Audited Financial Statements

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

31 December 2018, 2019 and 2020 and 30 June 2021

Asymchem Laboratories (Tianjin) Co., Ltd.

CONTENTS

	Pages
INDEPENDENT AUDITORS' REPORT	1 - 3
AUDITED FINANCIAL STATEMENTS	
Consolidated statements of profit or loss	4
Consolidated statements of other comprehensive income	5
Consolidated statements of financial position	6 - 7
Consolidated statements of changes in equity	8 -11
Consolidated statements of cash flows	12 - 14
Statement of financial position of the Company	15 - 16
Notes to financial statements	17 - 119

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Independent auditor's report

To the board of directors of Asymchem Laboratories (Tianjin) Co., Ltd.
(Incorporated in Mainland China with limited liability)

Opinion

We have audited the consolidated financial statements of Asymchem Laboratories (Tianjin) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 6 to 116, which comprise the consolidated and company statements of financial position as at 31 December 2018, 2019 and 2020 and 30 June 2021, and the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 ,and the six months ended 30 June 2021 (the "Relevant Periods"), and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, 2019 and 2020 and 30 June 2021 and of the Group's consolidated financial performance and its consolidated cash flows for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 to the consolidated financial statements.

Basis for opinion

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

Other matter

Without modifying our opinion, we draw attention to the fact that the financial information for the six months ended 30 June 2020 (the "Interim Comparative Information") is unaudited.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company (the "Directors") are responsible for the preparation of the consolidated financial statements, which also include the Interim Comparative Information, that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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Restriction on distribution and use

These consolidated financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and accordingly may not be suitable for another purpose.

Our report is intended solely for the information and use by the directors of the Company and should not be distributed to or used by parties other than the Company.

Ernst & Young
Certified Public Accountants
Hong Kong
30 November 2021

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Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Notes	Year ended 31 December			Six months ended 30 June	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (unaudited)	2021 RMB'000
REVENUE	5	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569
Cost of sales		(984,677)	(1,345,286)	(1,683,500)	(653,533)	(970,182)
Gross profit		838,110	1,100,563	1,453,224	603,241	785,387
Other income and gains	5	79,306	100,482	119,773	64,181	98,760
Selling expenses		(71,367)	(82,827)	(84,253)	(39,321)	(39,564)
Administrative expenses		(214,901)	(275,599)	(320,599)	(135,139)	(198,654)
Research and development expenses		(155,178)	(192,522)	(258,934)	(108,770)	(163,895)
(Losses on)/ reversal of impairment of financial and contract assets, net		(4,851)	(9,605)	(25,751)	(15,067)	8,167
Other expenses		(9,154)	(19,639)	(70,583)	(14,158)	(6,586)
Share of profits/(losses) of associates		-	1,469	2,084	1,474	(939)
Finance costs	7	(1,467)	(1,768)	(3,728)	(624)	(752)
PROFIT BEFORE TAX	6	460,498	620,554	811,233	355,817	481,924
Income tax expense	10	(54,141)	(68,965)	(91,530)	(41,526)	(52,600)
PROFIT FOR THE YEAR/PERIOD		406,357	551,589	719,703	314,291	429,324
Attributable to:						
Owners of the parent		428,202	551,589	719,742	314,291	429,327
Non-controlling interests		(21,845)	-	(39)	-	(3)
		406,357	551,589	719,703	314,291	429,324
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic	12	RMB1.88	RMB2.41	RMB3.09	RMB1.37	RMB1.78
Diluted	12	RMB1.86	RMB2.38	RMB3.07	RMB1.36	RMB1.77

Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (unaudited)	2021 RMB'000
PROFIT FOR THE YEAR/PERIOD	406,357	551,589	719,703	314,291	429,324
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
Exchange differences on translation of foreign operations	4,913	1,943	(11,685)	2,062	(1,823)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	4,913	1,943	(11,685)	2,062	(1,823)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	411,270	553,532	708,018	316,353	427,501
Attributable to:					
Owners of the parent	433,115	553,532	708,057	316,353	427,504
Non-controlling interests	(21,845)	-	(39)	-	(3)
	411,270	553,532	708,018	316,353	427,501

Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
31 December 2018, 2019 and 2020 and 30 June 2021

	Notes	As at 1 January 2018 RMB'000 (unaudited)	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at 30 June 2020 RMB'000 (unaudited)
NON-CURRENT ASSETS						
Property, plant and equipment	13	867,123	1,219,655	1,637,952	2,208,297	2,579,208
Right-of-use assets	14	60,257	107,483	131,300	284,328	314,039
Goodwill	15	-	-	-	43,186	43,186
Other intangible assets	16	8,152	12,939	19,232	24,049	23,300
Deferred tax assets	17	21,425	47,608	85,346	118,006	141,639
Investments in associates	19	-	-	201,469	269,689	268,750
Prepayments, deposits and other receivables	22	67,031	106,162	54,126	169,547	230,120
Financial assets at fair value through profit or loss	23	-	-	20,000	35,000	50,000
Total non-current assets		1,023,988	1,493,847	2,149,425	3,152,102	3,650,242
CURRENT ASSETS						
Inventories	20	260,227	424,117	448,783	726,384	878,986
Trade receivables	21	448,548	521,396	656,908	978,149	830,548
Contract assets		2,062	3,843	1,597	9,046	13,268
Prepayments, deposits and other receivables	22	62,974	73,124	91,601	189,598	286,284
Tax recoverable		1,820	4,668	4,487	2,756	4,245
Financial assets at fair value through profit or loss	23	-	37,110	-	-	1,405,663
Cash and cash equivalents	24	839,282	629,971	435,252	2,124,615	627,585
Total current assets		1,614,913	1,694,229	1,638,628	4,030,548	4,046,579
CURRENT LIABILITIES						
Trade payables	25	98,900	198,024	194,052	378,616	341,361
Other payables and accruals	26	246,875	334,802	288,244	518,089	732,146
Interest-bearing bank borrowings	27	-	-	-	10,034	-
Financial liabilities at fair value through profit or loss	23	3,220	-	5,311	-	-
Lease liabilities	14	422	931	3,452	2,925	6,846
Tax payable		25,038	6,847	16,378	18,919	17,868
Total current liabilities		374,455	540,604	507,437	928,583	1,098,221
NET CURRENT ASSETS		1,240,458	1,153,625	1,131,191	3,101,965	2,948,358
TOTAL ASSETS LESS CURRENT LIABILITIES		2,264,446	2,647,472	3,280,616	6,254,067	6,598,600

Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
31 December 2018, 2019 and 2020 and 30 June 2021

	Notes	As at 1 January 2018 RMB'000 (unaudited)	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at 30 June 2021 RMB'000
NON-CURRENT LIABILITIES						
Other payables and accruals	26	102,804	110,570	148,042	151,445	174,474
Lease liabilities	14	1,365	1,986	28,320	25,882	39,500
Deferred tax liabilities	17	5,328	24,528	61,205	86,990	97,523
Total non-current liabilities		109,497	137,084	237,567	264,317	311,497
Net assets		2,154,949	2,510,388	3,043,049	5,989,750	6,287,103
EQUITY						
Equity attributable to owners of the parent						
Share capital	28	230,103	230,719	231,320	242,451	242,627
Restricted shares under share-based payment	29	(151,662)	(117,272)	(87,828)	(137,358)	(163,737)
Other reserves	30	1,979,092	2,396,941	2,899,557	5,884,696	6,208,255
		2,057,533	2,510,388	3,043,049	5,989,789	6,287,145
Non-controlling interests		97,416	-	-	(39)	(42)
Total equity		2,154,949	2,510,388	3,043,049	5,989,750	6,287,103

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 30 November 2021 and were signed on its behalf by:

Executive Director: Hao Hong

Executive Director: Da Zhang

Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Attributable to owners of the parent								
	Share capital RMB'000	Restricted shares under share-based payment RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	230,103	(151,662)	1,039,199	30,072	829	908,992	2,057,533	97,416	2,154,949
Profit for the year	-	-	-	-	-	428,202	428,202	(21,845)	406,357
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	4,913	-	4,913	-	4,913
Total comprehensive income for the year	-	-	-	-	4,913	428,202	433,115	(21,845)	411,270
Acquisition of non-controlling interests	-	-	22,751	-	-	-	22,751	(75,571)	(52,820)
Final 2017 dividend declared and paid	-	-	-	-	-	(80,534)	(80,534)	-	(80,534)
Issue of restricted shares	750	(33,048)	32,298	-	-	-	-	-	-
Cancellation of restricted shares	(134)	6,773	(5,722)	-	-	-	917	-	917
Vesting of restricted shares	-	60,665	-	-	-	-	60,665	-	60,665
Equity-settled share incentive scheme arrangements	-	-	15,941	-	-	-	15,941	-	15,941
Transfer to statutory surplus reserve	-	-	-	5,124	-	(5,124)	-	-	-
At 31 December 2018 and 1 January 2019	230,719	(117,272)	1,104,467	35,196	5,742	1,251,536	2,510,388	-	2,510,388
Profit for the year	-	-	-	-	-	551,589	551,589	-	551,589
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	1,943	-	1,943	-	1,943
Total comprehensive income for the year	-	-	-	-	1,943	551,589	553,532	-	553,532
Final 2018 dividend declared and paid	-	-	-	-	-	(92,524)	(92,524)	-	(92,524)
Issue of restricted shares	691	(30,962)	30,271	-	-	-	-	-	-
Cancellation of restricted shares	(90)	4,950	(3,851)	-	-	-	1,009	-	1,009
Vesting of restricted shares	-	55,456	-	-	-	-	55,456	-	55,456
Equity-settled share incentive scheme arrangements	-	-	15,188	-	-	-	15,188	-	15,188
Transfer to statutory surplus reserve	-	-	-	15,491	-	(15,491)	-	-	-
At 31 December 2019	231,320	(87,828)	1,146,075	50,687	7,685	1,695,110	3,043,049	-	3,043,049

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Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY (CONTINUED)
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Attributable to owners of the parent								
	Share capital RMB'000	Restricted shares under share-based payment RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2019 and 1 January 2020	231,320	(87,828)	1,146,075	50,687	7,685	1,695,110	3,043,049	-	3,043,049
Profit for the year	-	-	-	-	-	719,742	719,742	(39)	719,703
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	(11,685)	-	(11,685)	-	(11,685)
Total comprehensive income for the year	-	-	-	-	(11,685)	719,742	708,057	(39)	708,018
Disposal of a subsidiary	-	-	(1,936)	-	-	-	(1,936)	-	(1,936)
Final 2019 dividend declared and paid	-	-	-	-	-	(115,637)	(115,637)	-	(115,637)
Issue of shares	10,179	-	2,264,782	-	-	-	2,274,961	-	2,274,961
Issue of restricted shares	1,018	(118,668)	117,650	-	-	-	-	-	-
Cancellation of restricted shares	(66)	6,271	(5,734)	-	-	-	471	-	471
Vesting of restricted shares	-	62,867	-	-	-	-	62,867	-	62,867
Equity-settled share incentive scheme arrangements	-	-	17,957	-	-	-	17,957	-	17,957
Transfer to statutory surplus reserve	-	-	-	17,464	-	(17,464)	-	-	-
At 31 December 2020	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750

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Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY (CONTINUED)
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Attributable to owners of the parent								
	Share capital RMB'000	Restricted shares under share-based payment RMB'000	Captial reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	242,451	(137,358)	3,538,794	68,151	(4,000)	2,281,751	5,989,789	(39)	5,989,750
Profit for the period	-	-	-	-	-	429,327	429,327	(3)	429,324
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(1,823)	-	(1,823)	-	(1,823)
Total comprehensive income for the period	-	-	-	-	(1,823)	429,327	427,504	(3)	427,501
Issue of restricted shares	176	(26,379)	26,203	-	-	-	-	-	-
Final 2020 dividend declared	-	-	-	-	-	(145,576)	(145,576)	-	(145,576)
Equity-settled share incentive scheme arrangements	-	-	15,428	-	-	-	15,428	-	15,428
At 30 June 2021	242,627	(163,737)	3,580,425	68,151	(5,823)	2,565,502	6,287,145	(42)	6,287,103

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Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY (CONTINUED)
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Attributable to owners of the parent								
	Share capital RMB'000	Restricted shares under share-based payment RMB'000	Captial reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	231,320	(87,828)	1,146,075	50,687	7,685	1,695,110	3,043,049	-	3,043,049
Profit for the period (unaudited)	-	-	-	-	-	314,291	314,291	-	314,291
Other comprehensive income for the period: (unaudited)									
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	2,062	-	2,062	-	2,062
Total comprehensive income for the period (unaudited)	-	-	-	-	2,062	314,291	316,353	-	316,353
Final 2019 dividend declared and paid	-	-	-	-	-	(115,637)	(115,637)	-	(115,637)
Vesting of restricted shares	-	44,700	-	-	-	-	44,700	-	44,700
Equity-settled share incentive scheme arrangements	-	-	4,876	-	-	-	4,876	-	4,876
At 30 June 2020 (unaudited)	231,320	(43,128)	1,150,951	50,687	9,747	1,893,764	3,293,341	-	3,293,341

Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOW
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Notes	Year ended 31 December			Six months ended 30 June	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 unaudited	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		460,498	620,554	811,233	355,817	481,924
Adjustments for:						
Finance costs	7	1,467	1,768	3,728	624	752
Share of (profits)/losses of associates		-	(1,469)	(2,084)	(1,474)	939
Interest income	5	(3,805)	(4,956)	(15,111)	(807)	(7,321)
Investment income		-	-	-	-	(16,390)
Fair value (gain)/loss on financial assets/liabilities at fair value though profit or loss		(10,330)	12,421	(5,311)	(4,832)	-
Loss/(gain) on disposal of items of property, plant and equipment and other intangible assets		229	(56)	335	335	(9)
Loss on termination of leases		-	-	84	-	-
Depreciation of property, plant and equipment	13	100,948	120,697	153,977	73,864	93,351
Depreciation of right-of-use assets	14	2,496	5,212	7,772	3,882	6,311
Amortisation of other intangible assets	16	1,256	2,189	3,585	1,370	1,955
Losses on/(reversal of) Impairment of trade receivables and contract assets, net		4,851	9,605	25,751	15,067	(8,167)
Covid-19-related rent concessions from lessors	14	-	-	(89)	(59)	-
Equity-settled share-based payments		15,941	15,188	17,957	4,876	15,428
		573,551	781,153	1,001,827	448,663	568,773
(Increase)/decrease in pledged deposits		(12,676)	10,126	45,558	-	(2,294)
Increase in inventories		(163,890)	(24,666)	(270,265)	(119,089)	(152,602)
Increase in trade receivables		(77,185)	(143,384)	(341,368)	(217,921)	156,633
(Decrease)/increase in in contract assets		(2,218)	1,739	(8,319)	42	(4,767)
Increase in prepayments, deposits and other receivables		(15,868)	(22,184)	(98,435)	(70,595)	(73,041)
Increase/(decrease) in trade payables		99,124	(3,972)	178,352	90,573	(37,255)
Increase in other payables and accruals		97,224	63,536	154,923	33,064	90,798
Cash generated from operations		498,062	662,348	662,273	164,737	546,245
Tax paid		(82,163)	(60,314)	(89,360)	(41,994)	(68,240)
Net cash flows from operating activities		415,899	602,034	572,913	122,743	478,005

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Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOW (CONTINUED)
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 unaudited	2021 RMB'000
Net cash flows from operating activities	415,899	602,034	572,913	122,743	478,005
CASH FLOWS USED IN INVESTING ACTIVITIES					
Interest received	3,805	4,956	15,111	807	7,321
Purchases of items of property, plant, equipment and other intangible assets	(543,158)	(510,752)	(1,014,960)	(283,771)	(575,569)
Proceeds from disposal of items of property, plant and equipment and other intangible assets	804	117	22	5,746	12
Acquisition of non-controlling interests	(7,457)	-	-	-	-
Acquisition of a subsidiary	-	-	(8,722)	-	(10,000)
Disposal of a subsidiary	-	-	(2,686)	-	-
Purchases of investments at fair value through profit or loss	(30,000)	(20,000)	(15,000)	-	(2,615,000)
Proceeds from disposal of investments at fair value through profit or loss	-	30,000	-	-	1,210,727
Increase in investments in associates	-	(200,000)	(48,632)	-	-
(Increase)/decrease in pledged deposits	(7,696)	(4,219)	(26,905)	20,857	-
Net cash flows used in investing activities	(583,702)	(699,898)	(1,101,772)	(256,361)	(1,982,509)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	-	-	2,274,961	-	-
Proceeds from issue of restricted shares	33,048	30,962	118,668	-	26,379
Share repurchase payment	(279)	(7,095)	(2,788)	(2,700)	(5,716)
New bank borrowings	-	30,000	150,000	-	-
Repayment of bank borrowings	-	(30,000)	(140,000)	-	(10,034)
(Increase)/decrease in pledged deposits	6,420	(1,332)	(841)	-	-
Acquisition of non-controlling interests	-	(31,333)	(14,030)	(14,030)	-
Principal portion of lease payments	(729)	(174)	(2,394)	(1,141)	(2,209)
Dividends paid to shareholders	(80,534)	(92,524)	(115,637)	(115,637)	-
Interest paid	(1,467)	(1,768)	(3,694)	(624)	(752)
Net cash flows (used in)/from financing activities	(43,541)	(103,264)	2,264,245	(134,132)	7,668
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(211,344)	(201,128)	1,735,386	(267,750)	(1,496,836)
Cash and cash equivalents at beginning of year/period	827,791	604,528	414,384	414,384	2,121,559
Effect of foreign exchange rate changes, net	(11,919)	10,984	(28,211)	(2,000)	(2,488)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	604,528	414,384	2,121,559	144,634	622,235

Asymchem Laboratories (Tianjin) Co., Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOW (CONTINUED)
Year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 unaudited	2021 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the statements of financial position	629,971	435,252	2,124,615	144,645	627,585
Pledged deposits	(25,443)	(20,868)	(3,056)	(11)	(5,350)
Cash and cash equivalents as stated in the statements of cash flows	604,528	414,384	2,121,559	144,634	622,235

Asymchem Laboratories (Tianjin) Co., Ltd.
STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)
31 December 2018, 2019 and 2020 and 30 June 2021

	Notes	As at 1 January 2018 RMB'000 (unaudited)	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at 30 June 2021 RMB'000
NON-CURRENT ASSETS						
Property, plant and equipment	13	48,121	74,386	125,962	131,329	135,040
Right-of-use assets		7,269	7,098	13,488	11,130	26,573
Other intangible assets	16	4,059	5,476	10,882	16,593	15,565
Investments in subsidiaries	18	174,722	480,492	1,140,797	1,431,741	1,533,880
Investments in associates	19	-	-	201,469	269,678	268,750
Deferred tax assets		3,774	4,865	9,650	7,433	5,435
Prepayments, deposits and other receivables	22	5,558	4,250	4,608	5,561	5,433
Financial assets at fair value through profit or loss	23	-	-	20,000	35,000	50,000
Total non-current assets		243,503	576,567	1,526,856	1,908,465	2,040,676
CURRENT ASSETS						
Inventories		1,742	2,178	9,201	18,447	53,860
Trade receivables	21	49,444	72,015	73,967	200,688	130,055
Prepayments, deposits and other receivables	22	985,270	659,353	321,214	475,547	2,475,256
Tax recoverable		-	2,645	-	-	-
Financial assets at fair value through profit or loss	23	-	24,000	-	-	300,867
Cash and cash equivalents	24	164,985	209,317	247,782	1,786,528	156,369
Total current assets		1,201,441	969,508	652,164	2,481,210	3,116,407
CURRENT LIABILITIES						
Trade payables	25	5,613	35,840	116,590	39,352	180,355
Other payables and accruals	26	156,806	183,463	588,637	454,109	1,170,927
Interest-bearing bank borrowings		-	-	-	10,034	-
Financial liabilities at fair value through profit or loss	23	-	-	2,038	-	-
Lease liabilities		-	-	2,293	2,278	5,208
Tax payable		6,335	11	-	-	-
Total current liabilities		168,754	219,314	709,558	505,773	1,356,490
NET CURRENT ASSETS		1,032,687	750,194	(57,394)	1,975,437	1,759,917
TOTAL ASSETS LESS CURRENT LIABILITIES		1,276,190	1,326,761	1,469,462	3,883,902	3,800,593

Asymchem Laboratories (Tianjin) Co., Ltd.
STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)
31 December 2018, 2019 and 2020 and 30 June 2021

	Notes	As at 1 January 2018 RMB'000 (unaudited)	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	As at 30 June 2021 RMB'000
NON-CURRENT LIABILITIES						
Other payables and accruals		7,450	7,384	7,233	17,282	20,181
Lease liabilities		-	-	4,269	2,209	14,775
Deferred tax liabilities		357	2,762	7,305	8,204	8,033
Total non-current liabilities		7,807	10,146	18,807	27,695	42,989
Net assets		1,268,383	1,316,615	1,450,655	3,856,207	3,757,604
EQUITY						
Issued share capital		230,103	230,719	231,320	242,451	242,627
Restricted shares under share-based payment		(151,662)	(117,272)	(87,828)	(137,358)	(163,737)
Other reserves		1,189,942	1,203,168	1,307,163	3,751,114	3,678,714
Total equity		1,268,383	1,316,615	1,450,655	3,856,207	3,757,604

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (hereinafter referred to as the "PRC"). The registered office of the Company is located at 6 Dongting 3rd Avenue, Tianjin, China. The Company's A shares have been listed on the Shenzhen Stock Exchange since 18 November 2016.

In the opinion of the directors, the controlling shareholders of the Company are Asymchem Laboratories, Incorporated (or "ALAB"), Mr. Hao Hong and Dr Ye Song.

During the years ended 31 December 2018, 2019 and 2020 ,and the six months ended 30 June 2021 (the "Relevant Periods"), the Group was a world-leading, technology-driven provider of one-stop Contract Development Manufacture Organization (hereinafter referred to as "CDMO") solutions throughout the drug development and manufacturing process. The Group provides clinical stage CDMO solutions, commercial stage CDMO solutions and emerging services.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Asymchem Life Science (Tianjin) Co., Ltd. (note a)	PRC/Mainland China 30 December 2005	RMB70,000	100	-	Development and cGMP manufacturing
Tianjin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC/Mainland China 19 July 2010	RMB224,830	97	3	API and drug product manufacturing
Tianjin Asymchem Pharmaceutical Analysis, Testing and Evaluation Co., Ltd. (note a)	PRC/Mainland China 29 July 2013	RMB1,000	-	100	Analytical testing
Asymchem Laboratories (Fuxin) Co., Ltd. (note a)	PRC/Mainland China 1 April 2002	RMB3,310	100	-	High potency R&D and manufacturing
Jilin Asymchem Laboratories Co., Ltd. (note a)	PRC/Mainland China 17 August 2007	RMB291,490	100	-	Commercial cGMP manufacturing
Liaoning Asymchem Laboratories Co., Ltd. (note a)	PRC/Mainland China 2 December 2013	RMB9,200	100	-	Manufacturing, sales and development of medicine raw materials and relevant products

continued/..

1. CORPORATE INFORMATION (continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Asymchem Inc. (note b)	United States 12 October 2010	Not applicable	100	-	Sales
Jilin Asymchem Pharmaceuticals Co., Ltd. (note a)	PRC/Mainland China 29 September 2017	RMB300,000	100	-	Pharmaceutical and chemical manufacturing
Tianjin Canal Pharmtech Co., Ltd. (note a)	PRC/Mainland China 10 August 2017	RMB40,000	100	-	Wholesaling and retailing drugs
Shanghai Asymchem Biotechnology Co., Ltd. (note a)	PRC/Mainland China 28 January 2019	RMB250,000	100	-	Pharmaceutical science and technology
Asymchem Limited (note c)	United Kingdom 13 February 2017	EUR0.001	100	-	Sales, import and export trade
Asymchem Laboratories (Jilin) Co., Ltd. (note a)	PRC/Mainland China 25 May 2020	RMB300,000	100	-	Pharmaceutical and chemical manufacturing
Asymchem Pharmaceuticals (Jiangsu) Co., Ltd. (note c)	PRC/Mainland China 29 September 2020	RMB300,000	100	-	Pharmaceutical and chemical manufacturing
Asymchem Taixin Clinical Study Co., Ltd. (note c)	PRC/Mainland China 6 March 2020	RMB10,000	-	51	Exporting and importing products, medical research and trials development
Tianjin GoalGen Biotechnology Co., Ltd. (note d)	PRC/Mainland China 28 November 2007	RMB10,000	-	100	Pharmaceutical research and manufacturing

continued/...

1. CORPORATE INFORMATION (continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Xinzhuo Pharmaceutical Research and Development Co., Ltd. (note c)	PRC/Mainland China 5 December 2019	RMB10,000	-	100	Pharmaceutical research and development
Tianjin Baibosheng Pharmtech Co., Ltd. (note c)	PRC/Mainland China 21 November 2018	RMB5,000	-	100	Pharmaceutical research and development
Tianjin Yinuo Qinkang Medical Technology Co., Ltd. (note c)	PRC/Mainland China 29 July 2020	RMB2,000	-	100	Pharmaceutical research and trial development
Asymchem Boston Corporation (note e)	United States 14 December 2020	Not applicable	100	-	Pharmaceutical research and wholesale
Asymchem Life Science (Jiangsu) Co., Ltd. (note e)	PRC/Mainland China 18 March 2021	RMB100,000	100	-	Drug import and export
Shanghai Nuoxin Yingke Information Technology Co., Ltd. (note e)	PRC/Mainland China 15 June 2021	RMB5,000	-	100	Information technology

Notes:

(a) These entities are registered as limited liability companies under PRC law. The statutory financial statements for the years ended 31 December 2018, 2019 and 2020 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Rong Cheng Certified Public Accountants LLP.

1. CORPORATE INFORMATION (continued)

Notes: (continued)

(b) The entity is registered as a limited liability company under United States law. No statutory financial statements have been prepared for the entity as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. The financial statements for the years ended 31 December 2018, 2019 and 2020 prepared under PRC GAAP were audited by Rong Cheng Certified Public Accountants LLP.

(c) No audited financial statements have been prepared for these entities for the years ended 31 December 2018, 2019 and 2020, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(d) The entity is registered as limited liability company under PRC law. The statutory financial statements for the years ended 31 December 2018, 2019 and 2020 prepared under PRC Generally Accepted Accounting Principles(“PRC GAAP”) were audited by Tianjing Lixin Certified Public Accountants LLP.

(e) No audited financial statements have been prepared for these entities for the years ended 31 December 2018, 2019 and 2020, as these entities were newly registered in 2020 or 2021.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

These consolidated financial statements are the first the Group has prepared in accordance with IFRSs. Accordingly, IFRS 1 “First-time Adoption of International Financial Reporting Standards” has been applied in preparing these consolidated financial statements. For all periods, the Group prepared its consolidated financial statements in accordance with PRC GAAP. Refer to Note 2.4 for information on how the Group adopted IFRS. No reconciliation is disclosed for equity and comprehensive income for the years ended 31 December 2018 and 31 December 2019, and for the 6 months ended 30 June 2020 and 30 June 2021.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) which have been measured at fair value. The consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (CONTINUED)

The Group has adopted Amendment to IFRS 16 Covid-19-Related Rent Concessions (early adopted) for the first time for the year ended 31 December 2020, which provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic during the year ended 31 December 2020 as the reduction in the lease payments was insignificant. The amendments did not have any significant impact on the financial position and performance of the Group.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the Relevant Periods.

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[1]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

[1] Effective for annual periods beginning on or after 1 April 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] No mandatory effective date yet determined but available for adoption
[5] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The directors of the Group considered that the application of the above issued but not yet effective IFRSs will not have a material impact on the Group's consolidated financial results.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

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

Business combinations and goodwill

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

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

Fair value measurement

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

(a) the party is a person or a close member of that person's family and that person
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
   (i) the entity and the Group are members of the same group;
   (ii) one entity is an associate or joint venture of the other entity or of a parent, subsidiary or fellow subsidiary of the other entity;
   (iii) the entity and the Group are joint ventures of the same third party;
   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
   (vi) the entity is controlled or jointly controlled by a person identified in (a);
   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity; and
   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.85%
Manufacturing and R&D equipment	9.90% to 19.80%
Office equipment	19.80% to 33.00%
Motor vehicles	9.90% to 19.80%
Leasehold improvements	The shorter of the lease terms and their useful lives

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Patents
Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years. The estimated useful life of patents is determined by considering the period of the economic benefits to the Group or the periods of validity of patents protected by the relevant laws, as well as by referring to the industry practice.

Software
Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 10 years. The estimated useful life of purchased software is determined by considering the period of the economic benefits to the Group.

Research and development costs
All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Buildings	2 to 10 years

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

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of rental properties for staff (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate.

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

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

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Contract costs
Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

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

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

(c) The costs are expected to be recovered.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Other employee benefits
The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 16%-20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

2.4 FIRST-TIME ADOPTION OF IFRS

In preparing these consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2018, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its PRC GAAP financial statements, including the statement of financial position as at 1 January 2018.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

(a) Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2018. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2018. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on either a straight-line basis over the lease term or another systematic basis.

Estimates

The estimates at 1 January 2018 are consistent with those made for the same dates in accordance with PRC GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2018, the date of transition to IFRS.

2.4 FIRST-TIME ADOPTION OF IFRS(CONTINUED)

Group reconciliation of equity as at 1 January 2018 (date of transition to IFRS)

	Notes	PRC GAAP	Reclassification and Remeasurements	IFRS
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment		867,123	-	867,123
Right-of-use assets	A	58,551	1,706	60,257
Other intangible assets		8,152	-	8,152
Deferred tax assets	A	21,397	28	21,425
Prepayments, deposits and other receivables		67,031	-	67,031
		1,022,254	1,734	1,023,988
Current assets				
Inventories		260,227	-	260,227
Trade receivables	B	450,610	(2,062)	448,548
Contract assets	B	-	2,062	2,062
Prepayments, deposits and other receivables	A	63,009	(35)	62,974
Tax recoverable		1,820	-	1,820
Cash and cash equivalents	B	839,282	-	839,282
		1,614,948	(35)	1,614,913
Total assets		2,637,202	1,699	2,638,901
Non-current liabilities				
Other payables and accruals		102,804	-	102,804
Lease liabilities	A	-	1,365	1,365
Deferred tax liabilities		5,328	-	5,328
		108,132	1,365	109,497
Current liabilities				
Trade payables		98,900	-	98,900
Other payables and accruals		246,875	-	246,875
Financail liabilities at fair value through profit or loss		3,220	-	3,220
Lease liabilities	A	-	422	422
Tax payable		25,038	-	25,038
		374,033	422	374,455
Total liabilities		482,165	1,787	483,952
Equity				
Share capital		230,103	-	230,103
Restricted shares under share-based payment		(151,662)	-	(151,662)
Other reserves		1,979,180	(88)	1,979,092
		2,057,621	(88)	2,057,533
Non-controlling interests		97,416	-	97,416
Total equity		2,155,037	(88)	2,154,949
Total equity and liabilities		2,637,202	1,699	2,638,901

2.4 FIRST-TIME ADOPTION OF IFRS(CONTINUED)

Group reconciliation of equity as at 31 December 2020

	Notes	PRC GAAP	Reclassification and Remeasurements	IFRS
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment		2,208,297	-	2,208,297
Right-of-use assets	A	261,617	22,711	284,328
Goodwill		43,186	-	43,186
Other intangible assets		24,049	-	24,049
Deferred tax assets	A	116,415	1,591	118,006
Investments in associates		269,689	-	269,689
Financial assets at fair value through profit or loss		35,000	-	35,000
Prepayments, deposits and other receivables		169,547	-	169,547
		3,127,800	24,302	3,152,102
Current assets				
Inventories		726,384	-	726,384
Trade receivables	B	987,195	(7,965)	978,149
Contract assets	B	-	9,046	9,046
Prepayments, deposits and other receivables	A	189,899	(301)	189,598
Tax recoverable		2,756	-	2,756
Cash and cash equivalents		2,124,615	-	2,124,615
		4,029,768	780	4,030,548
Total assets		7,157,568	25,082	7,182,650
Non-current liabilities				
Other payables and accruals		151,445	-	151,445
Lease liabilities	A	-	25,882	25,882
Deferred tax liabilities		86,990	-	86,990
		238,435	25,882	264,317
Current liabilities				
Trade payables		378,616	-	378,616
Other payables and accruals	B	517,008	1,081	518,089
Interest-bearing bank and other borrowings		10,034	-	10,034
Lease liabilities	A	-	2,925	2,925
Tax payable		18,919	-	18,919
		924,577	4,006	928,583
Total liabilities		1,163,012	29,888	1,192,900
Equity				
Share capital		242,451	-	242,451
Restricted shares under share-based payment		(137,358)		(137,358)
Other reserves		5,889,502	(4,806)	5,884,696
		5,994,595	(4,806)	5,989,789
Non-controlling interests		(39)	-	(39)
Total equity		5,994,556	(4,806)	5,989,750
Total equity and liabilities		7,157,568	25,082	7,182,650

2.4 FIRST-TIME ADOPTION OF IFRS(CONTINUED)

Group reconciliation of total comprehensive income for the year ended 31 December 2020

	Notes	PRC GAAP RMB'000	Remeasurements RMB'000	IFRS RMB'000
Revenue		3,136,724	-	3,136,724
Cost of sales		(1,683,500)	-	(1,683,500)
Gross profit		1,453,224	-	1,453,224
Other income and gains		119,826	(53)	119,773
Selling expenses		(84,253)	-	(84,253)
Administrative expenses	A	(318,647)	(1,952)	(320,599)
Research and development		(258,934)	-	(258,934)
Impairment losses on financial assets, net		(25,751)	-	(25,751)
Other expenses		(70,583)	-	(70,583)
Share of profits of associates		2,084	-	2,084
Finance costs	A	(2,503)	(1,225)	(3,728)
PROFIT BEFORE TAX		814,463	(3,230)	811,233
Income tax expense	A	(92,304)	774	(91,530)
Profit for the year		722,159	(2,456)	719,703
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations		(11,685)	-	(11,685)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		(11,685)	-	(11,685)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		708,018	-	708,018
Attributable to:				
Owners of the parent		708,057	-	708,057
Non-controlling interests		(39)	-	(39)
		708,018	-	708,018

2.4 FIRST-TIME ADOPTION OF IFRS(CONTINUED)

A. Leases

Under PRC GAAP, a lessee classifies a lease as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the Group recognised an increase of RMB 1,787 at 1 January 2018 (31 December 2020: RMB 28,807) of lease liabilities and RMB 1,706 at 1 January 2018 (31 December 2020: RMB 22,711)of right-of-use assets. The difference between lease liabilities and right-of-use assets has been recognised in retained earnings.

B. Contract assets

Under PRC GAAP, the Group recognised trade receivables, even if the receipt of the total consideration was conditional on successful completion of clinical stage CDMO solutions services. Under IFRS, any earned consideration that is conditional should be recognised as a contract asset rather than a receivable. Therefore, at the date of transition to IFRS, the Group reclassified RMB 2,062 at 1 January 2018 (31 December 2020: RMB 9,046) from trade receivables to contract assets.

2.4 FIRST-TIME ADOPTION OF IFRS(CONTINUED)

Company reconciliation of equity as at 1 January 2018 (date of transition to IFRS)

	Notes	PRC GAAP RMB'000	Reclassification and Remeasurements RMB'000	IFRS RMB'000
Assets				
Non-current assets				
Property, plant and equipment		48,121	-	48,121
Right-of-use assets		7,269	-	7,269
Other intangible assets		4,059	-	4,059
Deferred tax assets		3,774	-	3,774
Investment in subsidiaries		174,722	-	174,722
Prepayments, deposits and other receivables		5,558	-	5,558
		243,503	-	243,503
Current assets				
Inventories		1,742	-	1,742
Trade receivables		49,444	-	49,444
Contract assets			-	
Prepayments, deposits and other receivables		985,270	-	985,270
Cash and cash equivalents		164,985	-	164,985
		1,201,441	-	1,201,441
Total assets		1,444,944	-	1,444,944
Non-current liabilities				
Other payables and accruals		7,450	-	7,450
Deferred tax liabilities		357	-	357
		7,807	-	7,807
Current liabilities				
Trade payables		5,613	-	5,613
Other payables and accruals		156,806	-	156,806
Tax payable		6,335	-	6,335
		168,754	-	168,754
Total liabilities		176,561	-	176,561
Equity				
Share capital		230,103	-	230,103
Restricted shares under share-based payment		(151,662)	-	(151,662)
Other reserves		1,189,942	-	1,189,942
Total equity		1,268,383	-	1,268,383
Total equity and liabilities		1,444,944	-	1,444,944

As at the date of transition to IFRS, there was no reclassification or remeasurements to the Company's equity arising from the transition from PRC GAAP to IFRS.

2.4 FIRST-TIME ADOPTION OF IFRS(CONTINUED)

Company reconciliation of equity as at 31 December 2020

	Notes	PRC GAAP	Reclassification and Remeasurements	IFRS
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment		131,329	-	131,329
Right-of-use assets	A	6,756	4,374	11,130
Other intangible assets		16,593	-	16,593
Financial assets at fair value through profit or loss	A	35,000		35,000
Deferred tax assets		7,385	48	7,433
Investment in subsidiaries		1,431,741	-	1,431,741
Investments in associates		269,678		269,678
Prepayments, deposits and other receivables		5,561	-	5,561
		1,904,043	4,422	1,908,465
			-	
Current assets				
Inventories		18,447	-	18,447
Trade receivables		200,688	-	200,688
Contract assets			-	
Prepayments, deposits and other receivables	A	475,752	(205)	475,547
Cash and cash equivalents		1,786,528	-	1,786,528
		2,481,415	(205)	2,481,210
Total assets		4,385,458	4,217	4,216,956
Non-current liabilities				
Other payables and accruals		17,282	-	17,282
Lease liabilities	A	-	2,209	2,209
Deferred tax liabilities		8,204	-	8,204
		25,486	-	27,695
Current liabilities				
Trade payables		39,352	-	39,352
Other payables and accruals		154,788	-	154,788
Interest-bearing bank borrowings		10,034	-	10,034
Lease liabilities	A	-	2,278	2,278
		503,495	2,278	505,773
Total liabilities		528,981	4,487	533,468
Equity				
Share capital		242,451	-	242,451
Restricted shares under share-based payment		(137,358)	-	(137,358)
Other reserves	A	3,750,844	270	3,751,114
Total equity		3,855,937	270	3,856,207
Total equity and liabilities		4,384,918	4,757	4,389,675

2.4 FIRST-TIME ADOPTION OF IFRS(CONTINUED)

A Leases

Under PRC GAAP, a lessee classifies a lease as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At the date of transition to IFRS, the Company applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the Company recognised an increase of nil at January 2018 (31 December 2020: RMB 4,487) of lease liabilities and nil at January 2018 (31 December 2020: RMB 4,374)of right-of-use assets. The difference between lease liabilities and right-of-use assets has been recognised in retained earnings.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Performance obligation determination

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same. In certain long-term sales contracts, the Group is required to fulfil multiple promised goods and/or services. In determining performance obligations, the directors of the Company consider whether the nature of the promise, within the context of the contract, is to transfer each of those goods and/or services individually or, instead, to transfer a combined item. Considering those goods and/or services are considered to be distinct, separately identifiable, the directors of the Company concluded those goods and/or services as multiple performance obligations.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2021 and 31 December 2020 was RMB43,186,000 (2018 and 2019: nil). Further details are given in note 15 to the consolidated financial statements.

Provision for expected credit losses on trade receivables

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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

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

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

Deferred tax assets
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 17 to the consolidated financial statements.

Net realisable value of inventories
Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and changes in prices when the products' expiration dates are approaching. Management reassesses these estimates at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Useful lives of property, plant and equipment and intangible assets
The Group determines the estimated useful lives and related depreciation/amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4. OPERATING SEGMENT INFORMATION

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

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

Geographical information
(a) Revenue from external customers

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Overseas	1,649,127	2,227,775	2,767,463	1,117,390	1,564,939
Mainland China	173,660	218,074	369,261	139,384	190,630
	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569

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

(b) Non-current assets

	Year ended 31 December			Six months ended 30 June
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Mainland China	1,445,893	2,043,649	2,998,719	3,458,056
United States	346	430	377	547
	1,446,239	2,044,079	2,999,096	3,458,603

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the Relevant Periods is set out below:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Customer 1*	508,027	548,527	285,630	186,456	81,446
Customer 2	238,908	202,270	431,991	158,314	187,609
Customer 3	183,105	265,394	640,795	295,768	326,012
Customer 4**	40,665	45,730	286,413	52,868	156,988
	970,705	1,061,921	1,644,829	693,406	752,055

*Revenue from customer 1 accounted for 10% or more of the Group's revenue for each of the Relevant Periods except for the six months ended 30 June 2021.

**Revenue from customer 4 accounted for 10% or more of the Group's revenue in 2020.

5. REVENUE, OTHER INCOME AND GAINS

Clinical stage CDMO solutions:
The Group provides process development and optimization, analytical services and scale-up services for small molecule drug products throughout the pre-clinical and clinical stage. The revenue generated from clinical stage CDMO solutions is derived from the transfer of goods and the provision of services under Full-time-equivalent (or "FTE") and Fee-for-service (or "FFS") arrangements. The Group recognises revenue on overtime and at a point in time bases for services under FTE and FFS arrangements, respectively.

Commercial stage CDMO solutions:
The Group provides ton-scale manufacturing services for registered starting materials (RSMs), advanced intermediates, and active pharmaceutical ingredients (APIs) with high quality. All of the revenue generated from commercial stage CDMO solutions is derived from the transfer of goods and services, which is recognised at a point in time.

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

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Revenue from contracts with customers					
- Transfer of goods and services	1,820,612	2,445,790	3,134,901	1,254,951	1,755,569
- Others	2,175	59	1,823	1,823	-
	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Types of goods and services					
Clinical Stage CDMO Solutions	743,022	1,144,897	1,247,437	480,940	826,918
Commercial Stage CDMO Solutions	1,037,590	1,215,784	1,651,006	715,724	785,405
Emerging Services	40,000	85,109	236,458	58,287	143,246
Others	2,175	59	1,823	1,823	-
Total revenue from contracts with customers	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569
Geographical markets					
Overseas	1,649,127	2,227,775	2,767,463	1,117,390	1,564,939
Mainland China	173,660	218,074	369,261	139,384	190,630
	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569
Timing of revenue recognition					
Transferred at a point in time	1,757,589	2,390,349	3,049,210	1,241,163	1,692,273
- Clinical Stage CDMO Solutions	692,896	1,092,344	1,207,460	466,477	792,671
- Commercial Stage CDMO Solutions	1,037,590	1,215,784	1,651,006	715,724	785,405
- Emerging Services	24,928	82,162	188,921	57,139	114,197
- Others	2,175	59	1,823	1,823	-
Transferred over time	65,198	55,500	87,514	15,611	63,296
- Clinical Stage CDMO Solutions	50,126	52,553	39,977	14,463	34,247
	1,822,787	2,445,849	3,136,724	1,256,774	1,755,569

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

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

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of each of the Relevant Periods	354	14,636	20,152	12,710	61,564

(b) Performance obligations

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Within one year	14,636	20,152	91,552	28,214	142,503

Other income and gains

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Government grants*	55,124	90,484	99,257	52,918	74,776
Gain on fair value changes of derivative financial instruments	10,330	-	5,311	4,832	-
Bank interest income	3,805	4,956	15,111	807	7,321
Gain on wealth management products	9,682	1,652	-	-	16,390
Foreign exchange gain	-	3,305	-	5,606	-
Others	365	85	94	18	273
	79,306	100,482	119,773	64,181	98,760

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) Performance obligations (continued)

Other income and gains (continued)

* Government grants of RMB55,124,000, RMB90,484,000 RMB99,257,000, RMB52,918,000 and RMB74,776,000 were granted during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively, as incentives to the development and research activities of the Group in the PRC, of which the amounts of government grants related to assets are RMB7,295,000, RMB16,360,000 RMB11,688,000, RMB5,822,000 (unaudited) and RMB6,193,000, respectively, and the other government grants are related to income. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

6. PROFIT BEFORE TAX

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

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Cost of sales*	984,677	1,345,286	1,683,500	653,533	970,182
Depreciation of property, plant and equipment (note 13) **	100,948	120,697	153,977	73,864	93,351
Depreciation of right-of-use assets (note 14) **	2,496	5,212	7,772	3,882	6,311
Amortisation of other intangible assets (note 16) **	1,256	2,189	3,585	1,370	1,955
Research and development cost:					
Current year expenditure	155,178	192,522	258,934	108,770	163,895
	1,244,555	1,665,906	2,107,768	841,419	1,235,694

6. PROFIT BEFORE TAX (CONTINUED)

Lease payments not included in the measurement of lease liabilities	60	-	1,043	435	1,248
Auditor's remuneration	1,200	1,400	1,600	-	-
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))**:					
- Wages and salaries	367,697	462,909	630,065	262,466	413,036
- Pension scheme contributions	85,710	99,661	97,414	40,386	85,472
- Share-based payment expense	15,941	14,167	16,835	4,876	15,209
	470,608	578,137	746,957	308,163	514,965
Foreign exchange differences, net	(4,913)	(1,943)	11,685	(2,062)	1,823
Losses on/ (reversal of) impairment of financial and contract assets, net	4,851	9,605	25,751	15,067	(8,167)
Bank interest income	(3,805)	(4,956)	(15,111)	(807)	(7,321)
Changes in fair value of derivative financial instruments	(10,330)	12,421	(5,311)	(4,832)	-
Loss/ (gain) on disposal of items of property, plant and equipment and other intangible assets	229	(56)	335	335	(9)
	456,640	593,208	764,306	315,864	501,291

* The cost of inventories amounted to RMB740,829,000, RMB1,097,108,000, RMB1,319,788,000, RMB577,228,000 (unaudited) and RMB814,534,000 during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively.

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

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Interest on bank loans	1,358	774	2,502	-	21
Interest on lease liabilities	109	994	1,226	624	731
	1,467	1,768	3,728	624	752

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Fees	288	296	288	144	144
Other emoluments:					
Salaries, allowances and benefits in kind	5,525	5,574	5,828	2,600	4,777
Performance related bonuses	80	200	500	-	-
Equity-settled share incentive scheme	-	1,021	1,122	561	219
Pension scheme contributions	537	609	526	257	334
	6,142	7,404	7,976	3,418	5,330
	6,430	7,700	8,264	3,562	5,474

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

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

(a) Independent non-executive directors

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

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Ms. Zhang Kun	96	96	96	48	48
Mr. Guangcheng Pan	96	96	96	48	40
Mr. Xinggang Li	96	32	-	-	-
Mr. Wang Qingsong	-	72	96	48	48
Mr. Lee, Kar Chung Felix	-	-	-	-	8
	288	296	288	144	144

Mr. Wang Qingsong was appointed as an independent non-executive director of the Group on 18 April 2019, and Mr. Xinggang Li resigned as an independent non-executive director on 18 April 2019. Mr. Lee, Kar Chung Felix was appointed as an independent non-executive director of the Group on 16 June 2021, and Mr. Guangcheng Pan resigned as an independent non-executive director on 16 June 2021.

(b) Directors and the chief executive

Year ended 31 December 2018	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contribu-tions RMB'000	Total remunera-tion RMB'000
Directors					
Mr. Hao Hong (Chief executive)	-	3,079	-	144	3,223
Ms. Yang Rui	-	851	-	93	944
Dr. Ye Song	-	658	-	115	773
Mr. Hong Liang	-	597	-	93	690
Ms. Jing Yang	-	340	80	92	512
Mr. Ling Lin	-	-	-	-	-
	-	5,525	80	537	6,142

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

(b) Directors and the chief executive (continued)

Year ended 31 December 2019	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share incentive scheme RMB'000	Pension scheme contribu-tions RMB'000	Total remunera-tion RMB'000
Directors						
Mr. Hao Hong (Chief executive)	-	2,082	-	-	158	2,240
Ms. Yang Rui	-	976	-	-	91	1,067
Dr. Ye Song	-	684	-	-	123	807
Mr. Hong Liang	-	616	200	-	91	907
Ms. Jing Yang*	-	112	-	-	24	136
Mr. Zhang Da**	-	1,104	-	1,021	122	2,247
Mr. Ling Lin	-	-	-	-	-	-
	-	5,574	200	1,021	609	7,404

* Ms. Jing Yang resigned as the Company's director on 3 April 2019.
**Mr. Zhang Da was appointed as the Company's director on 19 April 2019.

Year ended 31 December 2020	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share incentive scheme RMB'000	Pension scheme contribu-tions RMB'000	Total remunera-tion RMB'000
Directors						
Mr. Hao Hong (Chief executive)	-	2,094	-	-	162	2,256
Mr. Zhang Da	-	1,245	300	1,122	86	2,753
Ms. Yang Rui	-	1,124	-	-	63	1,187
Dr. Ye Song	-	684	-	-	125	809
Mr. Hong Liang	-	681	200	-	90	971
Mr. Ling Lin	-	-	-	-	-	-
	-	5,828	500	1,122	526	7,976

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

(b) Directors and the chief executive (continued)

Six months ended 30 June 2021	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share incentive scheme RMB'000	Pension scheme contribu-tions RMB'000	Total remunera-tion RMB'000
Directors						
Mr. Hao Hong (Chief executive)	-	1,066	-	-	78	1,144
Ms. Yang Rui	-	1,266	-	-	49	1,315
Mr. Zhang Da	-	1,124	-	219	49	1,392
Mr. Hong Liang	-	664	-	-	49	713
Dr. Ye Song	-	321	-	-	60	381
Ms. Zhang Ting*	-	336	-	-	49	385
Mr. Ling Lin	-	-	-	-	-	-
	-	4,777	-	219	334	5,330

* Ms. Zhang Ting was appointed as the Group's directors on 10 February 2021.

Six months ended 30 June 2020	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share incentive scheme RMB'000	Pension scheme contribu-tions RMB'000	Total remunera-tion RMB'000
Directors						
Mr. Hao Hong (Chief executive)	-	808	-	-	83	891
Mr. Zhang Da	-	594	-	561	39	1,194
Ms. Yang Rui	-	528	-	-	31	559
Dr. Ye Song	-	349	-	-	63	412
Mr. Hong Liang	-	321	-	-	41	362
Mr. Ling Lin	-	-	-	-	-	-
	-	2,600	-	561	257	3,418

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included 2, 2, 3, 1 and 2 directors, respectively, for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, details of whose remuneration are set out in note 8(b) above.

9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

Details of the remuneration of the remaining 3, 3, 2, 4 and 3 highest paid employees who are neither a director nor chief executive of the Company, respectively, for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Salaries, allowances and benefits in kind	3,748	4,207	5,091	3,079	2,705
Performance related bonuses	5,117	2,108	340	622	–
Equity-settled share incentive scheme	909	1,275	-	935	2,954
Pension scheme contributions	710	620	574	425	163
	10,484	8,210	6,005	5,061	5,822

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

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020 Unaudited	2021
HK$1,000,001 to HK$1,500,000	-	-	-	3	-
HK$1,500,001 to HK$2,000,000	1	-	-	1	2
HK$2,000,001 to HK$3,000,000	1	3	2	-	-
HK$3,000,001 to HK$5,000,000	1	-	-	-	1
	3	3	2	4	3

10. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, that were accredited as "High and New Technology Enterprises" and entitled to a preferential rate is 15% in 2018 to 2021.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Asymchem Inc., a subsidiary of the Group incorporated in the United States, is based on the federal tax rate of which was changed from 35% to 21% in January 2018 and remained at 21% during the Relevant Periods. The provision for current income tax of Asymchem Limited, a subsidiary of the Group incorporated in the United Kingdom, is based on a rate of 19%.

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Current	61,124	70,026	105,054	58,766	65,700
Deferred (note 17)	(6,983)	(1,061)	(13,524)	(17,240)	(13,100)
Total tax charge for the year/period	54,141	68,965	91,530	41,526	52,600

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries in which the Company and the major operating subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Profit before tax	460,498	620,554	811,233	355,817	481,924
Tax at the statutory tax rate -Mainland China	64,737	89,604	114,481	48,889	53,692
Tax at the statutory tax rate -overseas	4,338	3,479	7,204	4,484	18,597
Effect of different tax rates of subsidiaries	(2,347)	(2,312)	1,809	290	2,866
Adjustments in respect of current tax of previous periods	(589)	(452)	(598)	(598)	(307)
Expenses not deductible for tax	116	165	259	908	754
Deductible temporary differences and tax losses not recognised	60	680	150	912	1,016
Tax losses utilised from previous periods	(6)	(109)	(1,031)	(1,122)	(126)
Effect of research and development expenses that are additionally deducted	(17,353)	(22,090)	(32,946)	(12,237)	(23,892)
Impact of change in tax rates on deferred tax assets/liabilities	5,185	-	2,202	-	-
Tax charge at the Group's effective rate	54,141	68,965	91,530	41,526	52,600

11. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Dividends declared:					
RMB0.35 for 2018, RMB0.40 for 2019, RMB0.50 for 2020, RMB0.50 for the six months ended 30 June 2020, and RMB0.60 for the six months ended 30 June 2021 per ordinary share	80,534	92,524	115,637	115,637	145,576

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

The calculation of the basic earnings per share amount for the Relevant Periods is based on the profit attributable to ordinary equity holders of the parent for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, and the weighted average number of ordinary shares in issue during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021.

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

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

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

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Earnings					
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	428,202	551,589	719,742	314,291	429,324
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	(919)	(771)	(494)	(494)	(1,013)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	427,283	550,818	719,248	313,797	428,314

	Number of shares				
	2018 '000	2019 '000	2020 '000	2020 '000 Unaudited	2021 '000
Shares					
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	226,894	228,351	232,571	229,463	240,938
Effect of dilution — weighted average number of ordinary shares:					
Restricted A shares	3,360	2,696	1,594	1,857	1,659
Weighted average number of ordinary shares in issue during the year/period used in the diluted earnings per share calculation	230,254	231,047	234,165	231,320	242,597

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	486,904	583,143	28,719	17,416	685	105,931	1,222,798
Accumulated depreciation	(111,376)	(216,817)	(16,464)	(10,984)	(34)	-	(355,675)
Net carrying amount	375,528	366,326	12,255	6,432	651	105,931	867,123
At 1 January 2018, net of accumulated depreciation	375,528	366,326	12,255	6,432	651	105,931	867,123
Additions	8,800	110,071	9,362	3,882	5,403	319,513	457,031
Transfers	94,160	22,242	416	-	-	(118,562)	(1,744)
Disposals	-	(1,552)	(119)	(136)	-	-	(1,807)
Depreciation provided during the year (note 6)	(27,492)	(63,666)	(7,271)	(2,021)	(498)	-	(100,948)
At 31 December 2018, net of accumulated depreciation	450,996	433,421	14,643	8,157	5,556	306,882	1,219,655
At 31 December 2018:							
Cost	589,864	711,576	38,237	18,360	6,088	306,882	1,671,007
Accumulated depreciation	(138,868)	(278,155)	(23,594)	(10,203)	(532)	-	(451,352)
Net carrying amount	450,996	433,421	14,643	8,157	5,556	306,882	1,219,655

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
Cost	589,864	711,576	38,237	18,360	6,088	306,882	1,671,007
Accumulated depreciation	(138,868)	(278,155)	(23,594)	(10,203)	(532)	-	(451,352)
Net carrying amount	450,996	433,421	14,643	8,157	5,556	306,882	1,219,655
At 1 January 2019, net of accumulated depreciation	450,996	433,421	14,643	8,157	5,556	306,882	1,219,655
Additions	-	78,654	11,169	851	1,399	533,262	625,335
Transfers	288,363	182,142	-	-	1,900	(479,057)	(6,652)
Disposals	(51,557)	(27,350)	(72)	(5)	-	(705)	(79,689)
Depreciation provided during the year (note 6)	(31,744)	(75,972)	(7,706)	(2,553)	(2,722)	-	(120,697)
At 31 December 2019, net of accumulated depreciation	656,058	590,895	18,034	6,450	6,133	360,382	1,637,952
At 31 December 2019:							
Cost	795,356	940,418	48,554	18,703	9,387	360,382	2,172,800
Accumulated depreciation	(139,298)	(349,523)	(30,520)	(12,253)	(3,254)	-	(534,848)
Net carrying amount	656,058	590,895	18,034	6,450	6,133	360,382	1,637,952

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020:							
Cost	795,356	940,418	48,554	18,703	9,387	360,382	2,172,800
Accumulated depreciation	(139,298)	(349,523)	(30,520)	(12,253)	(3,254)	-	(534,848)
Net carrying amount	656,058	590,895	18,034	6,450	6,133	360,382	1,637,952
At 1 January 2020, net of accumulated depreciation	656,058	590,895	18,034	6,450	6,133	360,382	1,637,952
Additions	-	129,871	10,652	1,605	394	600,895	743,417
Acquisition of a subsidiary	-	-	500	577	177	-	1,254
Transfers	152,259	137,054	252	-	-	(290,024)	(459)
Disposals	(6,008)	(11,926)	(475)	(5)	(1,324)	(152)	(19,890)
Depreciation provided during the year (note 6)	(45,362)	(92,908)	(10,198)	(2,456)	(3,053)	-	(153,977)
At 31 December 2020, net of accumulated depreciation	756,947	752,986	18,765	6,171	2,327	671,101	2,208,297
At 31 December 2020:							
Cost	938,121	1,190,468	58,488	20,700	9,958	671,101	2,888,836
Accumulated depreciation	(181,174)	(437,482)	(39,723)	(14,529)	(7,631)	-	(680,539)
Net carrying amount	756,947	752,986	18,765	6,171	2,327	671,101	2,208,297

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
30 June 2021							
At 1 January 2021:							
Cost	938,121	1,190,468	58,488	20,700	9,958	671,101	2,888,836
Accumulated depreciation	(181,174)	(437,482)	(39,723)	(14,529)	(7,631)	-	(680,539)
Net carrying amount	756,947	752,986	18,765	6,171	2,327	671,101	2,208,297
At 1 January 2021, net of accumulated depreciation	756,947	752,986	18,765	6,171	2,327	671,101	2,208,297
Additions	166	60,008	7,670	611	-	395,810	464,265
Transfers	32,552	59,647	147	-	-	(92,346)	-
Disposals	-	(3)	-	-	-	-	(3)
Depreciation provided during the period (note 6)	(27,166)	(58,394)	(5,736)	(1,294)	(761)	-	(93,351)
At 30 June 2021, net of accumulated depreciation	762,499	814,244	20,846	5,488	1,566	974,565	2,579,208
At 30 June 2021:							
Cost	970,839	1,309,946	66,305	21,311	5,047	974,565	3,348,013
Accumulated depreciation	(208,340)	(495,702)	(45,459)	(15,823)	(3,481)	-	(768,805)
Net carrying amount	762,499	814,244	20,846	5,488	1,566	974,565	2,579,208

Buildings of RMB191,816,000, RMB250,168,000, RMB231,031,000 and RMB102,409,000 as at 31 December 2018, 2019 and 2020 and 30 June 2021, respectively, have not yet obtained title certificates.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Buildings RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	25,964	18,344	2,486	8,706	581	22,044	78,125
Accumulated depreciation	(9,668)	(11,807)	(2,098)	(6,408)	(23)	-	(30,004)
Net carrying amount	16,296	6,537	388	2,298	558	22,044	48,121
At 1 January 2018, net of accumulated depreciation	16,296	6,537	388	2,298	558	22,044	48,121
Additions	-	13,516	2,253	2,586	1,457	13,366	33,178
Disposals	-	-	-	(24)	-	-	(24)
Transfers	-	-	415	-	-	(2,037)	(1,622)
Depreciation provided during the year	(1,882)	(1,821)	(447)	(760)	(357)	-	(5,267)
At 31 December 2018, net of accumulated depreciation	14,414	18,232	2,609	4,100	1,658	33,373	74,386
At 31 December 2018:							
Cost	25,964	31,860	5,154	8,917	2,038	33,373	107,306
Accumulated depreciation	(11,550)	(13,628)	(2,545)	(4,817)	(380)	-	(32,920)
Net carrying amount	14,414	18,232	2,609	4,100	1,658	33,373	74,386

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Buildings RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
Cost	25,964	31,860	5,154	8,917	2,038	33,373	107,306
Accumulated depreciation	(11,550)	(13,628)	(2,545)	(4,817)	(380)	-	(32,920)
Net carrying amount	14,414	18,232	2,609	4,100	1,658	33,373	74,386
At 1 January 2019, net of accumulated depreciation	14,414	18,232	2,609	4,100	1,658	33,373	74,386
Additions	-	56	933	-	289	65,476	66,754
Disposals	-	-	(63)	(4)	-	-	(67)
	57,097	31,525	-	-	-	(94,928)	(6,306)
Depreciation provided during the year	(2,224)	(3,507)	(1,082)	(1,183)	(809)	-	(8,805)
At 31 December 2019, net of accumulated depreciation	69,287	46,306	2,397	2,913	1,138	3,921	125,962
At 31 December 2019:							
Cost	83,061	63,070	5,678	8,547	2,327	3,921	166,604
Accumulated depreciation	(13,774)	(16,764)	(3,281)	(5,634)	(1,189)	-	(40,642)
Net carrying amount	69,287	46,306	2,397	2,913	1,138	3,921	125,962

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Buildings RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020:							
Cost	83,061	63,070	5,678	8,547	2,327	3,921	166,604
Accumulated depreciation	(13,774)	(16,764)	(3,281)	(5,634)	(1,189)	-	(40,642)
Net carrying amount	69,287	46,306	2,397	2,913	1,138	3,921	125,962
At 1 January 2020, net of accumulated depreciation	69,287	46,306	2,397	2,913	1,138	3,921	125,962
Additions	-	9,772	488	3	-	13,075	23,338
Disposals	(261)	(3)	(1)	(5)	-	-	(270)
Transfers	4,470	-	1,944	-	-	(10,760)	(4,346)
Depreciation provided during the year	(4,722)	(5,436)	(1,306)	(1,117)	(774)	-	(13,355)
At 31 December 2020, net of accumulated depreciation	68,774	50,639	3,522	1,794	364	6,236	131,329
At 31 December 2020:							
Cost	86,802	72,551	8,001	8,082	2,327	6,236	183,999
Accumulated depreciation	(18,028)	(21,912)	(4,479)	(6,288)	(1,963)	-	(52,670)
Net carrying amount	68,774	50,639	3,522	1,794	364	6,236	131,329

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Buildings RMB'000	Manufacturing and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
30 June 2021							
At 1 January 2021:							
Cost	86,802	72,551	8,001	8,082	2,327	6,236	183,999
Accumulated depreciation	(18,028)	(21,912)	(4,479)	(6,288)	(1,963)	-	(52,670)
Net carrying amount	68,774	50,639	3,522	1,794	364	6,236	131,329
At 1 January 2021, net of accumulated depreciation	68,774	50,639	3,522	1,794	364	6,236	131,329
Additions	166	1,621	-	-	-	9,253	11,040
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Depreciation provided during the period	(2,616)	(3,066)	(932)	(472)	(243)	-	(7,329)
At 30 June 2021, net of accumulated depreciation	66,324	49,194	2,590	1,322	121	15,489	135,040
At 30 June 2021:							
Cost	86,968	74,172	8,001	8,082	2,327	15,489	195,039
Accumulated depreciation	(20,644)	(24,978)	(5,411)	(6,760)	(2,206)	-	(59,999)
Net carrying amount	66,324	49,194	2,590	1,322	121	15,489	135,040

Buildings of nil, RMB50,787,154, nil and nil of the Company as at 31 December 2018, 2019 and 2020 and 30 June 2021, respectively, have not yet obtained title certificates.

14. LEASES

Group as a lessee

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

(a) Right-of-use assets

Set out below are the carrying amounts of the right-of-use assets recognised and the movements of those right-of-use assets during the Relevant Periods:

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2018	58,551	1,706	60,257
Additions	47,863	1,859	49,722
Depreciation charge	(1,777)	(719)	(2,496)
As at 31 December 2018 and 1 January 2019	104,637	2,846	107,483
Additions	-	29,029	29,029
Depreciation charge	(2,066)	(3,146)	(5,212)
As at 31 December 2019 and 1 January 2020	102,571	28,729	131,300
Additions	161,366	54	161,420
Depreciation charge	(2,321)	(5,451)	(7,772)
Derecognition	-	(620)	(620)
As at 31 December 2020 and 1 January 2021	261,616	22,712	284,328
Additions	16,274	19,748	36,022
Depreciation charge	(2,894)	(3,417)	(6,311)
As at 30 June 2021	274,996	39,043	314,039

14. LEASES (CONTINUED)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	1,787	2,917	31,772	28,807
Additions	1,859	29,029	54	19,748
Accretion of interest recognised during the year/period	109	994	1,226	731
Payments	(838)	(1,168)	(3,620)	(2,940)
Covid-19-related rent concessions from lessors	-	-	(89)	-
Terminations	-	-	(536)	-
Carrying amount at end of year/period	2,917	31,772	28,807	46,346
Current	931	3,452	2,925	6,846
Non-current	1,986	28,320	25,882	39,500

14. LEASES (CONTINUED)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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

(c) The following are the amounts recognised in profit or loss:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 Unaudited	2021 RMB'000
Depreciation charge of right-of-use assets	2,496	5,212	7,772	3,882	6,311
Interest on lease liabilities	109	994	1,226	624	731
Expense relating to short-term leases	60	-	1,043	435	1,248
Covid-19-related rent concessions from lessors	-	-	(89)	(59)	-
Loss on the derecognition of right-of-use assets	-	-	84	-	-
Total amount recognised in profit or loss	2,665	6,206	10,036	4,882	8,290

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options. However, the Group did not expect to exercise such options as at 31 December 2018, 2019 and 2020 and 30 June 2021.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 33(c) and 38, respectively, to the consolidated financial statements.

15. GOODWILL

	As at 31 December			As at 30 June
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Cost	-	-	43,186	43,186
Accumulated impairment	-	-	-	-
Net carrying amount	-	-	43,186	43,186

As described in note 32, for the purpose of expanding the clinical trial services business, the Group acquired a 100% interest in Tianjin GoalGen Biotechnology Co., Ltd. and its subsidiaries (or the "Acquired Companies") for a consideration of RMB30,000,000. The acquisition has been accounted for using the acquisition method. After the acquisition, goodwill of RMB 43,186,000 was recognised. The Acquired Companies are limited liability companies under the laws of the PRC, primarily engaged in the provision of clinical trial services.

15. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit ("CGU") for impairment testing:

Clinical trial services CGU

The recoverable amount of the clinical trial service CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 15.09% for the year ended 31 December 2020. The compound growth rate used to extrapolate the cash flows of the clinical trial services CGU from 2020 to 2025 is 8.00%, which is also an estimate of the long-term rate of inflation with adjustment.

Key assumptions used in the calculation are as follows:

	2020
Revenue (% compound growth rate)	12%
Gross margin (% of revenue)	40%
Terminal growth rate	N/A
Pre-tax discount rate	15.09%

Revenue – the basis used to determine the budgeted revenue is based on the historical data and management's expectation of the future market. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes the number of contracts signed and the progress of business under negotiation.

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year for each product, increased for expected efficiency improvements, and expected market development.

Terminal growth rate – The terminal growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate – The pre-tax discount rate used is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies in the technology industry.

15. GOODWILL (CONTINUED)

If the pre-tax discount rate rose to 15.54% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at 31 December 2020. IAS 36 requires an entity to perform impairment test on goodwill on an annual basis. Meanwhile, management did not identify any significant changes in the operating results and macro environment in the first quarter of 2021, and the Company's management has concluded there was no impairment indicator of goodwill at 30 June 2021. Accordingly, management did not perform impairment test on goodwill at 30 June 2021.

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary. The recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded its carrying amount by RMB2,926,000 as at 31 December 2020 (2018 and 2019: nil). If the pre-tax discount rate increases by 1% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB1,878,000 as at 31 December 2020 (2018 and 2019: nil).

The values assigned to the key assumptions on market development of related services and discount rates are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

Group

	Patents RMB'000	Software and others RMB'000	Total RMB'000
31 December 2018			
At 1 January 2018:			
Cost	203	10,524	10,727
Accumulated amortisation	(2)	(2,573)	(2,575)
Net carrying amount	201	7,951	8,152
Cost at 1 January 2018, net of accumulated amortisation	201	7,951	8,152
Additions	-	4,299	4,299
Transfers	-	1,744	1,744
Amortisation provided during the year	(20)	(1,236)	(1,256)
At 31 December 2018	181	12,758	12,939
At 31 December 2018:			
Cost	203	16,567	16,770
Accumulated amortisation	(22)	(3,809)	(3,831)
Net carrying amount	181	12,758	12,939
31 December 2019			
At 1 January 2019:			
Cost	203	16,567	16,770
Accumulated amortisation	(22)	(3,809)	(3,831)
Net carrying amount	181	12,758	12,939
Cost at 1 January 2019, net of accumulated amortisation	181	12,758	12,939
Additions	50	1,780	1,830
Transfers	756	5,896	6,652
Amortisation provided during the year	(373)	(1,816)	(2,189)
At 31 December 2019	614	18,618	19,232
At 31 December 2019:			
Cost	1,009	24,243	25,252
Accumulated amortisation	(395)	(5,625)	(6,020)
Net carrying amount	614	18,618	19,232

16. OTHER INTANGIBLE ASSETS (CONTINUED)

Group

	Patents RMB'000	Software and others RMB'000	Total RMB'000
31 December 2020			
At 1 January 2020:			
Cost	1,009	24,243	25,252
Accumulated amortisation	(395)	(5,625)	(6,020)
Net carrying amount	614	18,618	19,232
Cost at 1 January 2020, net of accumulated amortisation	614	18,618	19,232
Additions	-	7,985	7,985
Transfers	459	-	459
Disposals	-	(42)	(42)
Amortisation provided during the year	(674)	(2,911)	(3,585)
At 31 December 2020	399	23,650	24,049
At 31 December 2020:			
Cost	1,468	32,176	33,644
Accumulated amortisation	(1,069)	(8,526)	(9,595)
Net carrying amount	399	23,650	24,049
30 June 2021			
At 1 January 2021:			
Cost	1,468	32,176	33,644
Accumulated amortisation	(1,069)	(8,526)	(9,595)
Net carrying amount	399	23,650	24,049
Cost at 1 January 2021, net of accumulated amortisation	399	23,650	24,049
Additions	-	1,206	1,206
Amortisation provided during the period	(81)	(1,874)	(1,955)
At 30 June 2021	318	22,982	23,300
At 30 June 2021:			
Cost	1,468	33,382	34,850
Accumulated amortisation	(1,150)	(10,400)	(11,550)
Net carrying amount	318	22,982	23,300

16. OTHER INTANGIBLE ASSETS (CONTINUED)

Company

	Patents RMB'000	Software and others RMB'000	Total RMB'000
31 December 2018			
At 1 January 2018:			
Cost	39	5,197	5,236
Accumulated amortisation	-	(1,177)	(1,177)
Net carrying amount	39	4,020	4,059
Cost at 1 January 2018, net of accumulated amortisation	39	4,020	4,059
Additions	-	1,824	1,824
Amortisation provided during the year	(4)	(403)	(407)
At 31 December 2018	35	5,441	5,476
At 31 December 2018:			
Cost	39	7,021	7,060
Accumulated amortisation	(4)	(1,580)	(1,584)
Net carrying amount	35	5,441	5,476
31 December 2019			
At 1 January 2019:			
Cost	39	7,021	7,060
Accumulated amortisation	(4)	(1,580)	(1,584)
Net carrying amount	35	5,441	5,476
Cost at 1 January 2019, net of accumulated amortisation	35	5,441	5,476
Additions	109	5,896	6,005
Amortisation provided during the year	(5)	(594)	(599)
At 31 December 2019	139	10,743	10,882
At 31 December 2019:			
Cost	148	12,917	13,065
Accumulated amortisation	(9)	(2,174)	(2,183)
Net carrying amount	139	10,743	10,882

16. OTHER INTANGIBLE ASSETS (CONTINUED)

Company

	Patents RMB'000	Software and others RMB'000	Total RMB'000
31 December 2020			
At 1 January 2020:			
Cost	148	12,917	13,065
Accumulated amortisation	(9)	(2,174)	(2,183)
Net carrying amount	139	10,743	10,882
Cost at 1 January 2020, net of accumulated amortisation	139	10,743	10,882
Additions	102	7,047	7,149
Amortisation provided during the year	(16)	(1,422)	(1,438)
At 31 December 2020	225	16,368	16,593
At 31 December 2020:			
Cost	250	19,964	20,214
Accumulated amortisation	(25)	(3,596)	(3,621)
Net carrying amount	225	16,368	16,593
30 June 2021			
At 1 January 2021:			
Cost	250	19,964	20,214
Accumulated amortisation	(25)	(3,596)	(3,621)
Net carrying amount	225	16,368	16,593
Cost at 1 January 2021, net of accumulated amortisation	225	16,368	16,593
Amortisation provided during the period	(13)	(1,015)	(1,028)
At 30 June 2021	212	15,353	15,565
At 30 June 2021			
Cost	250	19,964	20,214
Accumulated amortisation	(38)	(4,611)	(4,649)
Net carrying amount	212	15,353	15,565

17. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Provision for impairment of assets	Elimination of unrealised profits	Losses available for offsetting against future taxable profits	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2018	6,376	1,673	2,125	6,082	5,169	21,425
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(1,173)	(920)	30,280	(143)	(1,861)	26,183
Gross deferred tax assets at 31 December 2018 and 1 January 2019	5,203	753	32,405	5,939	3,308	47,608
Deferred tax credited to the statement of profit or loss during the year (note 10)	2,158	953	27,051	6,634	942	37,738
Gross deferred tax assets at 31 December 2019 and 1 January 2020	7,361	1,706	59,456	12,573	4,250	85,346
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	3,391	1,641	35,649	1,470	130	42,281
Acquisition of a subsidiary	1,384	-	3,429	-	-	4,813
Disposal of a subsidiary	(4)	-	(13,875)	(419)	(136)	(14,434)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	12,132	3,347	84,659	13,624	4,244	118,006
Deferred tax credited/(charged) to the statement of profit or loss during the period (note 10)	(3,468)	394	22,066	3,837	804	23,633
Gross deferred tax assets at 30 June 2021	8,664	3,741	106,725	17,461	5,048	141,639

Other deferred tax assets at 31 December 2018, 31 December 2019, 31 December 2020, and 30 June 2021 mainly arose from share-based payments, the deferred tax assets related to which amounted to RMB3,248,000, RMB2,636,000, RMB2,652,000 and RMB5,048,000, respectively.

17. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2018	5,328	-	5,328
Deferred tax charged to the statement of profit or loss during the year (note 10)	18,134	1,066	19,200
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	23,462	1,066	24,528
Deferred tax charged to the statement of profit or loss during the year (note 10)	37,743	(1,066)	36,677
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	61,205	-	61,205
Deferred tax charged to the statement of profit or loss during the year (note 10)	28,762	(5)	28,757
Acquisition of a subsidiary	-	40	40
Disposal of a subsidiary	(3,012)	-	(3,012)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	86,955	35	86,990
Deferred tax charged/(credited) to the statement of profit or loss during the period (note 10)	9,683	850	10,533
Gross deferred tax liabilities at 30 June 2021	96,638	885	97,523

Deferred tax assets have not been recognised in respect of the following items:

	Year ended 31 December			Six months ended 30 June
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Tax losses	877	7,236	609	1,016
Deductible temporary differences	431	1	1	6
	1,308	7,237	610	1,022

17. DEFERRED TAX (CONTINUED)

The expiry dates of unused tax losses for which no deferred tax asset is recognised in the consolidated financial statements are as follows:

	Year ended 31 December			Six months ended 30 June
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
2021	867	-	-	-
2022	8	8	8	-
2023	2	2	2	2
2024	-	7,226	-	-
2025	-	-	599	599
2026	-	-	-	415
	877	7,236	609	1,016

18. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December			As at 30 June
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Unlisted shares, at cost	480,492	1,140,797	1,431,741	1,533,880

Particulars of the Group's principal subsidiaries are set out in note 1 to the consolidated financial statements.

19. INVESTMENTS IN ASSOCIATES

Group

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets					
-Tianjin Haihe Asymchem Biomedical Industry Innovation Investment Fund (Limited Partnership) ("Tianjin Haihe Asymchem Fund")	-	-	201,469	203,443	203,531
-Snapdragon Chemistry Inc.,	-	-	-	47,851	49,171
-Yugen Medtech	-	-	-	18,395	16,048
	-	-	201,469	269,689	268,750

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Haihe Asymchem	Ordinary shares	China	26.40	Corporate investment
Snapdragon Chemistry Inc. ,	Preferred shares	USA	18.18	Medical research and development
Yugen Medtech	Ordinary shares	China	32.50	Medical research and development

The following table illustrates the summarised financial information in respect of Haihe Asymchem adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Haihe Asymchem

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	-	763,555	713,410	568,538
Non-current assets	-	-	57,251	202,467
Total assets	-	763,555	770,661	771,005
Current liabilities	-	414	44	53
Total liabilities	-	414	44	53
Net assets	-	763,141	770,617	770,952
Proportion of the Group's ownership	-	26.4%	26.4%	26.4%
Carrying amount of the investment	-	201,469	203,443	203,531
Revenue	-	-	-	-
Net profit	-	5,565	7,476	335

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the aggregate financial information of the Group's associates that

	As at 1 January 2018	As at 31 December 2018	2019	2020	As at 30 June 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of the associates' profit for the year	-	-	-	110	(1,026)
Share of the associates' total comprehensive income	-	-	-	110	(1,026)
Aggregate carrying amount of the Group's investments in the associates	-	-	-	66,246	65,219

Company

	As at 31 December 2018	2019	2020	As at 30 June 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	-	201,469	269,678	268,750

20. INVENTORIES

	As at 1 January 2018	As at 31 December 2018	2019	2020	As at 30 June 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	61,247	150,891	200,377	203,729	300,679
Work in progress	197,347	267,133	243,727	522,655	578,307
Finished goods	1,633	6,093	4,679	-	-
	260,227	424,117	448,783	726,384	878,986

21. TRADE RECEIVABLES

Group

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	472,156	548,890	692,274	1,034,766	878,133
Impairment	(23,608)	(27,494)	(35,366)	(56,617)	(47,585)
	448,548	521,396	656,908	978,149	830,548

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Details of the concentration of credit risk arising from the customers are set out in note 38 to the consolidated financial statements.

21. TRADE RECEIVABLES (CONTINUED)

Group (continued)

An ageing analysis of the trade receivables as at the end of each the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	448,548	521,133	652,894	958,128	817,656
1 to 2 years	-	263	4,014	18,961	11,547
2 to 3 years	-	-	-	1,060	1,345
	448,548	521,396	656,908	978,149	830,548

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	23,608	27,494	35,366	56,617
Impairment losses recognised	4,338	7,872	21,194	(9,032)
Acquisition of a subsidiary	-	-	57	-
Amount written off as uncollectible	(452)	-	-	-
At the end of year/period	27,494	35,366	56,617	47,585

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Management is of the view that the factors including historical credit loss experience, forward-looking factors and the economic environment are relatively stable during the Relevant Periods

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2018

	Current	Past due within 1 year	Past due over 1 year but within 2 years	Past due over 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate	5.00%	20.00%	50.00%	100.00%	5.01%
Gross carrying amount	548,561	329	-	-	548,890
Expected credit losses	27,428	66	-	-	27,494

21. TRADE RECEIVABLES (CONTINUED)

Group (continued)

31 December 2019

	Current	Past due within 1 year	Past due over 1 year but within 2 years	Past due over 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate	5.00%	20.00%	50.00%	100.00%	5.11%
Gross carrying amount	687,256	5,018	-	-	692,274
Expected credit losses	34,362	1,004	-	-	35,366

31 December 2020

	Current	Past due within 1 year	Past due over 1 year but within 2 years	Past due over 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate	5.04%	20.00%	50.00%	100.00%	5.47%
Gross carrying amount	1,008,944	23,701	2,120	1	1,034,766
Expected credit losses	50,816	4,740	1,060	1	56,617

30 June 2021

	Current	Past due within 1 year	Past due over 1 year but within 2 years	Past due over 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate	5.00%	20.00%	50.00%	100.00%	5.42%
Gross carrying amount	860,691	14,434	2,689	319	878,133
Expected credit losses	43,035	2,887	1,344	319	47,585

Company

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	74,715	78,315	207,115	134,903
Impairment	(2,700)	(4,348)	(6,427)	(4,848)
	72,015	73,967	200,688	130,055

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	87,167	126,185	69,948	219,631	327,476
Other tax recoverable	34,538	41,270	64,066	100,832	112,451
Deposits	7,104	8,300	9,151	37,744	43,846
Other receivables	3,174	5,585	5,841	8,172	40,186
	131,983	181,340	149,006	366,379	523,959
Impairment allowance	(1,978)	(2,054)	(3,279)	(7,234)	(7,555)
	130,005	179,286	145,727	359,145	516,404
Current portion	62,974	73,124	91,601	189,598	286,284
Non-current portion	67,031	106,162	54,126	169,547	230,120

Other receivables of nil, nil, RMB1,900,000 and RMB1,900,000 as at 31 December 2018, 2019 and 2020 and 30 June 2021, respectively, were due from related parties. Details of the amounts due from related parties are disclosed in note 35 to the consolidated financial statements.

An ageing analysis of the current portion of prepayments, deposits and other receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	61,760	70,618	85,428	182,601	276,547
1 to 2 years	891	2,096	5,165	3,985	6,630
2 to 3 years	323	410	994	2,977	1,375
Over 3 years	-	-	14	35	1,732
	62,974	73,124	91,601	189,598	286,284

The movements in provision for impairment of other receivables are as follows:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,977	2,054	3,279	7,234
Impairment losses recognised	77	1,225	3,687	321
Acquisition of subsidiaries	-	-	268	-
At end of year/period	2,054	3,279	7,234	7,555

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Group (continued)

From 1 January 2018, the Group has applied the general approach to providing impairment for ECLs prescribed by IFRS 9, which permits the use of either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

An impairment analysis is performed at the end of each of the Relevant Periods to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns, as disclosed in note 21 to the consolidated financial statements. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Company

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Due from subsidiaries	649,659	315,424	463,795	2,436,306
Prepayments	4,862	6,732	8,006	11,646
Other tax recoverable	7,084	786	8,586	7,252
Other receivables	2,397	3,484	1,645	26,434
	664,002	326,426	482,032	2,481,638
Impairment allowance	(399)	(604)	(924)	(949)
	663,603	325,822	481,108	2,480,689
Current portion	659,353	321,214	475,547	2,475,256
Non-current portion	4,250	4,608	5,561	5,433

23. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

Financial assets

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products	-	30,000	-	-	1,405,663
Derivative financial instruments	-				
-Forward currency contracts	-	7,110	-	-	-
Other unlisted investments,	-				
at fair value	-	-	20,000	35,000	50,000
Current portion	-	37,110	-	-	1,405,663
Non-current portion	-	-	20,000	35,000	50,000

23. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial liabilities

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments -Forward currency contracts	3,220	-	5,311	-	-
Current portion	3,220	-	5,311	-	-

The above financial assets/liabilities were wealth management products, forward currency contracts issued by banks and an unlisted investment in an investment fund in Mainland China. They were classified as financial assets/liabilities at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Company

Financial assets

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products	24,000	-	-	300,867
Other unlisted investments, at fair value	-	20,000	35,000	50,000
Current portion	24,000	-	-	300,867
Non-current portion	-	20,000	35,000	50,000

Financial liabilities

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments -Forward currency contracts	-	2,038	-	-
Current portion	-	2,038	-	-

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 1 January 2018	As at 31 December			As at 30 June 2021
		2018	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	839,282	629,971	435,252	2,124,615	627,585
	839,282	629,971	435,252	2,124,615	627,585
Less:					
Pledged deposits for foreign exchange swaps and forward contracts	(11,491)	(16,094)	(20,868)	-	-
Pledged deposits for letters of credit and others		(9,349)	-	(3,056)	(5,350)
Cash and cash equivalents	827,791	604,528	414,384	2,121,559	622,235

	As at 1 January 2018	As at 31 December			As at 30 June 2021
		2018	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in RMB	142,392	346,095	278,237	1,842,695	362,232
Denominated in USD	684,600	256,497	135,803	275,456	255,822
Denominated in GBP	-	887	344	353	1,255
Denominated in EUR	799	1,049	-	3,055	2,926
Cash and cash equivalents	827,791	604,528	414,384	2,121,559	622,235

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

Group (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Company

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	209,317	247,782	1,786,528	156,369
Cash and cash equivalents	209,317	247,782	1,786,528	156,369
Denominated in RMB	181,952	243,801	1,782,694	108,186
Denominated in USD	27,365	3,981	3,834	48,183
Cash and cash equivalents	209,317	247,782	1,786,528	156,369

25. TRADE PAYABLES

Group

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

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	98,900	189,377	182,005	362,841	334,268
1 to 2 years	-	8,647	4,776	5,311	4,169
Over 2 years	-	-	7,271	10,464	2,924
	98,900	198,024	194,052	378,616	341,361

The trade payables are non-interest-bearing and are normally settled on 15 to 90 day terms.

The trade payables are measured at amortised cost, and the carrying amounts are reasonably approximate to fair values.

25. TRADE PAYABLES (CONTINUED)

Company

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

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	35,259	115,737	38,431	180,203
1 to 2 years	581	540	483	30
Over 2 years	-	313	438	122
	35,840	116,590	39,352	180,355

The trade payables are non-interest-bearing and are normally settled on 15 to 90 day terms.

26. OTHER PAYABLES AND ACCRUALS

Group

		As at 1 January	As at 31 December			As at 30 June
		2018	2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current portion						
Payroll and welfare payable		27,391	54,399	69,993	102,743	67,748
Other tax payables		3,272	4,899	6,931	10,608	8,447
Contract liabilities	(a)	354	14,636	20,152	91,552	142,503
Repurchase obligation of restricted shares	(c)	151,662	123,126	90,529	143,058	163,738
Other payables	(b)	64,196	137,742	100,639	170,128	349,710
		246,875	334,802	288,244	518,089	732,146
Non-current portion						
Deferred income		102,804	110,570	148,042	151,445	174,474

(a) Details of contract liabilities are as follows:

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances received from customers					
Transfer of goods and services	354	14,636	20,152	91,552	142,503

(b) Other payables are non-interest-bearing and have an average term of three months. Other payables are measured at amortised cost, and the carrying amounts are reasonably approximate to fair values.

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Group (continued)

(c) The payable represents the repurchase obligations associated with the restricted shares issued to employees. Pursuant to the shareholders resolutions on 13 July 2018, 6 May 2019, 12 August 2020 and 8 January 2021 for incentive schemes, the Group shall repurchase the restricted A shares at agreed price if the profitability of the Group or performance of granted eligible employees is not fulfilled, or if the eligible employees leave the Group. Given the vesting of the tranche relating to profitability of the Group and performance of eligible employees had not occurred at the end of the reporting period, the consideration received for the restricted share repurchase is then accounted for as a deposit received. Details are disclosed in note 31 to the consolidated financial statements.

Company

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion				
Payroll and welfare payable	7,174	7,279	7,961	4,207
Other tax payables	183	1,833	476	821
Contract liabilities	1,770	3,845	2,202	31,644
Due to subsidiaries	-	466,022	297,119	793,829
Other payables	174,336	109,658	146,351	340,426
	183,463	588,637	454,109	1,170,927
Non-current portion				
Deferred income	7,384	7,233	17,282	20,181

27. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2020

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loan - unsecured	LPR-0.15%	2021	10,034

	As at 1 January	As at 31 December			As at 30 June
	2018	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:					
Bank loans repayable:					
Within one year	-	-	-	10,034	-

(a) As at 31 December 2018 and 2019 and 30 June 2021, the Group had no interest-bearing bank borrowings. A at 31 December 2020, the Group's interest-bearing bank borrowings of RMB10,034,000 bore interest at a floating interest rate of LPR minus 15 basis points and was unsecured.

(b) The carrying amounts of the interest-bearing bank borrowings of the Group approximate to their fair values.

(c) The Group's bank borrowings are all denominated in RMB.

28. SHARE CAPITAL

Group and Company

Shares

	As at 1 January 2018	As at 31 December 2018	2019	2020	As at 30 June 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Issued and fully paid ordinary shares of RMB1 each	230,719	230,719	231,320	242,451	242,627

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2018	230,102,706	230,103
Restricted A share incentive scheme (Note (b))	749,731	750
Cancellation of restricted A shares (Note (c))	(133,600)	(134)
At 31 December 2018 and 1 January 2019	230,718,837	230,719
Restricted A share scheme (Note (b))	691,125	691
Cancellation of restricted A shares (Note (c))	(90,200)	(90)
At 31 December 2019 and 1 January 2020	231,319,762	231,320
Issue of A shares (Note (a))	10,178,731	10,179
Restricted A share incentive scheme (Note (b))	1,018,000	1,018
Cancellation of restricted A shares (Note (c))	(65,800)	(66)
At 31 December 2020 and 1 January 2021	242,450,693	242,451
Restricted A share scheme (Note (b))	176,000	176
At 30 June 2021	242,626,693	242,627

28. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:(continued)

Notes:

(a) On 17 August 2020, the Company completed the allotment and issuance of 10,178,731 A Shares to specific investors. The net proceeds received from the issuance amounted to RMB2,277,875,164, after the deduction of issue expenses of RMB2,914,508.30. Part of the proceeds amounting to RMB10,178,731 was credited as share capital, and RMB2,264,781,925 was credited to share premium.

(b) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 31 to o the consolidated financial statements for more details.

(c) During the Relevant Periods, some of the Company’s original incentive recipients resigned and lost their right to receive incentives, therefore, the Company repurchased and cancelled the restricted shares previously held by the incentive recipients with a deduction from the restricted shares under share-based payment. Please refer to note 31 to the consolidated financial statements for more details.

29. Restricted shares under share-based payment

	RMB'000
At 1 January 2018 and 31 December 2017	151,662
Issue of restricted A shares under A Share Incentive Scheme 2018	33,048
Vesting of restricted A shares	(60,665)
Cancellation of restricted A shares	(6,773)
At 31 December 2018 and 1 January 2019	117,272
Issue of restricted A shares under A Share Incentive Scheme 2019	30,962
Vesting of restricted A shares	(55,456)
Cancellation of restricted A shares	(4,950)
At 31 December 2019 and 1 January 2020	87,828
Issue of restricted A shares under A Share Incentive Scheme 2020	118,668
Vesting of restricted A shares	(62,867)
Cancellation of restricted A shares	(6,271)
At 31 December 2020 and 1 January 2021	137,358
Issue of restricted A shares under A Share Incentive Scheme 2021	26,379
At 30 June 2021	163,737

30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages 10 to 13 of the consolidated financial statements.

Capital reserve
The capital reserve represents the aggregate amount of share-based payment and share issue expense. Details of the movements are set out in the consolidated statements of changes in equity.

Statutory surplus reserve
In accordance with the Company Law of the People's Republic of China, the subsidiaries in the PRC are required to allocate 10% of the statutory after tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Exchange fluctuation reserve
The exchange fluctuation reserve represents exchange differences arising from the translation of the consolidated financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

30. RESERVES (CONTINUED)

Company

A summary of the Company's reserves is as follows:

	Issued share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	230,103	(151,662)	1,022,983	30,072	136,888	1,268,384
Profit for the year	-	-	-	-	51,242	51,242
Final 2017 dividend declared and paid	-	919	-	-	(80,534)	(79,615)
Issue of restricted shares	750	(33,048)	32,298	-	-	-
Cancellation of restricted shares	(134)	5,854	(5,722)	-	-	(2)
Vesting of restricted shares	-	60,665	-	-	-	60,665
Equity-settled share option arrangements	-	-	15,941	-	-	15,941
Transfer to statutory surplus reserve	-	-	-	5,124	(5,124)	-
At 31 December 2018 and 1 January 2019	230,719	(117,272)	1,065,500	35,196	102,472	1,316,615
Profit for the year	-	-	-	-	154,911	154,911
Final 2018 dividend declared and paid	-	-	-	-	(92,524)	(92,524)
Issue of restricted shares	691	(30,962)	30,271	-	-	-
Cancellation of restricted shares	(90)	4,950	(3,851)	-	-	1,009
Vesting of restricted shares	-	55,456	-	-	-	55,456
Equity-settled share option arrangements	-	-	15,188	-	-	15,188
Transfer to statutory surplus reserve	-	-	-	15,491	(15,491)	-
At 31 December 2019 and 1 January 2020	231,320	(87,828)	1,107,108	50,687	149,368	1,450,655
Profit for the year	-	-	-	-	174,374	174,374
Disposal of a subsidiary	-	-	(1,936)	-	(7,505)	(9,441)
Final 2019 dividend declared and paid	-	-	-	-	(115,637)	(115,637)
Issue of shares	10,179	-	2,264,782	-	-	2,274,961
Issue of restricted shares	1,018	(118,668)	117,650	-	-	-
Cancellation of restricted shares	(66)	6,271	(5,734)	-	-	471
Vesting of restricted shares	-	62,867	-	-	-	62,867
Equity-settled share option arrangements	-	-	17,957	-	-	17,957
Transfer to statutory surplus reserve	-	-	-	17,464	(17,464)	-
At 31 December 2020 and 1 January 2020	242,451	(137,358)	3,499,827	68,151	183,136	3,856,207
Profit for the period	-	-	-	-	31,545	31,545
Issue of restricted shares	176	(26,379)	26,203	-	-	-
Final 2020 dividend declared	-	-	-	-	(145,576)	(145,576)
Equity-settled share option arrangements	-	-	15,428	-	-	15,428
At 30 June 2021	242,627	(163,737)	3,541,458	68,151	69,105	3,757,604

31. SHARE-BASED PAYMENTS

Restricted A share incentive schemes

The Group adopted share incentive schemes (the "Restricted A Share Incentive Schemes") for the purpose of further refining the corporate governance structure of the Group, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Group, as well as balancing the interests of the shareholders, the Group and management for the long-term development of the Group.

Restricted A Share Incentive Scheme 2018 was approved by the shareholders of the Company. On 13 July 2018, relevant resolutions were considered and passed at the Company's 10th meeting of the 3rd session of the board of directors and the 10th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2018 of the Company was set on 12 July 2018. On 13 July 2018, the "Date of Grant", pursuant to the Restricted A Share Incentive Scheme 2018, 749,731 A shares of the Company were granted to 36 eligible participants of the Restricted A Share Incentive Scheme 2018 the "Share Incentive Participants" at a grant price of RMB44.08 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A Share Incentive Scheme 2019 was approved by the shareholders of the Company. On 6 May 2019, relevant resolutions were considered and passed at the Company's 24th meeting of the 3rd session of the board of directors and the 19th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2019 of the Company was set on 12 April 2019. On 6 May 2019, the "Date of Grant", pursuant to the Restricted A Share Incentive Scheme 2019, 691,125 A shares of the Company were granted to 12 eligible participants of the Restricted A Share Incentive Scheme 2019 the "Share Incentive Participants" at a grant price of RMB44.08 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A Share Incentive Scheme 2020 was approved by the shareholders of the Company. On 12 August 2020, relevant resolutions were considered and passed at the Company's 41st meeting of the 3rd session of the board of directors and the 35th meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2020 of the Company was set on 9 July 2020. On 12 August 2020, the "Date of Grant", pursuant to the Restricted A Share Incentive Scheme 2020, 1,018,000 A shares of the Company were granted to 215 eligible participants of the Restricted A Share Incentive Scheme 2020 the "Share Incentive Participants" at a grant price of RMB116.57 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

Restricted A Share Incentive Scheme 2021 was approved by the shareholders of the Company. On 8 January 2021, relevant resolutions were considered and passed at the Company's 52nd meeting of the 3rd session of the board of directors and the 42nd meeting of the 3rd session of the Supervisory Committee, pursuant to which the date of grant for the Restricted Share Incentive Scheme 2021 of the Company was set on 8 January 2021. On 8 January 2021, the "Date of Grant", pursuant to the Restricted A Share Incentive Scheme 2021, 176,000 A shares of the Company were granted to 35 eligible participants of the Restricted A Share Incentive Scheme 2021 (the "Share Incentive Participants") at a grant price of RMB149.88 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

31. SHARE-BASED PAYMENTS (CONTINUED)

Restricted A share incentive schemes (continued)

Restricted Shares shall be locked up immediately upon grant. All of the Restricted Shares granted to Share Incentive Participants shall be subject to various lockup periods of 1 year, 2 years and 3 years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked in three tranches in the proportion of 40%, 30% and 30% of the total number of the Restricted Shares granted upon the expiry of each lockup period. Should the market conditions not be met, the additional lock-up period shall be prolonged by 3 to 9 months accordingly. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance target	% of unlocked shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after the expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	2018 Scheme: Based on the net profit of 2016, the growth rate of net profit of 2018 is not less than 50%; 2019 Scheme: Based on the net profit of 2016, the growth rate of net profit of 2019 is not less than 75% 2020 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2020 is not less than 25% 2021 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2021 is not less than 50%	40%
Second unlock period: commencing from the first trading day after the expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	2018 Scheme Based on the net profit of 2016, the growth rate of net profit of 2019 is not less than 75% 2019 Scheme: Based on the net profit of 2016, the growth rate of net profit of 2020 is not less than 100% 2020 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2021 is not less than 50% 2021 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2022 is not less than 75%	30%

31. SHARE-BASED PAYMENTS (CONTINUED)

Restricted A share incentive schemes (continued)

Unlock period	Performance target	% of unlocked shares to the total Restricted Shares granted
Third unlock period: commencing from the first trading day after the expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	2018 Scheme Based on the net profit of 2016, the growth rate of net profit of 2020 is not less than 100% 2019 Scheme: Based on the net profit of 2016, the growth rate of net profit of 2021 is not less than 125% 2020 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2022 is not less than 75% 2021 Scheme: Based on the net profit of 2019, the growth rate of net profit of 2023 is not less than 100%	30%

The calculation of the net profit and the growth rate of net profit above are exclude the expense on share-base payments.

Where the performance target at company level has been achieved, a Share Incentive Participant is only entitled to unlock the Restricted Shares upon achieving the benchmark of ''Pass'' or above in his performance target for the preceding year according to the Company's Administrative Measures in respect of the Remuneration and Performance Appraisal. Details of the corresponding unlock rate for different performance levels are summarised as follows:

Performance	Outstanding	Good	Pass
Unlock coefficient	1.0	0.8	0.6

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU RMB
Outstanding as of 1 January 2018	4,375,706	8.42
Granted during the year	749,731	25.78
Vested during the year	(1,750,282)	10.45
Cancelled during the year	(133,600)	25.27
Outstanding as of 31 December 2018	3,241,555	10.63

31. SHARE-BASED PAYMENTS (CONTINUED)

Restricted A share incentive schemes (continued)

	Number of RSUs	Weighted average grant date fair value per RSU RMB
Outstanding as of 1 January 2019	3,241,555	10.63
Granted during the year	691,125	16.99
Vested during the year	(1,550,804)	13.02
Cancelled during the year	(90,200)	21.97
Outstanding as of 31 December 2019	2,291,676	10.49
Outstanding as of 1 January 2020	2,291,676	10.49
Granted during the year	1,018,000	45.50
Vested during the year	(1,731,581)	8.88
Cancelled during the year	(65,800)	33.54
Outstanding as of 31 December 2020	1,512,295	34.89
Outstanding as of 1 January 2021	1,512,295	34.89
Granted during the period	176,000	50.19
Outstanding as of 30 June 2021	1,688,295	35.17

The fair value of each RSU on the grant date is determined by reference to the fair value of the underlying ordinary shares on the date of grant. The effect of a lock up discount for selling restriction over a period after all vesting conditions are fulfilled was reflected in the fair value on the grant date.

During the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group has recognised amounts of RMB15,941,000, RMB15,188,000 and RMB17,957,000, RMB4,876,000 (unaudited) and RMB15,428,000 as expenses, respectively.

32. BUSINESS COMBINATION

On 31 August 2020, the Group acquired a 100% equity interest in Tianjin GoalGen Biotechnology Co., Ltd. ("天津冠勤医药科技有限公司" or "GoalGen") from an independent third party for a cash consideration of RMB30 million. The acquisition was made as part of the Group's strategy to expand the clinical trial services. Goodwill arose from the acquisition was allocated to the clinical trial services cash-generating unit (note 15).

The fair values of the identifiable assets and liabilities of GoalGen as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Current assets	24,575
Trade and other receivables	2,012
Property, plant and equipment	1,077
Deferred tax asset	4,813
Other non-current assets	177
Total liabilities	(45,840)
Total identifiable net assets at fair value	(13,186)
Goodwill on acquisition**	43,186
Satisfied by cash consideration paid	20,000
Satisfied by payable as at 31 December 2020	10,000
	30,000

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration paid	(20,000)
Cash and bank balances acquired	11,278
Net outflow of cash and cash equivalents included in cash flows from investing activities	(8,722)

The outstanding consideration in the amount of RMB10,000,000 has been paid in May 2021. Since the acquisition, GoalGen contributed RMB45,254,000 to the Group's revenue and RMB5,400,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB3,195,934,000 and RMB704,563,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,859,000, RMB29,029,000, RMB54,000, nil (unaudited) and RMB19,748,000 for the years ended 31 December 2018, 2019 and 2020 and the six months period ended 30 June 2020 and 2021, respectively.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2018	-	1,787
Changes from financing cash flows	-	(838)
Interest expense	-	109
New leases	-	1,859
At 31 December 2018 and 1 January 2019	-	2,917
Changes from financing cash flows	(774)	(1,168)
Interest expense	774	994
New leases	-	29,029
At 31 December 2019 and 1 January 2020	-	31,772
Changes from financing cash flows	8,808	(3,620)
Interest expense	1,226	1,226
Covid-19-related rent concessions from lessors	-	(89)
New leases	-	54
Derecognition	-	(536)
At 31 December 2020 and 1 January 2021	10,034	28,807
Changes from financing cash flows	(10,055)	(2,940)
Interest expense	21	731
New leases	-	19,748
At 30 June 2021	-	46,346

(c) Total cash outflow for leases

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (unaudited)	2021 RMB'000
Within operating activities	60	-	1,043	435	1,248
Within financing activities	838	1,168	3,620	1,765	2,940
	898	1,168	4,663	2,200	4,188

34. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Buildings	26,004	26,089	63,990	9,574
Plant and machinery	153,265	100,603	271,890	433,282
	179,269	126,692	335,880	442,856

35. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties:

Name	Relationship
上海凱萊英检测技术有限公司	Subsidiary of an associate of the Group
Shanghai Asymchem Laboratories Testing Technology Co., Ltd ("Shanghai Asymchem Technology")	

(b) Outstanding balances with related parties

As disclosed in note 22 to the consolidated financial statements, the Group had outstanding balances due from related parties at 30 December 2018, 2019 and 2020 and 30 June 2021.

(i) Due from related parties included in other receivables

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Asymchem Technology	-	-	1,900	1,900

Amounts due from related parties are non-trade in nature, unsecured, non-interest-bearing and repayable within one year. The board of directors of the Company confirmed that the amounts due from related parties of RMB1,900,000 at 30 June 2021 will be fully settled before the Listing.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Short term employee benefits	13,047	13,528	16,151	9,789
Equity-settled share incentive scheme	1,565	3,212	5,146	2,743
Pension scheme contributions	1,452	1,528	1,366	748
	16,064	18,268	22,663	13,280

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets at amortised cost

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	548,890	692,274	1,034,766	878,133
Financial assets included in prepayments, deposits and other receivables	15,939	18,271	53,150	91,587
Cash and bank balances	629,971	435,252	2,124,615	627,585
	1,194,800	1,145,797	3,212,531	1,597,305

Financial assets at fair value through profit or loss

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	37,110	20,000	35,000	1,455,663

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities at amortised cost

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	198,024	194,052	378,616	341,361
Financial liabilities included in other payables and accruals	137,742	100,639	170,208	349,710
Interest-bearing bank borrowings	-	-	10,034	-
	335,766	294,691	558,858	691,071

Financial liabilities at fair value through profit or loss

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss	-	5,311	-	-

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

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

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

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

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

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Fair value hierarchy

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

Assets measured at fair value

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
- Forward currency contracts	-	7,110	-	7,110
- Wealth management products	-	30,000	-	30,000
	-	37,110	-	37,110

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
- An unlisted investment fund	-	-	20,000	20,000

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value (continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
- An unlisted investment fund	-	-	35,000	35,000

As at 30 June 2021

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
- An unlisted investment fund	-	-	50,000	50,000
- Wealth management products	-	1,405,663	-	1,405,663
	-	1,405,663	50,000	1,455,663

Liabilities measured at fair value

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Financial liabilities at fair value through profit or loss				
- foreign currency contracts	-	5,311	-	5,311

The Group did not have any financial liabilities measured at fair value as at 31 December 2018, 31 December 2020 and 30 June 2021.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The following tables illustrate the reconciliation of Level 3 fair value measurements of financial assets:

	RMB'000
At 1 January 2019 and 31 December 2018	-
Purchases	20,000
At 31 December 2019	20,000
At 1 January 2020	20,000
Purchases	15,000
At 31 December 2020	35,000
At 1 January 2021	35,000
Purchases	15,000
At 30 June 2021	50,000

During the Relevant Periods, there was no fair value change of Level 3 fair value measurements of financial assets as the underlying assets' -mainly included unlisted equity investments measured at fair value and a short-term money market fund with low risk, of which the fair value change was immaterial.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the consolidated financial statements.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. Some of these interest-bearing bank borrowings were obtained at floating interest rates, which have exposed the Group to interest rate risk. The interest rates and terms of repayment of borrowings are disclosed in note 27 above, and the possible reasonable changes in interest rates do not have a significant impact to the Group's profit or loss and equity.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the major foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000	Increase/(decrease) in equity RMB'000
31 December 2018			
If USD weakens against RMB	(5%)	(2,380)	(2,918)
If USD strengthens against RMB	5%	2,380	2,918
31 December 2019			
If USD weakens against RMB	(5%)	(1,395)	(3,620)
If USD strengthens against RMB	5%	1,395	3,620
31 December 2020			
If USD weakens against RMB	(5%)	(1,818)	(6,482)
If USD strengthens against RMB	5%	1,818	6,482
30 June 2021			
If USD weakens against RMB	(5%)	(4,731)	(10,323)
If USD strengthens against RMB	5%	4,731	10,323

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of each the of Relevant Periods, the Group had certain concentrations of credit risk as 27.23%, 17.40%, 20.96% and 14.00% of the Group's trade receivables were due from the Group's largest customer, and 61.75%, 49.17%, 65.91% and 49.85% of the Group's trade receivables were due from the Group's five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 and note 22 to the consolidated financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., deposits and other receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and lease liabilities. All of the Group's borrowings would mature in less than one year as at 31 December 2018, 2019 and 2020 and 30 June 2021, respectively, based on the carrying value of borrowings reflected in the consolidated financial statements.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2018

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	-	246	864	10,105	29,026	40,241
Trade payables	198,024	-	-	-	-	198,024
Repurchase obligation of restricted shares	123,126	-	-	-	-	123,126
Financial liabilities included in other payables and accruals	137,742	-	-	-	-	137,742
	458,892	246	864	10,105	29,026	499,133

As at 31 December 2019

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	-	824	2,791	11,947	23,569	39,131
Trade payables	194,052	-	-	-	-	194,052
Restricted share repurchase	90,529	-	-	-	-	90,529
Financial liabilities measured at fair value	5,311	-	-	-	-	5,311
Financial liabilities included in other payables and accruals	100,639	-	-	-	-	100,639
	390,531	824	2,791	11,947	23,569	429,662

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at 31 December 2020

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	-	927	2,780	13,695	18,114	35,516
Trade payables	378,616	-	-	-	-	378,616
Restricted share repurchase	143,058	-	-	-	-	143,058
Financial liabilities included in other payables and accruals	170,208	-	-	-	-	170,208
Interest-bearing bank borrowings	-	-	10,034	-	-	10,034
	691,882	927	12,814	13,695	18,114	737,432

As at 30 June 2021

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	-	1,087	6,142	31,081	15,168	53,478
Trade payables	341,361	-	-	-	-	341,361
Restricted share repurchase	163,738	-	-	-	-	163,738
Financial liabilities included in other payable and accruals	349,710	-	-	-	-	349,710
	854,809	1,087	6,142	31,081	15,168	908,287

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a net debt to total equity ratio, which is net debt divided by total equity plus total debt. Net debt includes other payables and accruals, amounts due to related parties, interest-bearing bank borrowings and lease liabilities, net of cash and cash equivalents. The net gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	198,024	194,052	378,616	341,361
Other payables and accruals	445,372	436,286	669,534	906,620
Interest-bearing bank borrowings	-	-	10,034	-
Lease liabilities	2,917	31,772	28,807	46,346
Less: Cash and cash equivalents	629,971	435,252	2,124,615	627,585
Net debt	16,342	226,858	N/A	666,742
Total equity	2,510,388	3,043,049	5,989,750	6,287,103
Total equity and net debt	2,526,730	3,269,907	N/A	6,953,845
Net gearing ratio	0.65%	6.94%	N/A	9.59%

39. EVENTS AFTER THE RELEVANT PERIODS

At 8 July 2021, a cash dividend of RMB145.6 million was paid by the Group.

At 20 August 2021, pursuant to the Restricted A Share Incentive Scheme 2021, 2,048,200 A shares of the Company were granted to 263 eligible participants of the Restricted A Share Incentive Scheme 2021 at a grant price of RMB185.52 per share.

At 1 October 2021, Asymchem Laboratories (Tianjin) Co., Ltd. (or "the Company") entered into a non-binding preliminary term sheet with the shareholders of one of the associates of the Company, with the maximum consideration of US$57.8 million approximately for the possible acquisition. The associate is focusing on the design and development of efficient and sustainable manufacturing processes for pharmaceutical applications. If the acquisition is completed, the associate would become a wholly-owned subsidiary of the Company.

At 24 October 2021, Tianjin Clin-nov Medical Technology Co., Ltd. (or "Clin-nov Medical") entered into an equity transfer agreement with the existing shareholders of an entity focused on CRO data statistics business, with the consideration of RMB136.3 million, which will be settled in cash using the Company's internal resources. If the acquisition is completed, the entity would become a wholly-owned subsidiary of Clin-nov Medical .

On 15 October 2021, the registered capital of the Company was decreased from RMB242,626,693 to RMB242,612,918, the decreased capital of which were repurchased and canceled by the Company due to resignation of certain employees under the A Share Incentive Schemes.

39. EVENTS AFTER THE RELEVANT PERIODS(CONTINUED)

On 12 November 2021, the registered capital of the Company was increased from RMB242,612,918 to RMB244,661,118 due to granting of restricted A Shares under the A Share Incentive Schemes.

In October and November 2021, the Group drawn down an aggregate of RMB85.0 million under a short-term secured credit facility with Tianjin Branch of Citi Bank, all of which will become due on December 30, 2021. The Group were granted with a general credit line of up to US$25.0 million with a fixed interest rate of 3.5% per annum. The Group provide a guarantee against those loans from Tianjin Branch of Citi Bank.

In October 2021, the Group entered into two bank loans with Dunhua Branch of Bank of China, including (i) a one-year bank loan with a principal amount of RMB120.0 million and a fixed interest rate of 3.6% per annum, which is secured by the Group buildings and land use rights as collateral and will become due on October 25, 2022, and (ii) a one-year unsecured bank loans with a principal amount of RMB100.0 million and a fixed interest rate of 3.6% per annum, which will become due on October 26, 2022. Up to the date of this Report, the Group have fully drawn down the principal amount of those two bank loans.

On November 25, 2021, the board of directors resolved and approved the repurchase and cancellation of a total of 33,000 restricted A Shares due to resignation of certain employees under the A Share Incentive Schemes. Such repurchase and cancellation of shares is still subject to the approval of the shareholders at the general meeting of the Company.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2021.