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JOINN LABORATORIES (CHINA) CO., LTD.

北京昭衍新藥研究中心股份有限公司

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

(Stock Code: 6127)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the "**Board**") of directors (the "**Director(s)**") of JOINN Laboratories (China) Co., Ltd. (the "**Company**") is pleased to announce the unaudited condensed interim results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**", "**us**" or "**JOINN Labs**") for the six months ended June 30, 2022 (the "**Reporting Period**"), together with comparative figures for the same period of 2021.

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2022, the Group recorded the following unaudited results:

	Six months ended June 30, 2022 ***RMB'000***	Six months ended June 30, 2021 *RMB'000*	Period-to-period change
Revenue	**776,881**	534,556	45.3%
Gross profit	**377,942**	268,571	40.7%
Profit for the period	**370,384**	153,093	141.9%
Profit for the period attributable to equity shareholders of the Company	**371,120**	153,735	141.4%
Net assets attributable to equity shareholders of the Company	**7,398,296**	6,610,663	11.9%

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Six months ended June 30, 2022** ***RMB'000***	Six months ended June 30, 2021 *RMB'000*
Revenue	*4*	**776,881**	534,556
Cost of services		**(398,939)**	(265,985)
Gross profit	*4(b)*	**377,942**	268,571
Other gains and losses, net	*5*	**120,412**	32,592
Gains arising from changes in fair value of biological assets	*6*	**131,321**	37,764
Selling and marketing expenses		**(8,184)**	(7,253)
General and administrative expenses		**(158,784)**	(135,644)
Research and development expenses		**(25,482)**	(21,861)
Profit from operations		**437,225**	174,169
Finance costs	*7(a)*	**(1,727)**	(1,538)
Share of losses of an associate		**(350)**	–
Profit before taxation	*7*	**435,148**	172,631
Income tax	*8*	**(64,764)**	(19,538)
Profit for the period		**370,384**	153,093
Other comprehensive income for the period (after tax)			
Items that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income ("**FVOCI**") – net movement in fair value reserve (non-recycling)		**5,235**	–
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of foreign operations		**12,852**	(2,368)
		18,087	(2,368)
Total comprehensive income for the period		**388,471**	150,725

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Notes	**As at June 30, 2022** ***RMB'000***	As at December 31, 2021 *RMB'000*
Non-current liabilities			
Interest-bearing borrowings		**4,879**	4,939
Leases liabilities		**58,432**	64,188
Deferred tax liabilities		**178,842**	48,428
Deferred income		**61,055**	60,844
		303,208	178,399
NET ASSETS		**7,405,782**	7,144,436
CAPITAL AND RESERVES			
Share capital	*15*	**381,642**	381,246
Reserves		**7,016,654**	6,754,968
Total equity attributable to equity shareholders of the Company		**7,398,296**	7,136,214
Non-controlling interests		**7,486**	8,222
TOTAL EQUITY		**7,405,782**	7,144,436

NOTES

1 CORPORATE INFORMATION

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

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

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, including compliance with International Accounting Standard ("**IAS**") 34, Interim financial reporting, issued by the International Accounting Standards Board (the "**IASB**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended December 31, 2021 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract, Interest Rate Benchmark Reform – Phase 2

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended June 30, 2022	Six months ended June 30, 2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Rendering services:		
Non-clinical studies services	**755,335**	525,158
Clinical trial and related services	**19,839**	8,149
Sales of goods:		
Sales of research models	**1,707**	1,249
	776,881	534,556

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

As at June 30, 2022, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied were RMB4,100 million (December 31, 2021: RMB2,900 million). Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of reporting period will be recognised within 3 years from the end of the reporting period.

(b) Segment reporting

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

- Non-clinical studies services

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

- Clinical trial and related services

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

- Sales of research models

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

(i) Segment results

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

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

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

	Six months ended June 30, 2022			
	Non-clinical studies services *RMB'000*	**Clinical trial and related services** *RMB'000*	**Sales of research models** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	**614,851**	**9,821**	**1,707**	**626,379**
Over time	**140,484**	**10,018**	**–**	**150,502**
Revenue from external customer	**755,335**	**19,839**	**1,707**	**776,881**
Inter-segment revenue	**789**	**–**	**165,600**	**166,389**
Reportable segment revenue	**756,124**	**19,839**	**167,307**	**943,270**
Reportable segment gross profit	**358,054**	**8,514**	**5,141**	**371,709**

	Six months ended June 30, 2021			
	Non-clinical studies services *RMB'000*	Clinical trial and related services *RMB'000*	Sales of research models *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	525,158	7,350	1,249	533,757
Over time	–	799	–	799
Revenue from external customer	525,158	8,149	1,249	534,556
Inter-segment revenue	–	–	3,900	3,900
Reportable segment revenue	525,158	8,149	5,149	538,456
Reportable segment gross profit	261,867	1,219	3,260	266,346

(ii) Reconciliations of reportable segment gross profit

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

(iii) Geographic information

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

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

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

	As at June 30, 2022 ***RMB'000***	As at December 31, 2021 *RMB'000*
The PRC	**1,827,041**	794,585
The USA	**316,547**	299,046
	2,143,588	1,093,631

5 OTHER GAINS AND LOSSES, NET

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

6 GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

	As at June 30, 2022	As at June 30, 2021
	RMB'000	*RMB'000*
Unrealised gains	**120,435**	36,187
Realised gains	**10,886**	1,577
	131,321	37,764

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

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

(b) Staff costs

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

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

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

(c) Other items

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

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

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

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB371,120,000 (Six months ended June 30, 2021: RMB153,735,000) and the weighted average number of ordinary shares calculated as below:

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

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

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB371,120,000 (Six months ended June 30, 2021: RMB153,735,000) and the weighted average number of ordinary shares (diluted) calculated as below:

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

10 DIVIDENDS

(a) Interim dividend

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

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

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

- a dividend of RMB0.36 per ordinary share (inclusive of tax) to shareholders on the record date for determining the shareholders' entitlement to the 2021 profit distribution plan; and
- 4 new shares for every 10 existing shares of the Company to be issued out of reserve to all shareholders of the Company on the record date for determining the shareholders' entitlement to the 2021 profit distribution plan.

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

11 FINANCIAL ASSETS AT FVTPL

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

Notes:

(i) The RMB wealth management products include structured deposits, non-fixed term deposits, etc. which are yield enhancement deposits with expected but not guaranteed rates of return. The Directors considered the RMB wealth management products shall be classified as financial assets at FVTPL and the amount paid for the products approximates its fair value at the end of each reporting period.

(ii) The amount represents investment in a company listed on the Shanghai Stock Exchange and has been locked until June 30, 2022.

(iii) The unlisted fund investments are new investments, the fair value is close to investment cost.

12 PREPAYMENTS FOR INVESTMENT

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

Note:

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

13 TRADE AND BILLS RECEIVABLES

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

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

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

14 TRADE PAYABLES

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

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

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
Within 1 year	**82,643**	53,285
1 to 2 years	**1,421**	359
	84,063	53,644

As at June 30, 2022, all trade payables of the Group are expected to be settled within one year or are payable on demand.

15 SHARE CAPITAL

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Overview

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

Staff Building

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

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

Production Capacity Expansion

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

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

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

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

Business Capacity Development

1. Drug Non-clinical Business:

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

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

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

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

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

2. Drug Clinical Trial Services:

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

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

3. Cell-based Assay (CBA) Services:

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

4. Research Model Study:

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

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

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

Implementation of Featured Experiments

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

Marketing

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

1. Continue to maintain an unassailable lead in the core business line of non-clinical evaluation, proactively expand the customer base and increase the number of orders.

2. Keeping abreast with new technologies, new targets, new inhalants and new fields developed in China and elsewhere pursuant to the Company's development strategy, in particular, in the fields of innovative cell therapy (including new targets, multi-target CAR-T, NK cells, neoantigen cells, gene-edited cells), nucleotide drugs, innovative antibodies (including mAbs, bispecific antibody and multi-target antibody), innovative ADC (including bispecific ADC, new targets, new molecules), stem cell therapy (proportional and systematic administration of drugs) innovative PDC drugs and gene therapy (including oncolytic virus, AAV virus), innovative technical route-based vaccines, innovative inhalational macromolecular drugs and CNS drugs. For the sub-sectors of project commenced, the orders of reproductive toxicity, carcinogenesis tests, ophthalmic tests, inhalation tests and CNS tests have increased significantly. The Company will provide legal aid and technical support throughout the R&D process at the early stage to original innovators. In this way, the customers may have a full understanding of the legal and regulatory requirements for non-clinical drug evaluation. The Company can provide constructive opinions about drugs R&D to customers and make use of the resources of its comprehensive platform to help R&D organizations complete evaluation in the shortest possible time and start clinical trials of their products.

3. Step up marketing and publicity efforts in the new business segments, including clinical trials, clinical assays and quality assurance, and achieve the awareness of the Company's business lines among more target customers through more intensive online and offline promotions.

4. Strengthen synergy among the existing business lines. The sales force should be consolidated to make the most of the Company's market position in the non-clinical business sector and privileged access to project resources, grow and strengthen the upstream and downstream segments along the business chain, and offer high-quality one-stop services to the customers. These include JOINN's biomacromolecule CDMO, non-clinical evaluation, biological products assay, clinical CRO, and clinical assay. A number of projects have been completed. This can lead to time saving and efficiency improvement.

5. Expand oversea businesses continuously. Since the integrated operation of the Company with Biomere, the synergic effect of both sides deepens and enhances continuously by leveraging each of their advantages, and has achieved satisfying results in overseas business expansion. In the first half of 2022, Biomere continued to deliver strong performance. It received orders to the total amount of about RMB200 million in the year, marking a 30% YoY increase; while JOINN's China-based members achieved greater breakthroughs in receiving international orders, worth about RMB160 million, surging more than 100% YoY, reaching historic high.

II. Financial Review

Overview

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

Revenue

During the Reporting Period, revenue generated from our non-clinical studies services accounted for substantially all of our total revenue. The Group's revenue for the six months ended June 30, 2022 was RMB776.9 million, representing an increase of 45.3% as compared to RMB534.6 million for the six months ended June 30, 2021. The increase was primarily attributable to the expansion of our business.

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

	For the six months ended June 30,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Non-clinical studies services	**755,335**	**97.2**	525,158	98.3
Clinical trial and related services	**19,839**	**2.6**	8,149	1.5
Sales of research models	**1,707**	**0.2**	1,249	0.2
Total revenue	**776,881**	**100.0**	534,556	100.0

Cost of Services

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

The Group's cost of services for the six months ended June 30, 2022 was RMB398.9 million, representing an increase of 50.0% as compared to RMB266.0 million for the six months ended June 30, 2021, which was largely in line with our revenue growth and the increase of price of research models.

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

	For the six months ended June 30,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Non-clinical studies services	**386,356**	**96.9**	258,305	97.1
Clinical trial and related services	**11,326**	**2.8**	6,931	2.6
Sales of research models	**1,257**	**0.3**	749	0.3
Total cost of services	**398,939**	**100.0**	265,985	100.0

Gross Profit and Gross Profit Margin

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

For the six months ended June 30, 2022, the gross profit and gross profit margin was RMB377.9 million and 48.6%, respectively, as compared to RMB268.6 million and 50.2%, respectively, for the six months ended June 30, 2021. The increase in gross profit was mainly driven by our increased gross profit of our non-clinical studies services. Our gross profit margin slightly decreased for the six months ended June 30, 2022, primarily due to the increase of cost of services as discussed above.

Other Gains and Losses, Net

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

- For the six months ended June 30, 2022, the net foreign exchange gain was RMB18.8 million, representing a large gain as compared to the foreign exchange loss of RMB50.2 million for the six months ended June 30, 2021. The net foreign exchange gain was primarily due to exchange rate fluctuations.

- For the six months ended June 30, 2022, the interest income was RMB68.7 million, representing an increase of 2,492.8% as compared to RMB2.6 million for the six months ended June 30, 2021. The increase in interest income was primarily due to the funds from the global offering of H shares of the Company and the continuous improvement of the ability of capital management.

- For the six months ended June 30, 2022, the balance between the fair value of consideration and net assets acquired was RMB14.4 million, which is RMB Nil for the six months ended June 30, 2021. This was primarily due to the acquisition of Guangxi Weimei and Yunnan Yinmore on May 15, 2022.

Gains arising from changes in fair value of biological assets

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

Selling and Marketing Expenses

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

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

General and Administrative Expenses

Our general and administrative expenses primarily consist of staff costs relating to our administrative and management personnel, office expenses, depreciation and amortization expenses, expenses for research models, equity-settled share-based payment expenses, and others. The Group's general and administrative expenses for the six months ended June 30, 2022 was RMB158.8 million, representing an increase of 17.1% as compared to RMB135.6 million for the six months ended June 30, 2021. Our general and administrative expenses remained relatively stable for the six months ended June 30, 2022 as compared with the same period in 2021.

Research and Development Expenses

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

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

Finance Costs

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

Income Tax Expense

The Group's income tax expense for the six months ended June 30, 2022 was RMB64.8 million, representing an increase of 231.5% as compared to RMB19.5 million for the six months ended June 30, 2021. The increase was primarily due to the increased profits generated by the growth of our business.

The Group's effective tax rate for the six months ended June 30, 2022 was 14.9% (for the six months ended June 30, 2021: 11.3%). The increase was primarily due to the increased non-taxable income of Biomere for the same period in 2021.

Profit for the Period

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

Capital Management

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

Liquidity and Financial Resources

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

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

Gearing ratio

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

Foreign Exchange Exposure

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

Significant Investment Held

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Capital Expenditure and Commitments

The Group's capital expenditures for the six months ended June 30, 2022 primarily related to purchase of property, plant and equipment in relation to the expansion and enhancement of our facilities. For the six months ended June 30, 2022, the Group incurred RMB151.3 million in relation to capital expenditures as compared to RMB79.8 million for the same period in 2021.

Charges on Group Assets

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

Contingent Liabilities

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

Event after the end of the Reporting Period

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

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

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

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

Employee and Remuneration Policy

As at June 30, 2022, the Group had 2,276 employees, whose salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

During the Reporting Period, the total staff costs (including Director's emoluments) were approximately RMB303.0 million (for the same period in 2021: RMB212.7 million).

Future Plans for Material Investments

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

III. Outlook and Prospects

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

Strengthen non-clinical service offerings and expanding facilities

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

We will also expand our service capacity by building new facilities and expanding, renovation and upgrading our existing facilities in view of rising customer demands. Specifically, we plan to build a drug safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou, as well as laboratories for GLP-compliant non-clinical studies, breeding facilities for research models and central laboratories for clinical studies in Chongqing. We expect the Phase I of both facilities to commence operation in 2023. Also the establishment of the Suzhou facilities is in progress during 2022.

Expand global footprint and enhance global service capabilities

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

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

Broaden service offerings with a focus on clinical trial services

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

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

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

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

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

Expand research model facilities to support our non-clinical studies

We will continue to invest in building our research model production centers and laboratories in Wuzhou to develop, breed and produce high-quality research models, particularly non-human primates. High-quality non-human primate research models and pre-clinical research facilities are in high demand globally and will continue to attract global customers and researchers to China, promoting partnerships and collaborations in a broad array of research areas. During the first half of 2022, the construction of the Wuzhou base has essentially been completed. The Wuzhou base is expected to be a leading research model base in terms of quality and scale. At the same time, we will develop a proprietary research model production system to further enhance our production capacity and efficiency and the quality of our research models. We expect the new facilities under construction in Wuzhou to provide us with a solid foundation to further expand our scientific expertise in non-human primate research models, with an ultimate goal of producing a stable and adequate supply of non-human primate research models in the long term to support the growing demand for our non-clinical studies with improved cost efficiency.

Pursue acquisition and strategic opportunities

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2022 to the Shareholders.

Use of Proceeds from the Global Offering

The H shares of the Company were listed on the Hong Kong Stock Exchange on February 26, 2021 (the "**Listing Date**") and the over-allotment option described in the prospectus of the Company dated February 16, 2021 (the "**Prospectus**") was partially exercised on March 19, 2021 in respect of an aggregate of 40,800 H Shares, issued and allotted by the Company at HK$151.00 per H Share on March 24, 2021. The Company obtained the net proceeds in connection with the exercise of the global offering and the exercise of the over-allotment option amounted to approximately HK$6,373.6 million (the "**Net Proceeds**").

Having considered (i) the reasons for and benefits of the transactions as set out in the announcements in relation to the acquisition of Yunnan Yinmore and Guangxi Wemei dated April 28, 2022; and (ii) the reasons as stated in the announcement in the relation to proposed change in use of the Net Proceeds dated April 28, 2022, in order to better utilize the financial resources of the Group and to capture favourable investment opportunities, the Board has reviewed the utilization plan of the Net Proceeds and resolved to re-allocate part of the Net Proceeds amounting to approximately RMB788 million from the Global Offering to funding potential acquisitions of suitable (i) CROs focused on non-clinical studies, (ii) CROs focused on clinical trials, and/or (iii) research model production facilities in both China and overseas, which comprise, among others, the acquisition of Yunnan Yinmore and Guangxi Wemei.

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

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the Proceeds *(RMB million)*	Amount of net proceeds utilised as at June 30, 2022 *(RMB million)*	Balance of the unutilized net proceeds after proposed re-allocation *(RMB million)*	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(A) Expand the capacity of our Suzhou facilities for non-clinical Studies	**16.0**	**845.6**	**57.7**	**50.0**	**7.7**	
(i) renovating our existing laboratory and research model facilities in Suzhou	7.9	417.5	16.0	16.0	–	
(ii) constructing the infrastructure of our new facilities in Suzhou	1.7	89.8	36.7	29.0	7.7	By the end of 2022
(iii) procurement of cutting-edge equipment and laboratory technologies and investment in the research and development of novel, customized research models	5.5	290.7	5.0	5.0	–	
(iv) upgrading our technical and scientific research capabilities with international background at our Suzhou facilities	0.9	47.6	–	–	–	
(B) Strengthen our U.S. operations to cater to the rising customer demand for services provided by Biomere	**10.0**	**528.5**	**528.5**	**18.5**	**510.0**	
(i) upgrading our existing facilities and service team in northern California	7.6	401.7	401.7	18.5	383.2	1 to 2 years from Listing
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	2.4	126.8	126.8		126.8	1 to 2 years from Listing

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the Proceeds *(RMB million)*	Amount of net proceeds utilised as at June 30, 2022 *(RMB million)*	Balance of the unutilized net proceeds after proposed re-allocation *(RMB million)*	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(C) Further expand our facility network and service capabilities in China	**39.0**	**2,061.3**	**2,061.3**	**95.3**	**1,966.0**	
(i) building the Phase I of our new Guangzhou facilities with a focus on non-GLP and GLP-compliant non-clinical studies in Guangzhou	17.0	898.5	898.5	77.7	820.8	by the end of 2023
(ii) building the Phase I of our new laboratories, research model breeding facilities and clinical operations in Chongqing	17.0	898.5	898.5	10.4	888.1	by the end of 2023
(iii) enhancing our technical and scientific research capabilities at our Guangzhou and Chongqing facilities	2.6	137.4	137.4	7.2	130.2	3 to 5 years from Listing
(iv) developing cutting-edge laboratory and research model technologies	2.4	126.9	126.9	–	126.9	3 to 5 years from Listing
(D) Broaden and deepen our integrated CRO service offerings with a particular focus on further expanding our clinical trial and related services	**5.0**	**264.3**	**264.3**	**16.9**	**247.4**	
(i) hiring approximately 220 experienced clinical trial operation professionals who hold at least a bachelor's degree and who have at least two years of work experience in clinical operations, medicine, quality control, statistical analysis and analysis of clinical samples, with a focus on early-stage clinical trial projects	0.6	31.7	31.7	4.2	27.5	1 to 3 years from Listing
(ii) investing in business development efforts for our growing clinical trial business	0.4	21.2	21.2	–	21.2	1 to 3 years from Listing

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the Proceeds *(RMB million)*	Amount of net proceeds utilised as at June 30, 2022 *(RMB million)*	Balance of the unutilized net proceeds after proposed re-allocation *(RMB million)*	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(iii) procuring new equipment, technologies, systems, databases and infrastructure for use in clinical trials, as well as in the related services such as bioanalytical services, to strengthen our service quality and customer experience	4.0	211.4	211.4	12.7	198.7	1 to 3 years from Listing
(E) Fund potential acquisitions of suitable (i) CROs focused on non-clinical studies, (ii) CROs focused on clinical trials, and/or (iii) research model production facilities in both China and overseas	**20.0**	**1,057.0**	**1,844.9**	**844.6**	**1,000.3**	**1 to 3 years from Listing**
(F) Working capital and general corporate purposes	**10.0**	**528.5**	**528.5**	**195.4**	**333.1**	

Purchase, Sale or Redemption of Listed Securities

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

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and has complied with the applicable code provisions during the six months ended 30 June 2022.

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

Compliance with Model Code for Securities Transaction by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the six months ended 30 June 2022.

Audit Committee

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

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

Publication of Interim Results Announcement and Interim Report

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.joinn-lab.com).

The interim report for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

By order of the Board
JOINN Laboratories (China) Co., Ltd.
Feng Yuxia
Chairperson

Hong Kong, August 30, 2022

As at the date of this announcement, the Board comprises Ms. FENG Yuxia as the Chairperson and executive Director, Mr. ZUO Conglin, Mr. GAO Dapeng, Ms. SUN Yunxia and Dr. YAO Dalin as executive Directors, Mr. GU Xiaolei as a non-executive Director, and Mr. SUN Mingcheng, Dr. ZHAI Yonggong, Mr. OU Xiaojie and Mr. ZHANG Fan as independent non-executive Directors.