 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 17 July 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
Total share options granted	3,785,000		

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(Expressed in RMB unless otherwise indicated)

23. 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, 2022		Six months ended June 30, 2021	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	RMB42.14	2,164,253	RMB64.29	3,202,829
Exercised during the period	RMB67.44	(29,400)	–	–
Forfeited during the period	RMB55.53	(139,825)	RMB20.13	(8,779)
Outstanding at the end of the period	RMB59.49	1,995,028	RMB64.41	3,194,050
Exercisable at the end of the period	–	–	RMB20.13	178,360

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23. 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
Restricted shares granted to directors:			
– on 9 March 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 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	120,000	Both performance and service period conditions apply (Note (i))	1-3 years
Restricted shares granted to employees:			
– on 9 March 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 9 September 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 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	63,000	Both performance and service period conditions apply (Note (ii))	1-2 years
– on 19 January 2022 under 2021 Restricted Share Award Scheme	366,300	Both performance and service period conditions apply (Note (iii))	1-3 years
Total share Restricted shares granted	1,176,300		

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..
- (iii) The restricted shares will vest over a three-year period, with 40%, 30% and 30% 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.

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23. 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, 2022	Six months ended June 30, 2021
Outstanding at the beginning of the period	266,417	554,596
Granted during the period	366,300	–
Unlocked during the period	–	(170,678)
Outstanding at the end of the period	632,717	383,918

The restricted shares granted on March 9, 2018, September 9, 2019, June 24, 2020 and January 19, 2022 were valued at RMB32.57, RMB38.44, RMB47.22 and RMB12.91 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 RMB6,284,000 during the six months ended June 30, 2022 (six months ended June 30, 2021: RMB14,874,000).

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24. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	six months ended June 30, 2022 RMB'000	six months ended June 30, 2021 RMB'000
Net balance of income tax payable at January 1	21,587	17,790
Acquisition of subsidiaries	(166)	–
Provision for the period	55,774	20,483
Credit to reserve	(135)	(3,231)
Income tax paid	(44,255)	(27,501)
Net balance of income tax payable at June 30	32,805	7,542
Represented by:		
Income tax recoverable included in prepayments and other receivables (Note 19)	(3,442)	(1,092)
Income tax payable	36,247	8,634
	32,805	7,542

(b) Deferred tax assets and liabilities recognised:

Reconciliations to the statement of financial position

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Deferred tax assets	35,178	43,854
Deferred tax liabilities	(178,842)	(48,428)
	(143,664)	(4,574)

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25. DIVIDENDS

(a) Interim dividend

The Directors do not recommend the payment of any interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: RMB Nil).

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

On June 24, 2022, the 2021 profit distribution plan of the Company was approved at the 2021 annual general meeting of the Company as follows:

- a dividend of RMB0.36 per ordinary share (inclusive of tax) to shareholders on the record date for determining the shareholders' entitlement to the 2021 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 2021 profit distribution plan.

Pursuant to the above 2021 profit distribution plan, the total dividend was fully paid by the Company in August 2022 and the respective shares were issued.

26. SHARE CAPITAL

	No. of shares	Amount RMB'000
Ordinary shares, issued:		
As at January 1, 2021	227,454,729	227,455
H share initial public offering	43,365,600	43,365
Shares issued under share option scheme	2,026,690	2,027
Issue of shares under bonus issue	108,399,473	108,399
As at December 31, 2021	381,246,492	381,246
Issue of restricted shares (Note (i))	366,300	366
Shares issued under share option scheme	29,400	30
As at June 30, 2022	381,642,192	381,642

Note:

- (i) On January 28, 2022, a restricted share incentive scheme (the "2021 Restricted Share Incentive Scheme") was approved by the third session of the Board of the Company for 2022. On January 28, 2022, the Company granted 366,300 restricted shares to the eligible directors and employees of the Group under the 2021 Restricted Share Incentive Scheme, of which the registration was completed on March 29, 2022.

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27. 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.

Financial assets	Fair value at June 30, 2022	Fair value at December 31, 2021	Fair value hierarchy
Equity investments in a listed company	–	75,444	Level 2
Equity investments in a listed company	72,829	–	Level 1
Equity investments in a non-listed company	111,820	105,661	Level 3
Unlisted fund investments	155,000	–	Level 3
RMB wealth management products	235,477	605,534	Level 3

During December 31, 2021 and the six months ended June 30, 2022, there were transfers between Level 1 and Level 2. 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.

In 2021, the Group participated in the strategic investor placement of the A-share IPO of Changchun BCHT Biotechnology Co. ("BCHT Biotechnology") with its own funds, and the lock-up period was 12 months after the listing of BCHT Biotechnology. The lock-up period was lifted in June 2022, and the fair value measurement was transferred from the Level 2 to the Level 1.

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27. FAIR VALUES MEASUREMENT (CONTINUED)

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

(i) Information about Level 1 fair value measurements

The Group's investment in equity was transferred from the Level 2 to the Level 1 in June 2022. The market closing price of the shares is RMB66.25 as of June 30, 2022.

(ii) Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined using the price to sales 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, 2022, 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 RMB880,000 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. At June 30, 2022 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 RMB103,000 higher/lower.

The fair value of unlisted fund investments which are new investments in the current period is close to the investment cost.

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27. 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:

	Unlisted equity instruments RMB'000	RMB wealth management products RMB'000	Unlisted fund investments RMB'000
At January 1, 2021	64,445	238,903	–
Additions in investments	38,000	1,137,883	–
Net realised and unrealised gains or losses recognised in profit or loss during the period	–	18,056	–
Changes in fair value recognised in other comprehensive income	3,216	–	–
Disposal of financial assets	–	(789,308)	–
At December 31, 2021	105,661	605,534	–
Additions in investments	–	215,000	155,000
Acquisition of subsidiaries	–	19,685	–
Net realised and unrealised gains or losses recognised in profit or loss during the period	–	4,604	–
Changes in fair value recognised in other comprehensive income	6,159	–	–
Disposal of financial assets	–	(609,346)	–
At June 30, 2022	111,820	235,477	155,000

(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, 2022.

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28. COMMITMENTS

Capital commitments outstanding at June 30, 2022 not provided for in the consolidated financial statements were as follows:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Purchase of property, plant and equipment: – Contracted for	191,763	224,929

29. ACQUISITION OF SUBSIDIARIES

(a) Guangxi Weimei Bio-tech Co., Ltd.

On May 15, 2022, the Company acquired 100% equity interest of Guangxi Weimei for a cash consideration of RMB974,658,000. The main business of Guangxi Weimei are research models breeding, feeding and sales.

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration RMB'000	Date of completion	Nature of acquisition
Guangxi Weimei Bio-tech Co., Ltd.	Independent third party	100%	research models breeding, feeding and sales	974,658	May 15, 2022	Business combination

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29. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Guangxi Weimei Bio-tech Co., Ltd. (continued)

Assets acquired and liabilities assumed at the date of acquisition

	Amount RMB'000
Cash at bank and on hand	2,264
Inventories	1,318
Biological assets	886,697
Financial assets at FVTPL	685
Property, plant and equipment	158,994
Other assets	236
Deferred tax liabilities	(68,053)
Lease liabilities	(130)
Trade payables	(653)
Other liabilities	(787)
Net assets	980,571
Less: non-controlling interests	–
Net assets acquired	980,571

The fair value of the property, plant and equipment were independently valued by Huachen Assets Appraisal Co., LTD. The fair value of the biological assets were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”). The Company considers that the fair values of identifiable assets and liabilities other than above-mentioned do not differ from the carrying values materially.

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29. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Guangxi Weimei Bio-tech Co., Ltd. (continued)

Goodwill arising on acquisition

	Amount RMB'000
Fair value of consideration	974,658
Less: fair value of net assets acquired	(980,571)
Goodwill arising on acquisition	(5,913)

	Amount RMB'000
Cash consideration paid	321,637
Less: Bank balances and cash acquired	(2,264)
	319,373

Total consideration of the acquisition amounts to RMB974,658,000, which will be paid in cash all. For the six months ended June 30, 2022, the company has paid RMB321,637,000, amounts to be paid is RMB653,021,000. As of the date the financial report authorized, RMB604,288,000 has been paid. The balance payment in the amount of RMB48,733,000 will be paid within 5 working days after all the conditions precedent (including the target equity has completed the industrial and commercial change registration for 12 months and other conditions) set forth in the Equity Transfer Agreement are satisfied or approved by the Company.

Impact of acquisition on the results of the Group

Guangxi Weimei contributed revenue of RMB36,100,000 and profit of RMB11,627,000 for the period from the date of acquisition to June 30, 2022.

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29. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Yunnan Yinmore Bio-Tech Co., Ltd.

On May 15, 2022, the Company acquired 100% equity interest of Yunnan Yinmore for a cash consideration of RMB829,307,000. The main business of Yunnan Yinmore are research models breeding, feeding and sales.

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration RMB'000	Date of completion	Nature of acquisition
Yunnan Yinmore Bio-tech Co., Ltd.	Independent third party	100%	research models breeding, feeding and sales	829,307	May 15, 2022	Business combination

Assets acquired and liabilities assumed at the date of acquisition

	Amount RMB'000
Cash at bank and on hand	22,437
Inventories	576
Biological assets	806,352
Financial assets at FVTPL	19,000
Property, plant and equipment	50,772
Other assets	105
Deferred tax liabilities	(59,327)
Lease liabilities	(449)
Trade payables	(1,280)
Other liabilities	(426)
Net assets	837,760
Less: non-controlling interests	–
Net assets acquired	837,760

The fair value of the property, plant and equipment were independently valued by Huachen Assets Appraisal Co., LTD. The fair value of the Biological assets were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”). The Company considers that the fair values of identifiable assets and liabilities other than above-mentioned do not differ from the carrying values materially.

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29. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Yunnan Yinmore Bio-Tech Co., Ltd. (continued)

Goodwill arising on acquisition

	Amount RMB'000
Fair value of consideration	829,307
Less: fair value of net assets acquired	(837,760)
Goodwill arising on acquisition	(8,453)

	Amount RMB'000
Cash consideration paid	456,242
Less: Bank balances and cash acquired	(22,437)
	433,805

Total consideration of the acquisition amounts to RMB829,307,000, which will be paid in cash all. For the six months ended June 30, 2022, the company has paid RMB456,242,000, amounts to be paid is RMB373,065,000. As of the date the financial report authorized, RMB331,588,000 has been paid. The balance payment in the amount of RMB41,477,000 will be paid within 5 working days after all the conditions precedent(including the target equity has completed the industrial and commercial change registration for 12 months and other conditions) set forth in the Equity Transfer Agreement are satisfied or approved by the Company.

Impact of acquisition on the results of the Group

Yunnan Yinmore contributed revenue of RMB36,000,000 and profit of RMB13,391,000 for the period from the date of acquisition to June 30, 2022.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

30. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

	Six months ended June 30, 2022 RMB'000	Six months ended June 30, 2021 RMB'000
Sales of research models to a company controlled by the controlling shareholders	415	–
Provision of services to companies controlled by the controlling shareholders	9,828	23,643
Lease expenses of offices and equipment from a company controlled by close family members of the controlling shareholders	–	4,004

(b) Balances with related parties

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

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Contract assets due from a company controlled by the controlling shareholders	6,535	15,701
Trade and bills receivables due from companies controlled by the controlling shareholders	1,004	2,156
Other receivables due from a company controlled by close family members of the controlling shareholders	669	634
Contract liabilities		
– due to companies controlled by the controlling shareholders	34,030	25,562
– due to a company controlled by close family member of a director of the Company	1,030	280

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

30. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is RMB6,377,000 during the six months ended June 30, 2022 (six months ended June 30, 2021: RMB6,826,000).

(d) Leasing arrangements

In 2021, the Group entered into a lease agreement in respect of certain premises including research model facilities, laboratories and office, together with all equipment to be used for research and development space, from a company controlled by close family members of the controlling shareholders.

At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of USD6,025,000, which is equivalent to RMB38,413,000. The rental paid/payable by the company during the six months ended June 30, 2022 amounted at USD634,000, which is equivalent to RMB4,112,000.