

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

---

**FORM 6-K**

---

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of November 2022**

**Commission File Number: 001-39316**

---

**BURNING ROCK BIOTECH LIMITED**  
(Registrant's Name)

---

**No.5 Xingdao Ring Road North, International Bio Island  
Guangzhou, Guangdong  
People's Republic of China  
(Address of principal executive offices)**

---

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

---

---

## EXHIBIT INDEX

This current report on Form 6-K, including Exhibits 99.1 and 99.2 to it, shall be incorporated by reference into the Registrant's registration statement on Form F-3, which became effective on September 30, 2022 (File no. 333-264577), and be a part thereof from the date on which this Report is filed, to the extent not superseded by documents or reports subsequently furnished.

<u>Number</u>	<u>Description of Document</u>
99.1	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations and Recent Developments</a>
99.2	<a href="#">Unaudited Condensed Consolidated Financial Statements</a>

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Burning Rock Biotech Limited

By: /s/ Leo Li

Name: Leo Li

Title: Chief Financial Officer

Date: November 7, 2022

## Management’s Discussion and Analysis of Financial Condition and Results of Operations

Discussion and analysis below are limited to the operations of Burning Rock Biotech Limited (“we” or “us”).

### Summary Consolidated Financial and Operating Data

The summary unaudited interim consolidated financial information for the six months ended June 30, 2021 and 2022 and as of June 30, 2022 has been derived from our unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2022 included elsewhere in this current report. Our unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements. The summary consolidated balance sheet data as of December 31, 2021 has been derived from our audited consolidated financial statements included in our annual report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022 (our “2021 Form 20-F”). The summary consolidated financial data should be read in conjunction with those financial statements and the accompanying notes and “Item 5. Operating and Financial Review and Prospects” included in our 2021 Form 20-F.

### Summary Unaudited Consolidated Statements of Comprehensive Loss Data

	Six months ended June 30,		
	2021	2022	
	RMB'000	RMB'000	US\$'000
<b>Revenues:</b>			
Revenues from services	164,414	185,581	27,707
Revenues from sales of products	69,488	80,789	12,061
<b>Total revenues</b>	<b>233,902</b>	<b>266,370</b>	<b>39,768</b>
<b>Cost of revenues<sup>(1)</sup></b>			
Cost of services	(46,731)	(66,462)	(9,923)
Cost of goods	(20,000)	(29,726)	(4,438)
<b>Total cost of revenues</b>	<b>(66,731)</b>	<b>(96,188)</b>	<b>(14,361)</b>
<b>Gross profit</b>	<b>167,171</b>	<b>170,182</b>	<b>25,407</b>
<b>Operating expenses:</b>			
Research and development expenses <sup>(1)</sup>	(185,485)	(211,608)	(31,592)
Selling and marketing expenses <sup>(1)</sup>	(123,188)	(194,845)	(29,090)
General and administrative expenses <sup>(1)</sup>	(232,389)	(292,049)	(43,602)
<b>Total operating expenses</b>	<b>(541,062)</b>	<b>(698,502)</b>	<b>(104,284)</b>
<b>Loss from operations</b>	<b>(373,891)</b>	<b>(528,320)</b>	<b>(78,877)</b>
Interest income	1,468	4,517	674
Interest expenses	(1,075)	90	13
Other income, net	551	425	63
Foreign exchange loss, net	(503)	(153)	(23)
<b>Loss before income tax</b>	<b>(373,450)</b>	<b>(523,441)</b>	<b>(78,150)</b>
Income tax expenses	(1,626)	(84)	(13)
<b>Net loss</b>	<b>(375,076)</b>	<b>(523,525)</b>	<b>(78,163)</b>

(1) Share-based compensation expenses were allocated as follows:

	Six months ended June 30,		
	2021	2022	
	RMB'000	RMB'000	US\$'000
Cost of revenues	745	806	120
Research and development expenses	43,230	24,222	3,616
Selling and marketing expenses	5,442	3,932	587
General and administrative expenses	118,750	128,330	19,159
<b>Total</b>	<b>168,167</b>	<b>157,290</b>	<b>23,482</b>

*Summary Condensed Consolidated Balance Sheets Data*

	As of December	As of June 30, 2022	
	31, 2021	RMB'000	US\$'000
	RMB'000	RMB'000	US\$'000
<b>Total current assets</b>	1,820,946	1,463,085	218,436
<b>Total assets</b>	2,278,587	1,861,274	277,882
<b>Total current liabilities</b>	372,184	359,450	53,664
<b>Total liabilities</b>	433,276	429,041	64,054
<b>Net current assets</b>	1,448,762	1,103,635	164,772
<b>Total shareholders' equity</b>	1,845,311	1,432,233	213,828
<b>Total liabilities and shareholders' equity</b>	2,278,587	1,861,274	277,882

*Summary Unaudited Statement of Cash Flows Data*

	Six months ended June 30,		
	2021	2022	
	RMB'000	RMB'000	US\$'000
<b>Net cash used in operating activities</b>	(232,143)	(253,634)	(37,871)
<b>Net cash generated from investing activities</b>	220,752	17,718	2,649
<b>Net cash used in financing activities</b>	(13,123)	(73,493)	(10,971)
<b>Effect of exchange rate on cash and cash equivalents and restricted cash</b>	(17,427)	23,347	3,485
<b>Net decrease in cash, cash equivalents and restricted cash</b>	(41,941)	(286,062)	(42,708)
<b>Cash, cash equivalents and restricted cash at the beginning of period</b>	1,925,206	1,439,112	214,854
<b>Cash, cash equivalents and restricted cash at the end of period</b>	1,883,265	1,153,050	172,146

*Operating Data*

	As of June 30,	
	2021	2022
<b>In-hospital Channel:</b>		
Pipeline partner hospitals <sup>(1)</sup>	22	25
Contracted partner hospitals <sup>(2)</sup>	34	43
<b>Total number of partner hospitals</b>	56	68

- (1) Refers to hospitals that are in the process of establishing in-hospital laboratories, laboratory equipment procurement or installation, staff training or pilot testing using our products.
- (2) Refers to hospitals that have entered into contracts to purchase our products for use on a recurring basis in their respective in-hospital laboratories we helped them establish. Kit revenue is generated from contracted hospitals.

## Results of Operations

### Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

#### Revenues

Our revenues increased by 13.9% to RMB266.4 million (US\$39.8 million) for the six months ended June 30, 2022, from RMB233.9 million for the same period of 2021, primarily attributable to an increase in revenues from sales of products to RMB80.8 million (US\$12.1 million) for the six months ended June 30, 2022 from RMB69.5 million for the same period of 2021 and to a lesser extent, revenues generated from services to RMB185.6 million (US\$27.7 million) for the six months ended June 30, 2022 from RMB164.4 million for the same period of 2021.

The tables below set forth a breakdown by business segment of our revenues in absolute amount and as a percentage of our total revenues for the periods indicated:

	Six months ended June 30, 2021							
	Central laboratory business		In-hospital business		Pharma research and development services		Total revenues	
	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues	RMB	% of total revenues
	(in thousands, except for %)							
Revenues from services	154,560	66.1	8	—	9,846	4.2	164,414	70.3
Revenues from sales of products	—	—	69,488	29.7	—	—	69,488	29.7
	<u>154,560</u>	<u>66.1</u>	<u>69,496</u>	<u>29.7</u>	<u>9,846</u>	<u>4.2</u>	<u>233,902</u>	<u>100.0</u>

	Six months ended June 30, 2022											
	Central laboratory business			In-hospital business			Pharma research and development services			Total revenues		
	RMB	US\$	% of total revenues	RMB	US\$	% of total revenues	RMB	US\$	% of total revenues	RMB	US\$	% of total revenues
	(in thousands, except for %)											
Revenues from services	152,808	22,814	57.4	2,345	350	0.9	30,428	4,543	11.4	185,581	27,707	69.7
Revenues from sales of products	—	—	—	80,789	12,061	30.3	—	—	—	80,789	12,061	30.3
	<u>152,808</u>	<u>22,814</u>	<u>57.4</u>	<u>83,134</u>	<u>12,411</u>	<u>31.2</u>	<u>30,428</u>	<u>4,543</u>	<u>11.4</u>	<u>266,370</u>	<u>39,768</u>	<u>100.0</u>

The increase in revenues from the six months ended June 30, 2021 to the same period of 2022 was primarily due to an increase in revenues from our in-hospital business and pharma research and development services.

- **Central laboratory business.** Revenue generated from central laboratory business decreased slightly to RMB152.8 million (US\$22.8 million) for the six months ended June 30, 2022 from RMB154.6 million for the same period of 2021, primarily attributable to the decrease in testing volume in Shanghai and Beijing due to COVID-19 related lockdowns and other restrictive measures, offset in part by growth of our newly launched products.
- **In-hospital business.** Revenue generated from in-hospital business increased by 19.6% to RMB83.1 million (US\$12.4 million) for the six months ended June 30, 2022 from RMB69.5 million for the six months ended June 30, 2021, primarily attributable to in-hospital testing volume growth in the first quarter of 2022, offset in part by severe declines in testing volume in the second quarter of 2022 in Shanghai and Beijing due to the adverse impact of COVID-19. The number of our contracted partner hospitals increased from 34 as of June 30, 2021 to 43 as of June 30, 2022.

- **Pharma research and development services.** Revenue generated from pharma research and development services increased substantially to RMB30.4 million (US\$4.5 million) for the six months ended June 30, 2022 from RMB9.8 million for the six months ended June 30, 2021, primarily attributable to increased testing performed for our pharma customers under our contracted pharma service projects.

#### Cost of Revenues

Our cost of revenues increased by 44.1% to RMB96.2 million (US\$14.4 million) for the six months ended June 30, 2022 from RMB66.7 million for the same period of 2021. This increase was primarily attributable to an increase in cost of goods sold to RMB29.7 million (US\$4.4 million) for the six months ended June 30, 2022 from RMB20.0 million for the same period of 2021, and to a lesser extent, an increase in cost of services to RMB66.5 million (US\$9.9 million) for the six months ended June 30, 2022 from RMB46.7 million for the same period of 2021.

The table below sets forth a breakdown of our cost of revenue by business segment for the periods indicated:

	Six months ended June 30,		
	2021	2022	
	RMB'000	RMB'000	US\$'000
<b>Cost of Revenues</b>			
Central laboratory business	40,667	44,659	6,668
In-hospital business	20,000	29,726	4,438
Pharma research and development services	6,064	21,803	3,255
<b>Total</b>	<b>66,731</b>	<b>96,188</b>	<b>14,361</b>

The increase in cost of revenues from the six months ended June 30, 2021 to the same period of 2022 was primarily due to an increase in cost of revenues for our in-hospital business and pharma research and development services.

- **Central laboratory business.** Cost of revenue for central laboratory business was RMB44.7 million (US\$6.7 million) for the six months ended June 30, 2022, representing a 9.8% increase from RMB40.7 million for the same period in 2021, primarily due to (i) rental and renovation depreciation in relation to a new building that we commenced use in January 2022, including for our central laboratory business, and (ii) increased inventory provisions for testing kits that were approaching expiration dates as a result of the decrease in the testing volume due to the adverse impact of COVID-19.
- **In-hospital business.** Cost of revenue for in-hospital business was RMB29.7 million (US\$4.4 million) for the six months ended June 30, 2022, representing a 48.6% increase from RMB20.0 million for the same period in 2021, primarily due to an increase in testing volume as well as rental and renovation depreciation in relation to a new building that we commenced use in January 2022, including for our in-hospital business.
- **Pharma research and development services.** Cost of revenue for pharma research and development services was RMB21.8 million (US\$3.3 million) for the six months ended June 30, 2022, representing a substantial increase from RMB6.1 million for the same period in 2021, primarily attributable to the increased depreciation and staff cost in relation to our U.S. laboratory as it started to conduct testing for pharma research and development projects from December 2021.

## Gross Profit and Gross Margin

Our gross profit increased by 1.8% to RMB170.2 million (US\$25.4 million) for the six months ended June 30, 2022 from RMB167.2 million for the same period of 2021, primarily due to the growth of our pharma research and development business. Our gross margin decreased to 63.9% for the six months ended June 30, 2022 from 71.5% for the same period of 2021.

The table below sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated:

	Six months ended June 30,				
	2021		2022		
	RMB'000	Gross profit margin (%)	RMB'000	US\$'000	Gross profit margin (%)
<b>Gross Profit and Gross Margin</b>					
Central laboratory business	113,893	73.7	108,149	16,146	70.8
In-hospital business	49,496	71.2	53,408	7,974	64.2
Pharma research and development services	3,782	38.4	8,625	1,288	28.3
<b>Total</b>	<b>167,171</b>	<b>71.5</b>	<b>170,182</b>	<b>25,407</b>	<b>63.9</b>

- Central laboratory business.** Gross profit for central laboratory business was RMB108.1 million (US\$16.1 million) for the six months ended June 30, 2022, representing a 5.0% decrease from RMB113.9 million for the same period of 2021, primarily attributable to the adverse impact of COVID-19. Our gross margin for central laboratory business decreased to 70.8% for the six months ended June 30, 2022 from 73.7% for the same period of 2021, primarily due to increases in cost of revenues as a result of: (i) rental and depreciation in relation to a new building that we commenced use in January 2022, including for our central laboratory business, and (ii) increased inventory provisions for testing kits that were approaching expiration dates as a result of the decrease in the testing volume due to the adverse impact of COVID-19.
- In-hospital business.** Gross profit for in-hospital business was RMB53.4 million (US\$8.0 million) for the six months ended June 30, 2022, representing a 7.9% increase from RMB49.5 million for the same period of 2021, primarily attributable to the continued business growth of this segment. Our gross margin for in-hospital business decreased to 64.2% for the six months ended June 30, 2022 from 71.2% for the same period of 2021, primarily due to (i) the decreased proportion of testing we provided to certain hospitals that had higher gross profit margins, and (ii) rental and depreciation in relation to a new building that we commenced use in January 2022, including for our in-hospital business.
- Pharma research and development services.** Gross profit for pharma research and development services was RMB8.6 million (US\$1.3 million) for the six months ended June 30, 2022, representing a 126.3% increase from RMB3.8 million for the same period of 2021, primarily attributable to the growth of this segment, partially offset by increased depreciation and staff cost in relation to our newly established laboratory in the U.S. Our gross margin for pharma research and development services decreased to 28.3% for the six months ended June 30, 2022 from 38.4% for the same period in 2021, primarily due to increased depreciation and staff cost in relation to our newly established laboratory in the U.S.



## *Operating Expenses*

### *Research and development expenses*

Our research and development expenses increased by 14.1% to RMB211.6 million (US\$31.6 million) for the six months ended June 30, 2022 from RMB185.5 million for the same period of 2021, primarily due to an increase in staff cost for our research and development personnel and increased research and development activities for early cancer detection.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 58.2% to RMB194.8 million (US\$29.1 million) for the six months ended June 30, 2022 from RMB123.2 million for the six months ended June 30, 2021, primarily due to (i) an increase in staff cost resulting from an increase in headcount; and (ii) an increase in marketing related expenditures, such as entertainment, conference and marketing expenses.

### *General and administrative expenses*

Our general and administrative expenses increased by 25.7% to RMB292.0 million (US\$43.6 million) for the six months ended June 30, 2022 from RMB232.4 million for the six months ended June 30, 2021, primarily due to (i) an increase in staff cost resulting from increased headcount; (ii) an increase in depreciation expenses for new office space; and (iii) an increase in allowance for doubtful account in relation to accounts receivables.

### *Interest Income, Net*

Our interest income, net increased substantially to RMB4.6 million (US\$0.7 million) for the six months ended June 30, 2022 from RMB0.4 million for the same period of 2021, primarily due to an increase in average balance of short-term investment and cash and cash equivalent.

### *Net Loss*

Our net loss increased by 39.6% to RMB523.5 million (US\$78.2 million) for the six months ended June 30, 2022 from RMB375.1 million for the six months ended June 30, 2021, primarily due to a decrease in gross profit margin and increases in operating expenses discussed above, offset in part by an increase in our total revenues.

## **Liquidity and Capital Resources**

As of June 30, 2022, we had (i) cash and cash equivalents of RMB1,148.6 million (US\$171.5 million), consisting of bank deposits, and (ii) restricted cash of RMB4.5 million (US\$0.7 million). We believe that our cash and cash equivalents, together with our cash generated from financing activities, our initial public offering and concurrent private placement, will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. We may, however, decide to expand our business through additional equity and debt financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations.

## Cash Flows

Net cash used in operating activities for the six months ended June 30, 2022 was RMB253.6 million (US\$37.9 million), while our net loss for the same period was RMB523.5 million (US\$78.2 million). The difference was primarily due to adjustment for non-cash and non-operating items of RMB262.1 million (US\$39.1 million), primarily including share-based compensation of RMB157.3 million (US\$23.5 million), depreciation and amortization of RMB60.2 million (US\$9.0 million), non-cash lease expense of RMB19.7 million (US\$2.9 million), and changes in working capital. The changes in working capital primarily reflected (i) an increase in prepayment and other current assets of RMB25.6 million (US\$3.8 million), primarily attributable to the payment of royalty fee and human resources outsourcing service fee and (ii) an increase in deferred revenue of RMB20.2 million (US\$3.0 million) primarily as a result of our overall business growth. These factors were partially offset by (i) a decrease in accrued liabilities and other current liabilities of RMB29.5 million (US\$4.4 million) primarily attributable to our decreased payroll payables; (ii) a decrease in operating lease liabilities of RMB19.6 million (US\$2.9 million) primarily as a result of adoption of ASC842, the new lease accounting principle; and (iii) an increase in accounts receivables of RMB14.4 million (US\$2.2 million), primarily attributable to the continued growth of our in-hospital business.

Net cash generated from investing activities for the six months ended June 30, 2022 was RMB17.7 million (US\$2.6 million), primarily due to proceeds from maturity of short-term investment of RMB65.6 million (US\$9.8 million), partially offset by purchase of property and equipment of RMB35.1 million (US\$5.2 million) and prepayment of property and equipment and intangible assets of RMB7.9 million (US\$1.2 million).

Net cash used in financing activities for the six months ended June 30, 2022 was RMB73.5 million (US\$11.0 million), primarily due to the cash outflow for purchase of equity forwards of RMB66.9 million (US\$10.0 million).

## Recent Developments

In June 2022, our board of directors (the “Board”) authorized a share repurchase plan under which we may repurchase our Class A ordinary shares in the form of American depositary shares (“ADSs”) with an aggregate value of up to US\$10 million during a 12-month period (the “Share Repurchase Program”). We have completed the Share Repurchase Program in full by repurchasing a total of 3,023,138 Class A ordinary shares in the form of ADSs.

In June 2022, Mr. Jing Rong resigned as a director from the Board, and we appointed Dr. Licen Lisa Xu as an independent director to the Board.

In July 2022, Ms. Yunxia Yang resigned as a director from the Board and a member of the compensation committee of the Board. Mr. Feng Deng, an existing director of the Board, has been appointed as a new member to the compensation committee to fill the vacancy created by Ms. Yang’s resignation.

In October 2022, we applied for admission of the ADSs to the standard listing segment of the Official List of the Financial Conduct Authority (the “FCA”) and to trading on the Main Market of the London Stock Exchange (the “LSE”) by way of a direct listing (the “Direct Listing”). The registration document and prospectus that were prepared in connection with the Direct Listing were approved by the FCA on October 21, 2022 and October 27, 2022, respectively. Trading of our ADSs on the LSE commenced on November 1, 2022, under the symbol “BNR.” The ADSs listed on the LSE are fully fungible with the ADSs listed on NASDAQ. Custodial and depositary links have been established between Euroclear, Clearstream and The Depository Trust Company to facilitate the cross-market transfers of the ADSs associated with secondary market trading.

## **2022 Long-Term Equity Incentive Plan**

In July 2022, our board of directors approved the 2022 Long-term Equity Incentive Plan, or the 2022 Plan, which was subsequently approved by the shareholders of our company at the annual general meeting in September 2022. The 2022 Plan replaces our 2021 Long-term Equity Incentive Plan and the share incentive awards granted thereunder. The 2022 Plan will grant options to senior management and employees. The maximum number of shares that may be issued pursuant to all awards under the 2022 Plan is 11,775,525 Class A ordinary shares (the “Awards”), which represents approximately 9% of our current total outstanding shares on a converted and fully diluted basis.

The following paragraphs describe the principal terms of the 2022 Plan:

*Type of awards.* The 2022 Plan permits the awards of options.

*Allocation and Plan administration.* The Awards consist of three tranches of options (the “Pool I Awards,” “Pool II Awards” and “Pool III Awards”). The Pool I Awards, which represent options to purchase 1.65% of our total outstanding number of shares on an as converted and fully diluted basis, or 2,158,846 Class A ordinary shares, will be granted to our officers and employees. Mr. Yusheng Han, our chairman and CEO, will not be granted any awards of options under the Pool I Awards. The Pool II Awards represent options to purchase 4.35% of our total outstanding number of shares on an as converted and fully diluted basis, or 5,691,504 Class A ordinary shares, 62.07% (or option to purchase 3,532,658 Class A ordinary shares) of which will be granted to Mr. Yusheng Han, and the rest to other officers and employees. The Pool III Awards represent options to purchase 3% of our total outstanding number of shares on an as converted and fully diluted basis, or 3,925,175 Class A ordinary shares, 45% (or option to purchase 3,532,658 Class A ordinary shares) of which will be granted to Mr. Yusheng Han, and the rest to other officers and employees.

*Award agreement.* Awards granted under the 2022 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee’s employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

*Eligibility.* We may grant awards to senior management and employees of our company under the 2022 Plan.

*Vesting schedule.*

### *Pool I Awards*

The Pool I Awards will vest once (a) our valuation (based on the 60-day average closing share price of our publicly traded shares) reaches US\$2 billion by the fifth anniversary of the grant date the Pool I valuation target is achieved, and the remaining 60% of the Pool I Awards will vest once (a) the Pool I valuation target has been achieved, (b) the grantee remains employed by us at the time when the Pool I valuation target is achieved, and (c) the grantee has been employed by us for five (5) years after the date of grant.

### *Pool II Awards*

40% of the Pool II Awards will vest once (a) our valuation (based on the 60-day average closing share price of our publicly traded shares) reaches US\$4 billion by the seventh anniversary of the grant date (the “Pool II valuation target”), and (b) the grantee remains employed by us at the time when the Pool II valuation target is achieved, and the remaining 60% of the Pool II Awards will vest once (a) the Pool II valuation target has been achieved, (b) the grantee remains employed by us at the time when the Pool II valuation target is achieved, and (c) the grantee has been employed by us for five (5) years after the date of grant.

### *Pool III Awards*

40% of the Pool III Awards will vest once (a) our valuation (based on the 60-day average closing share price of our publicly traded shares) reaches US\$10 billion by the seventh anniversary of the grant date (the “Pool III valuation target”), and (b) the grantee remains employed by us at the time when the Pool III valuation target is achieved, and the remaining 60% of the Pool III Awards will vest once (a) the Pool III valuation target has been achieved, (b) the grantee remains employed by us at the time when the Pool III valuation target is achieved, and (c) the grantee has been employed by us for five (5) years after the date of grant.

*Exercise of options.* The grantee can exercise the vested portion of options granted under the 2022 Plan at any time but no more than ten years after the grant date. The exercise price of the Awards shall be US\$3.33 per share, which is equivalent to our 60-day average closing share price immediately prior to September 8, 2022, the date of shareholder approval.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2022 Plan or the relevant award agreement or otherwise determined by the Compensation Committee, such as transfers by will or the laws of descent and distribution.

*Termination and Amendment.* Our board of directors has the authority to amend or terminate the 2022 Plan, but no amendments, alternation or discontinuation shall be made by the board of director, (a) without the approval (but only to extent such approval is required by the principal national securities exchange on which our shares are listed or admitted to trading, and subject to certain other exceptions) of the shareholders of our company, if such action would increase the total number of shares reserved for the purposes of our 2022 Plan or change the maximum number of shares for which awards may be granted to any participant under the 2022 Plan, or (b) if such action may diminish any of the rights of the participant under any award pursuant to the 2022 Plan unless agreed by the participant. In addition, the Awards that have already been allocated can only be amended at a shareholders’ general meeting, at which meeting our C-level officers and/or entities they beneficially own shall abstain from voting.

As of September 30, 2022, there were 9,184,923 ordinary shares underlying outstanding options granted to our executive officers and employees under the 2022 Plan.

### **Currency Convenience Translation**

The conversion of Renminbi into U.S. dollars herein, made solely for the convenience of the readers, is based on the noon buying rate in the city of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York as of June 30, 2022, which was RMB6.6981 to US\$1.00. No representation is intended to imply that the Renminbi amounts could have been, or could be, converted, realized, or settled into U.S. dollars at that rate or any other rate. The percentages stated herein are calculated based on Renminbi.

## BURNING ROCK BIOTECH LIMITED

## INDEX TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	<u>PAGES</u>
<a href="#"><u>Condensed Consolidated Balance Sheets as of December 31, 2021 and June 30, 2022</u></a>	F-2
<a href="#"><u>Condensed Consolidated Statements of Comprehensive Loss for the six months ended June 30, 2021 and 2022</u></a>	F-5
<a href="#"><u>Condensed Consolidated Statements of Shareholders' Equity for the six months ended June 30, 2021 and 2022</u></a>	F-7
<a href="#"><u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2022</u></a>	F-9
<a href="#"><u>Notes to the Consolidated Financial Statements for the six months ended June 30, 2021 and 2022</u></a>	F-11

**BURNING ROCK BIOTECH LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),  
except for number of shares and per share data)

	Notes	As of	
		December 31, 2021 RMB	June 30, 2022 RMB      US\$ (unaudited)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		1,431,317	1,148,597      171,481
Restricted cash		7,795	4,453      665
Short-term investments		63,757	—      —
Accounts receivable (net of allowances of RMB39,166 and RMB44,823 (US\$6,692) as of December 31, 2021 and June 30, 2022, respectively.)	5	92,197	100,960      15,073
Contract assets	6	42,391	44,593      6,657
Inventories, net	7	123,210	129,637      19,355
Prepayments and other current assets	8	60,279	34,845      5,205
<b>Total current assets</b>		<b>1,820,946</b>	<b>1,463,085      218,436</b>
<b>Non-current assets:</b>			
Equity method investment		910	733      109
Convertible note receivable		—	5,000      746
Property and equipment, net	9	325,438	301,249      44,975
Operating right-of-use-assets		81,007	66,655      9,951
Intangible assets, net		5,150	3,354      500
Other non-current assets		45,136	21,198      3,165
<b>Total non-current assets</b>		<b>457,641</b>	<b>398,189      59,446</b>
<b>TOTAL ASSETS</b>		<b>2,278,587</b>	<b>1,861,274      277,882</b>

**BURNING ROCK BIOTECH LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),  
except for number of shares and per share data)

	Notes	As of	
		December 31, 2021 RMB	June 30, 2022 RMB      US\$ (unaudited)
<b>LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS’ EQUITY</b>			
<b>Current liabilities</b> (including amounts of the consolidated VIE and its subsidiaries without recourse to the primary beneficiary of RMB279,601 and RMB275,112 (US\$41,072) as of December 31, 2021 and June 30, 2022, respectively):			
Accounts payable		63,080	56,495      8,434
Deferred revenue		142,871	163,093      24,349
Accrued liabilities and other current liabilities		127,892	98,435      14,696
Customer deposits		972	1,052      157
Short-term borrowings		2,370	2,370      354
Current portion of operating lease liabilities		34,999	38,005      5,674
<b>Total current liabilities</b>		<b>372,184</b>	<b>359,450      53,664</b>
<b>Non-current liabilities</b> (including amounts of the consolidated VIE and its subsidiaries without recourse to the primary beneficiary of RMB38,232 and RMB41,896 (US\$6,255) as of December 31, 2021 and June 30, 2022, respectively):			
Other non-current liabilities		11,776	37,242      4,830
Operating lease liabilities		49,316	32,349      5,560
<b>Total non-current liabilities</b>		<b>61,092</b>	<b>69,591      10,390</b>
<b>TOTAL LIABILITIES</b>		<b>433,276</b>	<b>429,041      64,054</b>

**BURNING ROCK BIOTECH LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),  
except for number of shares and per share data)

	Notes	As of	
		December 31, 2021 RMB	June 30, 2022 RMB (unaudited)      US\$
<b>Commitments and contingencies</b>	15		
<b>Shareholders’ equity:</b>			
Class A ordinary shares (par value of US\$0.0002 per share; 230,000,000 shares authorized; 87,784,001 shares and 88,116,172 shares issued and outstanding as of December 31, 2021 and June 30, 2022)		116	116      18
Class B ordinary shares (par value of US\$0.0002 per share; 20,000,000 shares authorized; 17,324,848 shares issued and outstanding as of December 31, 2021 and June 30, 2022)		21	21      3
Equity forward	10	—	(66,850)      (9,980)
Additional paid-in capital		4,280,956	4,431,603      661,621
Accumulated deficits		(2,228,713)	(2,752,238)      (410,898)
Accumulated other comprehensive loss		(207,069)	(180,419)      (26,936)
<b>Total shareholders’ equity</b>		<b>1,845,311</b>	<b>1,432,233</b> <b>213,828</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY</b>		<b>2,278,587</b>	<b>1,861,274</b> <b>277,882</b>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.



**BURNING ROCK BIOTECH LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

	Notes	For the six months ended June 30	
		2021	2022
		RMB	US\$
		(unaudited)	(unaudited)
<b>Revenues:</b>			
Revenues from services		164,414	27,707
Revenues from sales of products		69,488	12,061
<b>Total revenues</b>	3	<b>233,902</b>	<b>39,768</b>
<b>Cost of revenues:</b>			
Cost of services		(46,731)	(9,923)
Cost of goods sold		(20,000)	(4,438)
<b>Total cost of revenues</b>		<b>(66,731)</b>	<b>(14,361)</b>
<b>Gross profit</b>		<b>167,171</b>	<b>25,407</b>
<b>Operating expenses:</b>			
Research and development expenses		(185,485)	(31,592)
Selling and marketing expenses		(123,188)	(29,090)
General and administrative expenses (including related party amounts of RMB475 and RMB94 (US\$14) for the six months ended June 30, 2021 and 2022, respectively.)	14	(232,389)	(43,602)
<b>Total operating expenses</b>		<b>(541,062)</b>	<b>(104,284)</b>
<b>Loss from operations</b>		<b>(373,891)</b>	<b>(78,877)</b>
Interest income		1,468	674
Interest expenses		(1,075)	13
Other expense, net (net off by related party income of RMB334 and nil for the six months ended June 30, 2021 and 2022, respectively.)		551	63
Foreign exchange (loss) gain, net		(503)	(23)
<b>Loss before income tax</b>		<b>(373,450)</b>	<b>(78,150)</b>

**BURNING ROCK BIOTECH LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (CONTINUED)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”), except for number of shares and per share data)

	Notes	For the six months ended June 30		
		2021	2022	
		RMB (unaudited)	RMB (unaudited)	US\$
Income tax expenses	12	(1,626)	(84)	(13)
<b>Net loss</b>		<b>(375,076)</b>	<b>(523,525)</b>	<b>(78,163)</b>
<b>Net loss attributable to Burning Rock Biotech Limited’s shareholders</b>		<b>(375,076)</b>	<b>(523,525)</b>	<b>(78,163)</b>
<b>Loss per share for class A and class B ordinary shares:</b>	13			
Class A ordinary shares - basic and diluted		(3.60)	(4.98)	(0.74)
Class B ordinary shares - basic and diluted		(3.60)	(4.98)	(0.74)
<b>Weighted average shares outstanding used in loss per share computation:</b>	13			
Class A ordinary shares - basic and diluted		86,742,880	87,357,120	87,357,120
Class B ordinary shares - basic and diluted		17,324,848	17,324,848	17,324,848
<b>Other comprehensive (loss) income, net of tax of nil:</b>				
Foreign currency translation adjustments		(20,900)	26,650	3,979
<b>Total comprehensive loss</b>		<b>(395,976)</b>	<b>(496,875)</b>	<b>(74,184)</b>
<b>Total comprehensive loss attributable to Burning Rock Biotech Limited’s shareholders</b>		<b>(395,976)</b>	<b>(496,875)</b>	<b>(74,184)</b>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

**BURNING ROCK BIOTECH LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US\$"), except for number of shares and per share data)

	Ordinary shares		Treasury stock RMB	Additional paid- in capital RMB	Accumulated deficit RMB	Accumulated other comprehensive (loss) income RMB	Total shareholders' equity RMB
	Number of shares	Amount RMB					
<b>Balance as of January 1, 2021</b>	<b>104,781,929</b>	<b>137</b>	<b>—</b>	<b>4,006,616</b>	<b>(1,418,160)</b>	<b>(167,589)</b>	<b>2,421,004</b>
Net loss	—	—	—	—	(375,076)	—	(375,076)
Other comprehensive income	—	—	—	—	—	(20,900)	(20,900)
Issuance of restricted shares	2,424	—	—	—	—	—	—
Refund for prepaid subscription for forfeited restricted shares	(16,233)	—	—	(1,629)	—	—	(1,629)
Purchase of treasury stock	(61,026)	—	(4,270)	—	—	—	(4,270)
Exercise of options (note 11)	85,903	—	—	—	—	—	—
Adoption of ASC 326	—	—	—	—	(13,856)	—	(13,856)
Share-based compensation (note 11)	—	—	—	168,167	—	—	168,167
<b>Balance as of June 30, 2021 (unaudited)</b>	<b><u>104,792,997</u></b>	<b><u>137</u></b>	<b><u>(4,270)</u></b>	<b><u>4,173,154</u></b>	<b><u>(1,807,092)</u></b>	<b><u>(188,489)</u></b>	<b><u>2,173,440</u></b>

**BURNING ROCK BIOTECH LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)**

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US\$"), except for number of shares and per share data)

	Ordinary shares		Treasury stock RMB	Additional paid-in capital RMB	Accumulated deficit RMB	Equity forward RMB	Accumulated other comprehensive (loss) income RMB	Total shareholders' equity RMB
	Number of shares	Amount RMB						
<b>Balance as of January 1, 2022</b>	<b>105,108,849</b>	<b>137</b>	<b>—</b>	<b>4,280,956</b>	<b>(2,228,713)</b>	<b>—</b>	<b>(207,069)</b>	<b>1,845,311</b>
Net loss	—	—	—	—	(523,525)	—	—	(523,525)
Other comprehensive income	—	—	—	—	—	—	26,650	26,650
Refund of consideration for Employee Share Incentive Program	(73,489)	—	—	(3,385)	—	—	—	(3,385)
Purchase of treasury stock	—	—	(3,258)	—	—	—	—	(3,258)
Equity forward contract (note 10)	—	—	—	—	—	(66,850)	—	(66,850)
Exercise of options (note 11)	405,661	—	3,258	(3,258)	—	—	—	—
Share-based compensation (note 11)	—	—	—	157,290	—	—	—	157,290
<b>Balance as of June 30, 2022</b>								
<b>(unaudited)</b>	<b>105,441,021</b>	<b>137</b>	<b>—</b>	<b>4,431,603</b>	<b>(2,752,238)</b>	<b>(66,850)</b>	<b>(180,419)</b>	<b>1,432,233</b>
<b>Balance as of June 30, 2022 (US\$)</b>								
<b>(unaudited)</b>	<b>105,441,021</b>	<b>21</b>	<b>—</b>	<b>661,621</b>	<b>(410,898)</b>	<b>(9,980)</b>	<b>(26,936)</b>	<b>213,828</b>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

**BURNING ROCK BIOTECH LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),  
except for number of shares and per share data)

	For the six months ended June 30		
	2021	2022	
	RMB	RMB	US\$
	(unaudited)	(unaudited)	
<b>Cash flows from operating activities:</b>			
Net loss	(375,076)	(523,525)	(78,163)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	21,652	60,154	8,981
Allowance for credit losses	3,054	16,677	2,490
Inventory write down	1,697	7,007	1,046
Loss on disposal of equipment	13	1,113	166
Share of loss from equity method investee	143	217	32
Share-based compensation	168,167	157,290	23,483
Non-cash operating lease expenses	12,756	19,739	2,947
Derecognition of right of use assets and lease liability	—	(137)	(20)
Changes in operating assets and liabilities:			
Inventories	(55,299)	(10,948)	(1,634)
Accounts receivable	(344)	(14,420)	(2,153)
Contract assets	(12,282)	(13,317)	(1,988)
Prepayments and other current assets	(22,461)	25,554	3,815
Amounts due from related parties	(416)	—	—
Other non-current assets	—	24,187	3,611
Accounts payable	9,315	3,877	579
Deferred revenue	27,115	20,222	3,019
Accrued liabilities and other current liabilities	(1,305)	(29,457)	(4,399)
Customer deposits	(78)	80	12
Deferred government grants	(263)	—	—
Operating lease liabilities	(8,531)	(19,584)	(2,924)
Other non-current liabilities	—	21,637	3,230
<b>Net cash used in operating activities</b>	<b>(232,143)</b>	<b>(253,634)</b>	<b>(37,870)</b>
<b>Cash flows from investing activities:</b>			
Proceeds from maturity of short-term investments	323,335	65,598	9,794
Proceeds from disposal of equipment	2,559	352	53
Prepayment for property and equipment	—	(7,901)	(1,180)
Purchase of property and equipment	(104,822)	(35,137)	(5,243)
Purchase of intangible assets	(320)	(194)	(29)
Investment in convertible loan	—	(5,000)	(746)
<b>Net cash generated from investing activities</b>	<b>220,752</b>	<b>17,718</b>	<b>2,649</b>

**BURNING ROCK BIOTECH LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),  
except for number of shares and per share data)

	For the six months ended June 30		
	2021	2022	
	RMB (unaudited)	RMB (unaudited)	US\$
<b>Cash flows from financing activities:</b>			
Purchase of equity forward	—	(66,850)	(9,980)
Purchase of treasury shares	(4,270)	(3,258)	(486)
Refund of consideration for Employee Share Incentive Program	(1,629)	(3,385)	(505)
Finance lease payments	(2,647)	—	—
Repayment of long-term borrowings	(4,577)	—	—
<b>Net cash used in financing activities</b>	<b>(13,123)</b>	<b>(73,493)</b>	<b>(10,971)</b>
Effect of exchange rate on cash, cash equivalents and restricted cash	(17,427)	23,347	3,484
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(41,941)</b>	<b>(286,062)</b>	<b>(42,708)</b>
Cash, cash equivalents and restricted cash at the beginning of period	1,925,206	1,439,112	214,854
<b>Cash, cash equivalents and restricted cash at the end of period</b>	<b>1,883,265</b>	<b>1,153,050</b>	<b>172,146</b>
<b>Supplemental disclosures of non-cash information:</b>			
Purchase of property and equipment included in accounts payable	3,186	10,462	1,562
Purchase of property and equipment included in other non-current assets	(4,170)	7,794	1,164
Derecognition of right-of-use asset and lease liability	—	137	20
<b>Reconciliation of cash, cash equivalents and restricted cash:</b>			
Cash and cash equivalents	1,852,927	1,148,597	171,481
Restricted cash	30,338	4,453	665
<b>Total cash, cash equivalents and restricted cash shown in the condensed consolidated balance sheets</b>	<b>1,883,265</b>	<b>1,153,050</b>	<b>172,146</b>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

**BURNING ROCK BIOTECH LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),**  
**except for number of shares and per share data)**

**1. ORGANIZATION**

Burning Rock Biotech Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on March 10, 2014. The Company does not conduct any substantive operations on its own but instead conducts its business operations through its subsidiaries, the variable interest entity (“VIE”) and subsidiaries of the VIE. The Company, together with its subsidiaries, the VIE and the VIE’s subsidiaries (collectively, the “Group”) are principally engaged in developing and providing cancer therapy selection tests in the People’s Republic of China (the “PRC” or “China”).

There was no change to the Company’s principal subsidiaries, the VIE and the VIE’s subsidiaries since December 31, 2021.

To comply with PRC laws and regulations which prohibit and restrict foreign ownership of business involving the development and application of genomic diagnosis and treatment technology, the Group conducts its business in the PRC principally through the VIE and the VIE’s subsidiaries. The equity interests of the VIE are legally held by PRC shareholders (the “Nominee Shareholders”).

Despite the lack of majority ownership, the Company through the wholly foreign owned entity (“the WFOE”) has effective control of the VIE through a series of contractual arrangements (the “VIE agreements”) and a parent-subsidiary relationship exists between the Company and the VIE. Through the VIE agreements, the Nominee Shareholders of the VIE effectively assigned all of their voting rights underlying their equity interests in the VIE to the Company, and therefore, the Company has the power to direct the activities of the VIE that most significantly impact its economic performance. The Company also has the right to receive economic benefits that potentially could be significant to the VIE. The WFOE was the primary beneficiary of the VIE through October 2019 and the Company has replaced the WFOE as the primary beneficiary of the VIE since October 2019. Based on the above, the Company consolidates the VIE in accordance with SEC Regulation S-X-3A-02 and Accounting Standards Codification (“ASC”) Topic 810-10 (“ASC 810-10”), *Consolidation: Overall*.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

1 ORGANIZATION (CONTINUED)

The following table sets forth the assets and liabilities of the VIE and subsidiaries of the VIE included in the Group’s unaudited interim condensed consolidated balance sheet:

	December 31, 2021	As of	
		RMB	June 30, 2022 US\$ (unaudited)
Cash and cash equivalents	185,850	332,367	49,621
Restricted cash	—	2,892	432
Accounts receivable (net of allowances of RMB38,922 and RMB44,566 (US\$6,654) as of December 31, 2021 and June 30, 2022, respectively)	92,197	100,960	15,072
Contract assets	42,391	44,593	6,657
Inter-company receivables*	75,560	214,874	32,080
Inventories	119,257	120,952	18,058
Prepayments and other current assets	40,957	17,388	2,596
<b>Total current assets</b>	<b>556,212</b>	<b>834,026</b>	<b>124,516</b>
Property and equipment, net	42,623	58,285	8,702
Intangible assets, net	633	375	56
Other non-current assets	8,346	10,227	1,527
Operating right-of-use assets	51,630	41,875	6,252
<b>Total non-current assets</b>	<b>103,232</b>	<b>110,762</b>	<b>16,537</b>
<b>TOTAL ASSETS</b>	<b>659,444</b>	<b>944,788</b>	<b>141,053</b>
Accounts payable	27,102	19,925	2,975
Deferred revenue	133,489	163,095	24,349
Inter-company payables*	897,633	1,397,180	208,593
Accrued liabilities and other current liabilities	89,976	62,557	9,339
Customer deposits	972	484	72
Short-term borrowing	2,370	2,370	354
Current portion of operating lease liabilities	25,692	26,681	3,983
<b>Total current liabilities</b>	<b>1,177,234</b>	<b>1,672,292</b>	<b>249,665</b>
Deferred government grant			
Other non-current liabilities	8,563	24,034	3,588
Non-current portion of operating lease liabilities	29,669	17,862	2,667
<b>Total non-current liabilities</b>	<b>38,232</b>	<b>41,896</b>	<b>6,255</b>
<b>TOTAL LIABILITIES</b>	<b>1,215,466</b>	<b>1,714,188</b>	<b>255,920</b>

\* Inter-company receivables/payables represent balances of the VIE and subsidiaries of the VIE due from/to the Company and the Group’s consolidated subsidiaries.



**BURNING ROCK BIOTECH LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),**

**except for number of shares and per share data)**

**1 ORGANIZATION (CONTINUED)**

As of December 31, 2021, and June 30, 2022, there were no pledges or collateralization of the VIE and VIE’s subsidiaries’ assets that can only be used to settle obligations of the VIE and VIEs’ subsidiaries. The amounts of the net liabilities of the VIE and subsidiaries of the VIE were RMB556,022 and RMB769,398 (US\$114,871) as of December 31, 2021, and June 30, 2022, respectively. The creditors of the VIE and subsidiaries of the VIE’s third-party liabilities did not have recourse to the general credit of the primary beneficiary in the normal course of business. The VIE holds certain assets, including detection equipment and related equipment for use in their operations. The Company did not provide nor intend to provide additional financial or other support not previously contractually required to the VIE and subsidiaries of the VIE during the periods presented.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of presentation***

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission regarding financial reporting that are consistent with those used in the preparation of the Company’s audited consolidated financial statements for the year ended December 31, 2021. Accordingly, these unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements.

The unaudited interim condensed financial statements have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2021 and, in the opinion of management, reflect all normal recurring adjustments, necessary to present a fair statement of the results for the interim periods presented. Results of the operations for the six months ended June 30, 2022 are not necessarily indicative of the results expected for the full fiscal year or for any future annual or interim period. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2021.

The unaudited interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All intercompany transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

***Convenience translation***

Translations of amounts from RMB into US\$ for the convenience of the reader have been calculated at the exchange rate of RMB 6.6981 per US\$1.00 on June 30, 2022, as published on the website of the United States Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at such rate or at any other rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Use of estimates*

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affected the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Areas where management uses subjective judgment include, but are not limited to, allowance for credit losses, inventory provision, standalone selling prices of performance obligations, the useful lives and impairment of long-lived assets, breakage income and incremental borrowing rates for lease liabilities. Management bases its estimates on historical experience and on assumptions that it believes are reasonable. Actual results could differ materially from those estimates.

*Accounts receivable, contract assets and allowance for credit losses*

The Group records the allowance for credit losses as an offset to accounts receivable and contract assets, with estimated credit losses charged to “General and administrative expenses” in the condensed consolidated statements of comprehensive loss. The Group assesses credit loss by reviewing accounts receivable and contract assets on a collective basis where similar characteristics exist, primarily based on similar business segments, service or product offerings and on an individual basis when the Group identifies specific customers with known disputes or collectability issues. The Group applies a migration roll rate method that considers historical collectability based on past due status, the age of the accounts receivable and contract asset balances, credit quality of the Group’s customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions and other factors that may affect the Group’s ability to collect from customers. The Group writes off accounts receivable and contract assets are deemed uncollectible when after all collection efforts have ceased.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Contract liabilities*

The Group records a contract liability, which is presented as “deferred revenue” on the consolidated balance sheets when a customer pays consideration before the Group provides products or services.

Deferred revenue increased RMB20,222 (US\$3,019) compared to the year ended December 31, 2021 is a result of the increase in consideration received from the Group’s customers. The Group receives payments from customers based on a billing schedule as established in contracts. Revenue recognized that was included in deferred revenue balance at the beginning of the period was RMB18,845 and RMB14,101(US\$2,105) for the six months ended June 30, 2021 and 2022, respectively.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied) as of December 31, 2021 and June 30, 2022 were RMB199,354 and RMB 356,887(US\$53,282), respectively. RMB203,955 (US\$30,450) of transaction prices allocated to the remaining performance obligations which are expected to be recognized as revenue after one year are related to pharma research and development services. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognized as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

*Significant accounting policies*

For a more complete discussion of the Company’s significant accounting policies and other information, the unaudited interim condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements included in the Company’s Annual Report (Form 20-F) for the year ended December 31, 2021.

There have been no material changes to the Company’s significant accounting policies as of and for the six months ended June 30, 2022, as compared to the significant accounting policies described in the Annual Report.

**BURNING ROCK BIOTECH LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

**3 SEGMENT REPORTING**

The Group had three operating segments, including the central laboratory business, the in-hospital business and pharma research and development services for the six-months ended June 30, 2022 and 2021. The operating segments also represented the reporting segments. The Group’s CODM assesses the performance of the operating segments based on the measures of revenues, cost of revenue and gross profit by the central laboratory business, the in-hospital business and pharma research and development services. Other than the information provided below, the CODM does not use any other measures by segments.

Summarized information by segments for the six months ended June 30, 2022 and 2021 is as follows:

	For the six months ended June 30,2021				For the six months ended June 30,2022				
	Central laboratory business	In-hospital business	Pharma research and development services	Total	Central laboratory business	In-hospital business	Pharma research and development services	Total	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenues:</b>									
Revenues from services	154,560	8	9,846	164,414	152,808	2,345	30,428	185,581	27,707
Revenues from sales of products	—	69,488	—	69,488	—	80,789	—	80,789	12,061
<b>Total revenues</b>	<b>154,560</b>	<b>69,496</b>	<b>9,846</b>	<b>233,902</b>	<b>152,808</b>	<b>83,134</b>	<b>30,428</b>	<b>266,370</b>	<b>39,768</b>
<b>Cost of revenues</b>	<b>(40,667)</b>	<b>(20,000)</b>	<b>(6,064)</b>	<b>(66,731)</b>	<b>(44,659)</b>	<b>(29,726)</b>	<b>(21,803)</b>	<b>(96,188)</b>	<b>(14,361)</b>
<b>Gross profit</b>	<b>113,893</b>	<b>49,496</b>	<b>3,782</b>	<b>167,171</b>	<b>108,149</b>	<b>53,408</b>	<b>8,625</b>	<b>170,182</b>	<b>25,407</b>

**BURNING ROCK BIOTECH LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),  
except for number of shares and per share data)**

**4 FAIR VALUE MEASUREMENTS**

The Group applies ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

The carrying amounts of cash and cash equivalent, restricted cash, short-term investments, accounts receivable, amounts due from and due to related parties, accounts payable and short-term borrowings approximate their fair values because of their generally short maturities. The carrying amounts of long-term borrowings and lease liabilities approximate their fair values since they bear interest at rates which approximate market interest rates.

The Group did not transfer any assets or liabilities in or out of Level 3 during the six months ended June 30, 2021 and 2022. As of December 31, 2021 and June 30, 2022, there was no warrants outstanding. Therefore, there was no asset or liability measured at fair value using Level 3 unobservable inputs on a recurring basis as of December 31, 2021 and June 30, 2022.

There were no financial assets and liabilities measured and recorded at fair value on a non-recurring basis as of December 31, 2021 and June 30, 2022.

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

5 ACCOUNTS RECEIVABLE, NET

	As of		
	December 31, 2021	June 30, 2022	
	RMB	RMB	US\$
		(unaudited)	
Accounts receivable	131,363	145,783	21,765
Allowance for credit losses	(39,166)	(44,823)	(6,692)
	<u>92,197</u>	<u>100,960</u>	<u>15,073</u>

The changes in the allowance for credit losses were as follows:

	For the six months ended June 30		
	2021	2022	
	RMB	RMB	US\$
	(unaudited)	(unaudited)	
Balance at beginning of the period	24,215	39,166	5,847
Adoption of ASC 326	11,358	—	—
Provisions	(937)	5,657	845
<b>Balance at end of the period</b>	<u>34,636</u>	<u>44,823</u>	<u>6,692</u>

6 CONTRACT ASSETS

	As of		
	December 31, 2021	June 30, 2022	
	RMB	RMB	US\$
		(unaudited)	
Contract assets	56,869	70,186	10,478
Allowance for credit losses	(14,478)	(25,593)	(3,821)
	<u>42,391</u>	<u>44,593</u>	<u>6,657</u>

BURNING ROCK BIOTECH LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

6 CONTRACT ASSETS (CONTINUED)

The changes in the allowance for credit losses were as follows:

	For the six months ended June 30		
	2021	2022	
	RMB	RMB	US\$
		(unaudited)	
Balance at beginning of the period	3,497	14,478	2,162
Adoption of ASC 326	2,383	—	—
Provisions	4,088	11,115	1,659
<b>Balance at end of the period</b>	<b>9,968</b>	<b>25,593</b>	<b>3,821</b>

7 INVENTORIES, NET

	As of		
	December 31, 2021	June 30, 2022	
	RMB	RMB	US\$
		(unaudited)	
Raw materials	82,455	90,957	13,580
Work in progress	7,902	10,220	1,526
Finished goods	35,481	38,095	5,687
Inventory provision	(2,628)	(9,635)	(1,438)
	<b>123,210</b>	<b>129,637</b>	<b>19,355</b>

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	As of		
	December 31, 2021	June 30, 2022	
	RMB	RMB	US\$
		(unaudited)	
Deductible input VAT	23,232	17,828	2,663
Prepayments	30,695	10,746	1,605
Advance to employees	—	1,673	250
Deposits	1,874	2,158	322
Interest receivables	111	405	60
Employee loan (i)	3,500	—	—
Others (ii)	867	2,035	305
	<b>60,279</b>	<b>34,845</b>	<b>5,205</b>

- (i) On March 16, 2021 the Group extended a loan to an employee with principal amount of RMB3,500 (US\$523) at simple annual interest rate of 3.08%. The loan was repaid in February 2022.
- (ii) Certain financial assets included in others, net of the allowance for credit losses of RMB95 and nil as of December 31, 2021 and June 30, 2022, respectively. Cumulative effect of adopting ASC 326 on January 1, 2021 of other current assets was RMB115 (US\$17). Reversal of provision were RMB97 and RMB95 (US\$14) for the six months ended June 30, 2021 and 2022, respectively.

**BURNING ROCK BIOTECH LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

**9 PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following:

	As of		
	December 31, 2021	June 30, 2022	
	RMB	RMB (unaudited)	US\$
Machinery and laboratory equipment	231,289	246,389	36,785
Vehicles	2,812	2,808	419
Furniture and tools	15,723	16,756	2,502
Electronic equipment	48,068	49,937	7,455
Leasehold improvements	161,037	161,691	24,140
Construction in progress	27,555	40,062	5,981
	<b>486,484</b>	<b>517,643</b>	<b>77,282</b>
Accumulated depreciation	(161,046)	(216,394)	(32,307)
	<b>325,438</b>	<b>301,249</b>	<b>44,975</b>

Depreciation expenses recognized for the six months ended June 30, 2021 and 2022 were RMB20,614, and RMB57,953 (US\$8,652), respectively.



**BURNING ROCK BIOTECH LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),**

**except for number of shares and per share data)**

**10 EQUITY FORWARD**

On June 21, 2022, the Company’s board of directors authorized a share repurchase plan under which the Company may repurchase up to US\$10,000 its Class A ordinary shares in the form of its ADS during a 12-month period (the “Share Repurchase Program”). The Company entered an accelerated share repurchase (“ASR”) agreement with Bank of America, pursuant to which it prepaid US\$10,000 with the repurchase price determined by the volume-weighted average price (“VWAP”) of the Company’s ADS over the term of the ASR. The settlement date of this contract was August 23, 2022.

The Company evaluated and concluded the ASR agreement was an equity classified forward contract pursuant to ASC 815-40-25-10 and recognized the contract notional amount as contra-equity in the statement of changes in shareholder equity for the six months ended June 30, 2022

**11 SHARE-BASED COMPENSATION**

Total share-based compensation expenses recognized for the six months ended June 30, 2021 and 2022 were as follows:

	For the six months ended June 30,		
	2021	2022	
	RMB	RMB	US\$
	(unaudited)	(unaudited)	
Cost of revenues	745	806	120
Research and development expenses	43,230	24,222	3,616
Selling and marketing expenses	5,442	3,932	587
General and administrative expenses	118,750	128,330	19,159
	<u>168,167</u>	<u>157,290</u>	<u>23,483</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

**12 INCOME TAXES**

For interim income tax reporting, the Group computed an estimate annual effective tax rate (“EAETR”) and apply it to year-to-date ordinary income (loss), exclusive of discrete items. Tax jurisdictions with a projected or year-to-date loss for which a tax benefit cannot be realized are excluded. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur.

The Group recorded income tax expenses of RMB84 (US\$13), representing effective tax rate of nil for the six months ended June 30, 2022 compared to RMB1,626 for the six months ended June 30, 2021. The primary difference between the PRC statutory tax rate of 15% for qualified high-tech enterprise and the effective tax rate for the six months ended June 30, 2022 are primarily due to permanent book to tax adjustments such as super R&D deduction netted with nondeductible entertainment expense and stock compensation expense.

As of June 30, 2022, there was no significant impact from tax uncertainties on the Group’s unaudited interim condensed consolidated financial statements. The Group did not record any interest and penalties related to an uncertain tax position for the six months ended June 30, 2021 and 2022. The Group does not expect the amount of unrecognized tax benefits would increase significantly in the next 12 months.

In general, the PRC tax authorities have up to five years to conduct examinations of the tax filings of the Company’s PRC subsidiaries, the VIE and the VIE’s subsidiaries. Accordingly, the PRC tax filings from 2017 through 2021 remain open to examination by the respective tax authorities. The Group may also be subject to the examinations of the tax filings in other jurisdictions, which are not material to the consolidated financial statements.

**BURNING ROCK BIOTECH LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

**13 LOSS PER SHARE**

Basic and diluted loss per share for the six months ended June 30, 2021 and 2022 are calculated as follows:

	2021		For the six months ended June 30,			
	Class A	Class B	2021		2022	
	RMB	RMB	RMB	US\$	RMB	US\$
	(unaudited)		(unaudited)			
<b><i>Numerator:</i></b>						
Net loss attributable to ordinary shareholders	<u>(312,635)</u>	<u>(62,441)</u>	<u>(436,882)</u>	<u>(65,227)</u>	<u>(86,643)</u>	<u>(12,936)</u>
<b><i>Denominator:</i></b>						
Weighted-average number of ordinary shares outstanding	<u>87,470,332</u>	<u>17,324,848</u>	<u>87,909,137</u>	<u>87,909,137</u>	<u>17,324,848</u>	<u>17,324,848</u>
Effect of unvested restricted shares	<u>(727,452)</u>	<u>—</u>	<u>(552,017)</u>	<u>(552,017)</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares outstanding – basic and diluted	<u>86,742,880</u>	<u>17,324,848</u>	<u>87,357,120</u>	<u>87,357,120</u>	<u>17,324,848</u>	<u>17,324,848</u>
Loss per share - basic and diluted	<u>(3.60)</u>	<u>(3.60)</u>	<u>(4.98)</u>	<u>(0.74)</u>	<u>(4.98)</u>	<u>(0.74)</u>

For the six months ended June 30, 2021 and 2022, the two-class method was applied to the outstanding Class A and Class B ordinary shares. The unvested restricted shares were excluded from the computation of weighted-average number or ordinary shares outstanding because the Group is in a loss position and the holders of the restricted shares do not have an obligation to fund losses of the Group. The effects of all outstanding share options were excluded from the computation of diluted loss per share for the six months ended June 30, 2021 and 2022 as their effects would be anti-dilutive.

**BURNING ROCK BIOTECH LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

**14 RELATED PARTY TRANSACTIONS**

*a) Related parties*

<u>Name of related parties</u>	<u>Relationship</u>
Yusheng Han	Shareholder of the shareholder of the Company, Chief Executive Officer and director
Shaokun Chuai	Shareholder of the shareholder of the Company, Chief Operating Officer and director
EaSuMed Holding Ltd.	Equity method investee
Guangzhou Burning Rock Biological Engineering Co., Ltd.	Company controlled by the Founder

*b) The Group had the following related party balance at the end of the periods:*

	<u>As of</u>	
	<u>December 31, 2021</u>	<u>June 30, 2022</u>
	<u>RMB</u>	<u>RMB      US\$</u> <u>(unaudited)</u>
EaSuMed Holding Ltd.	212	—      —
<b>Total amounts due from related parties</b>	<b>212</b>	<b>—      —</b>

All the balances with a related party as of December 31, 2021 were unsecured. All outstanding balances are repayable on demand unless otherwise disclosed. No allowance for credit losses was recognized for the amounts due from related parties for the six months ended June 30, 2021 and 2022.

**BURNING ROCK BIOTECH LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

**14 RELATED PARTY TRANSACTIONS (CONTINUED)**

*c) The Group had the following related party transactions:*

	For the six months ended June 30,		
	2021	2022	
	RMB (unaudited)	RMB (unaudited)	US\$ (unaudited)
<b>Consulting service received from:</b>			
EaSuMed Holding Ltd.	475	94	14
<b>Rental income from:</b>			
Guangzhou Burning Rock Biological Engineering Co., Ltd.(i)	97	—	—
<b>Equipment usage service income from:</b>			
Guangzhou Burning Rock Biological Engineering Co., Ltd.(ii)	237	—	—

- (i) On April 1, 2021, the Group entered into a one-year sublease agreement on its office with a related party and recorded RMB97 in other income for the six month ended June 30, 2021. The lease was early terminated on September 30, 2021.
- (ii) On April 1, 2021, the Group entered into a contract to provide equipment usage service to its related party with a total contact amount of RMB997, of which RMB237 was recorded in other income for the six month ended June 30, 2021. The contract was early terminated on September 30, 2021.

**15 COMMITMENTS AND CONTINGENCIES**

*Capital expenditure commitments*

The Group has capital expenditure commitments for the laboratory leasehold improvements of RMB6,520 (US\$973) as of June 30, 2022, which are scheduled to be paid within one year.

*Contingencies*

The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group’s business, financial position or results of operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”),

except for number of shares and per share data)

**16 RESTRICTED NET ASSETS**

Under the PRC laws and regulations, there are restrictions on the Company’s PRC subsidiaries and the VIE with respect to transferring certain of their net assets to the Company either in the form of dividends, loans, or advances. The Company’s restricted net assets from its PRC subsidiaries, the VIE and VIE’s subsidiaries, as determined pursuant to PRC GAAP, were RMB382,724 and RMB344,331 (US\$51,407) as of December 31, 2021 and June 30, 2022, respectively.

**17 SUBSEQUENT EVENTS**

On August 23, 2022, the Company repurchased a total of 3,023,138 Class A ordinary shares in the form of ADSs upon settlement of the ASR program.