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 30 JUNE 2023

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 30 June 2023 (the "**Reporting Period**"), together with comparative figures for the same period of 2022.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023, the Group recorded the following results:

	Six months ended 30 June 2023 ***RMB'000*** **(Unaudited)**	Six months ended 30 June 2022 *RMB'000* (Unaudited)	Period-to-period change
Revenue	**1,012,077**	776,881	30.3%
Gross profit	**447,799**	377,942	18.5%
Profit for the period	**89,508**	370,384	-75.8%
Profit for the period attributable to equity shareholders of the Company	**90,627**	371,120	-75.6%
Net assets attributable to equity shareholders of the Company	**8,018,014**	7,398,296	8.4%

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023, as follows:

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

	Notes	**Six months ended 30 June 2023** ***RMB'000*** **(Unaudited)**	Six months ended 30 June 2022 *RMB'000* (Unaudited)
Revenue	*4*	**1,012,077**	776,881
Cost of services		**(564,278)**	(398,939)
Gross profit	*4(b)*	**447,799**	377,942
Other gains and losses, net	*5*	**99,769**	120,412
(Losses)/gains arising from changes in fair value of biological assets		**(198,770)**	131,321
Selling and marketing expenses		**(11,866)**	(8,184)
General and administrative expenses		**(159,703)**	(158,784)
Research and development expenses		**(56,933)**	(25,482)
Profit from operations		**120,296**	437,225
Finance costs	*6(a)*	**(1,681)**	(1,727)
Share of losses of an associate		**(1,679)**	(350)
Profit before taxation	*6*	**116,936**	435,148
Income tax	*7*	**(27,428)**	(64,764)
Profit for the period		**89,508**	370,384
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		**13,252**	12,852
		13,252	18,087
Total comprehensive income for the period		**102,760**	388,471

	Notes	**Six months ended 30 June 2023 *RMB'000* (Unaudited)**	Six months ended 30 June 2022 *RMB'000* (Unaudited)
Profit for the period attributable to:			
Equity shareholders of the Company		**90,627**	371,120
Non-controlling interests		**(1,119)**	(736)
Profit for the period		**89,508**	370,384
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**103,879**	389,207
Non-controlling interests		**(1,119)**	(736)
Total comprehensive income for the period		**102,760**	388,471
Earnings per share	*8*		
Basic (RMB)		**0.17**	0.70
Diluted (RMB)		**0.17**	0.69

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2023** ***RMB'000*** **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,270,082**	1,234,691
Intangible assets		**49,710**	50,442
Interest in an associate		**20,919**	22,598
Goodwill		**138,755**	133,739
Biological assets		**671,743**	787,419
Financial assets at FVTOCI		**158,720**	158,720
Financial assets at fair value through profit or loss ("**FVTPL**")	*10*	**511,232**	485,923
Certificates of deposits		**1,514,795**	1,478,774
Other non-current assets		**68,195**	50,891
Deferred tax assets		**33,179**	32,613
		4,437,330	4,435,810
Current assets			
Inventories		**307,292**	350,182
Contract costs		**889,337**	773,248
Biological assets		**931,112**	1,071,176
Contract assets		**104,877**	128,477
Trade and bills receivables	*11*	**169,835**	211,623
Prepayments and other receivables		**102,856**	68,381
Certificates of deposits		**21,688**	–
Financial assets at FVTPL	*10*	**214,442**	408,471
Cash at bank and on hand		**3,040,541**	2,916,848
		5,781,980	5,928,406
Current liabilities			
Interest-bearing borrowings		**–**	3,533
Trade payables	*12*	**49,150**	127,309
Contract liabilities		**1,394,820**	1,294,707
Other payables		**404,371**	335,504
Lease liabilities		**27,002**	24,006
Income tax payable		**25,055**	59,203
		1,900,398	1,844,262
Net current assets		**3,881,582**	4,084,144
Total assets less current liabilities		**8,318,912**	8,519,954

	Notes	**As at 30 June 2023** ***RMB'000*** **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Non-current liabilities			
Interest-bearing borrowings		**–**	3,281
Leases liabilities		**53,410**	56,887
Deferred tax liabilities		**163,246**	188,243
Deferred income		**78,196**	80,677
		294,852	329,088
NET ASSETS		**8,024,060**	8,190,866
CAPITAL AND RESERVES			
Share capital	*13*	**535,679**	535,679
Reserves		**7,482,335**	7,648,022
Total equity attributable to equity shareholders of the Company		**8,018,014**	8,183,701
Non-controlling interests		**6,046**	7,165
TOTAL EQUITY		**8,024,060**	8,190,866

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 25 August 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 26 February 2021.

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

2 BASIS OF PREPARATION

The interim condensed consolidated financial information 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 condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim condensed consolidated financial information 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 condensed consolidated financial information contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 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 31 December 2022 that is included in the interim condensed consolidated financial information 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 for the first time the following amendments to IFRSs issued by the IASB to the interim condensed consolidated financial information for the current accounting period:

- Amendments to IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar two model rules*

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in providing non-clinical drug safety assessment services to pharmaceutical and biotechnology companies. Further details regarding the Group's principal activities are disclosed in Note 4(b). Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by major service lines is as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
Rendering services:		
Non-clinical studies services	**976,681**	755,335
Clinical trial and related services	**31,332**	19,839
Sales of goods:		
Sales of research models	**4,064**	1,707
	1,012,077	776,881

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

As at 30 June 2023, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied were RMB3,870 million (31 December 2022: RMB4,400 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 gains/(losses) arising from changes in fair value of biological assets, 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.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

	Six months ended 30 June 2023			
	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	**976,681**	**21,740**	**4,064**	**1,002,485**
Over time	**–**	**9,592**	**–**	**9,592**
Revenue from external customer	**976,681**	**31,332**	**4,064**	**1,012,077**
Inter-segment revenue	**1,091**	**–**	**81,273**	**82,364**
Reportable segment revenue	**977,772**	**31,332**	**85,337**	**1,094,441**
Reportable segment gross profit	**432,375**	**10,021**	**2,922**	**445,318**

	Six months ended 30 June 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

(ii) Reconciliations of reportable segment gross profit

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
Reportable segment gross profit	**445,318**	371,709
Elimination of inter-segment gross loss	**2,481**	6,233
Consolidated gross profit	**447,799**	377,942

(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 30 June 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
The PRC	**722,607**	605,540
The others	**289,470**	171,341
	1,012,077	776,881

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
The PRC	**1,792,236**	1,880,102
The USA	**358,973**	348,787
	2,151,209	2,228,889

5 OTHER GAINS AND LOSSES, NET

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
Government grants (including amortisation of deferred income)	**15,108**	9,710
Interest income	**60,861**	68,683
Net foreign exchange gain	**15,081**	18,775
Net loss on disposal of property, plant and equipment	**(100)**	(142)
Gains on financial assets at FVTPL (realised)	**7,523**	5,024
Change in fair value of financial assets at FVTPL	**1,099**	3,792
Negative goodwill	**–**	14,366
Others	**197**	204
	99,769	120,412

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**85**	156
Interest on lease liabilities	**1,596**	1,571
	1,681	1,727

(b) Staff costs

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**264,758**	220,318
Contributions to defined contribution retirement schemes	**23,422**	15,270
Equity-settled share-based payment expenses	**3,156**	6,284
	291,336	241,872

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 abovementioned retirement scheme at their normal retirement age. The Group has a defined contribution plan in the USA where participating employees may contribute to the plan 7.65% of their eligible annual compensation as defined in the plan, up to the limit of USD160,200 in 2023. The Group also makes a matching contribution of participants' elective deferral contribution of 100% of the first 5% of eligible participant contributions in the USA. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

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

(c) Other items

	Six months ended 30 June 2023 *RMB'000*	Six months ended 30 June 2022 *RMB'000*
Amortisation of intangible assets	**3,754**	8,920
Depreciation charge		
– Owned property, plant and equipment	**37,373**	28,789
– Right-of-use assets	**16,088**	12,851
Recognition of expected credit loss	**4,084**	1,406

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

	Six months ended 30 June 2023 *RMB'000*	Six months ended 30 June 2022 *RMB'000*
Current tax		
Provision for the period	**53,350**	55,774
	53,350	55,774
Deferred tax		
Origination and reversal of temporary differences	**(25,922)**	8,990
	27,428	64,764

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB90,627,000 (Six months ended 30 June 2022: RMB371,120,000) and the weighted average number of ordinary shares calculated as below:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Issued ordinary shares at 1 January	**535,678,676**	381,246,492
Issue of shares under bonus issue in 2022	**–**	152,424,744
Effect of restricted shares	**(453,487)**	(189,532)
Effect of shares issued under share option schemes	**–**	4,900
Weighted average number of ordinary shares at 30 June	**535,225,189**	533,486,604

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 RMB90,627,000 (Six months ended 30 June 2022: RMB371,120,000), and the weighted average number of ordinary shares (diluted) calculated as below:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Weighted average number of ordinary shares at 30 June	**535,225,189**	533,486,604
Effect of restricted shares outstanding	**414,507**	1,696,145
Effect of shares of Employee Stock Ownership Plans outstanding *(i)*	**68,500**	–
Effect of deemed issue of shares under share option schemes	**1,230,998**	2,793,039
Weighted average number of ordinary shares (diluted) at 30 June	**536,939,194**	537,975,788

Note (i): On 17 November 2022, 2022 A Share Employee Ownership Plan were approved at the Company's second EGM of 2022. On 6 January 2023, the company has transferred 68,500 shares to the "2022 A Share Employee Ownership Plan" account through non-trading transfer, with a transfer price of RMB39.87 each share.

9 DIVIDENDS

(a) Interim dividend

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB Nil).

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

On 9 June 2023, the 2022 profit distribution plan of the Company was approved at the 2022 annual general meeting of the Company as follows:

- a dividend of RMB0.4 per ordinary share (inclusive of tax) to shareholders on the record date for determining the shareholders' entitlement to the 2022 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 2022 profit distribution plan.

Pursuant to the above 2022 profit distribution plan, the total dividend was paid by the Company in July 2023 and the corresponding shares were issued.

10 FINANCIAL ASSETS AT FVTPL

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Non-Current assets		
Equity investment in an unlisted company	**317,749**	317,749
Investments in unlisted funds (i)	**193,483**	168,174
	511,232	485,923
Current assets		
RMB wealth management products (ii)	**214,442**	381,326
Equity investments in a listed company (iii)	**–**	27,145
	214,442	408,471
	725,674	894,394

Notes:

(i) On 30 March 2022, the Company entered into a limited partnership agreement with Xiamen Yuanfeng Investment Co., Ltd. to subscribe for interests in Xiamen Yuanfeng Equity Investment Fund Partnership ("**Yuanfeng fund**") at a consideration of RMB200,000,000. The Company paid RMB130,000,000 in April 2022.

On 30 March 2022, the Company entered into a partnership agreement with Beiguang Huagai Private Equity Fund Management (Beijing) Co., Ltd. and other partners to subscribe for interests in Capital Health Fund at a consideration of RMB50,000,000. The Company paid RMB25,000,000 in April 2022 and paid RMB25,000,000 in May 2023.

(ii) The RMB wealth management products are not principal protected and have no fixed maturity periods.

(iii) On 21 June 2021, the Company participated in the strategic investor placement of Changchun BCHT Biotechnology Co., Ltd. ("**BCHT Biotechnology**")'s A-share IPO to purchase 1,200,000 shares at RMB43,620,000. As at 30 June 2023, all of the shares have been disposed.

11 TRADE AND BILLS RECEIVABLES

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Trade receivables	**175,157**	207,998
Less: loss allowance	**(12,589)**	(8,561)
	162,568	199,437
Bills receivables	**7,267**	12,186
	169,835	211,623

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Within 1 year	**144,216**	173,842
1 to 2 years	**15,110**	20,756
2 to 3 years	**2,543**	1,995
3 to 4 years	**699**	2,844
	162,568	199,437

12 TRADE PAYABLES

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Trade payables	**49,150**	127,309

As at 30 June 2023, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Within 1 year	**47,320**	126,749
1 to 2 years	**1,830**	560
	49,150	127,309

As at 30 June 2023, all trade payables of the Group are expected to be settled within one year or are payable on demand.

13 SHARE CAPITAL

	No. of shares	Amount
		RMB'000
Ordinary shares, issued:		
At 1 January 2022	381,246,492	381,246
Issue of restricted shares	366,300	366
Shares issued under share option scheme	1,516,647	1,517
Issue of shares under bonus issue	152,626,122	152,626
Cancellation of restricted shares	(76,885)	(76)
At 31 December 2022	535,678,676	535,679
At 30 June 2023	535,678,676	535,679

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 better adapt to dynamic changes in the market environment as well as the adjustment and upgrading of the corporate strategy and business model, and to further enhance the adaptability and synergy of each team, the Company built a division-based management mechanism to further the development of each business item. Amid the transition to the business division system, the Company adhered to the market demand as the keystone, while focusing on quality and efficiency. It scientifically devised staff building by deepening the reform of talent development system and mechanism, and gathering high-performance talents from all aspects into the construction of the business division-based system. As of the end of the Reporting Period, the Company had approximately 2,500 employees. The personnel efficiency continued to increase and the professional edge of the staff are significantly enhanced, which empowered the Company strongly in the transformation and serving customers better, efficiently and satisfactorily.

Production Capacity Building

The layout planning for JOINN Suzhou's Phase II 20,000 square meter facilities was completed, in which 12,000 square meter facilities are under construction design and expected to commence operation successively in the second half of 2023. The design and planning of the new facilities fully combines the conditions of existing facilities and changes in demand for future development of the Company. This construction has more reasonable layout and better functions. The construction of the new facilities will further improve the Company's business throughput, which would safeguard future business execution and performance growth. Meanwhile, in order to better facilitate business development and provide a more comfortable living and working environment for employees, JOINN Suzhou commenced the construction of a 22,000 square meter ancillary facility, which would functionally support the operation needs in many aspects. It is expected to be completed and put into use in 2024.

In accordance with the strategic planning and business needs of the Company, the construction of JOINN's drug safety assessment center in Guangzhou is currently progressing in an orderly manner.

The construction project of the Non-GLP laboratories of JOINN Express & Collabo Laboratories, a wholly-owned subsidiary focusing on new drug screening, is basically completed and has entered the operation and commissioning stage, it will be put into operation soon.

Business Capacity Development

(1) Drug Non-clinical Business

In order to support the research and development of innovative drugs, the Company continued to build capabilities and improve technologies in various fields on the basis of the existing comprehensive non-clinical evaluation platform, so as to maintain the Company's leading edge in the industry and meet more innovative differentiated market demands. In the first half of 2023, JOINN Laboratories (Suzhou) Co., Ltd. successfully passed the GLP re-inspection by the State Drug Administration and the GLP inspection of the veterinary drug program by the Veterinary Drug Review Center of the Ministry of Agriculture and Rural Affairs, which further improved the laboratory quality system.

In terms of the evaluation of segments such as ophthalmic drugs, the Company further developed and optimized more ophthalmic disease models, including monkey retinal edema model, corneal stromal clouding model, retinal photoreceptor damage model, retinal geotropic atrophy model, and keratitis model. For the animal behavioral evaluation of psychotropic drugs, in order to overcome the drawbacks of traditional behavioral evaluation methods, such as strong subjectivity, poor reproducibility, time-consuming and labor-intensive, the Company applied fully automated behavioral testing systems based on AI and behavioral genomics to the evaluation of a variety of CNS disease models such as Alzheimer's disease, Parkinson's disease and pains, which supported the non-clinical filing of a number of cutting-edge drugs, such as cell therapy and gene therapy drugs. At the innovation level of drug delivery technology, the use of MRI-guided brain stereotactic localization injection achieved 100% accuracy, avoiding confirming whether the injection site is accurate or not for traditional pathological section, and greatly improved the efficiency of the test; in terms of the cardiovascular drug evaluation, the Company developed and established the myocardial infarction efficacy model for rodent research models based on the traditional myocardial infarction model of non-rodent research models; meanwhile, the Company established the model of pulmonary hypertension in rodent normobaric hypoxic chamber. In addition, the Company set up a detection platform for drug transporters and metabolizing enzymes' endogenous substrates, which can be used for early clinical DDI risk assessment.

(2) Drug Clinical Trial Services

The clinical services segment of the Company continued to build and improve its service capabilities. The services covered all-round clinical operation services such as registration application, medical writing, project management and pharmacovigilance, involving IIT, early clinical and confirmatory clinical (phase I, phase II clinical trials), etc. The therapeutic area covers innovative genes and cell therapy drugs, tumours, metabolism, endocrine, neurology, rare diseases, etc. Most of the projects are directly transitioned from non-clinical research to clinical research, truly achieving seamless connexion, improving the one-time pass rate of review, saving a lot of time for project progress, reducing customers' research and development costs and management costs, and improving customer experience.

The clinical sample testing segment of the Company achieved outstanding performance growth. The service items cover clinical sample analysis and drug metabolism studies of innovative gene and cell therapy drugs, preventive vaccines, oncology therapeutic vaccines, innovative bispecific/multi-specific antibody drugs, innovative ADC drugs, innovative PROTAC drugs, monoclonal antibody drugs with innovative targets and innovative small molecule drugs, etc. The rapid transition of orders on hand from the method establishment and validation phase to the sample analysis and testing phase supported the significant growth in revenue from clinical sample testing. JOINN Medical Testing Laboratories (Beijing) Co., Ltd passed a number of inter-room quality assessments by the National Center for Clinical Laboratories, and assisted with the first patient drug delivery for a number of innovative gene therapy products. The Company established and validated cellular immunity solutions, which helped cellular immunity studies for a number of prophylactic biologics and therapeutic oncology vaccines (both non-individualized and individualized). The Company imported several batches of clinic trial samples from New Zealand and the USA, facilitating the biospecimen analysis of international multi-center clinical trials. "JOINN Clinical Testing" is committed to becoming a world-class clinical testing platform, providing one-stop clinical trial sample testing services for domestic and global innovative drug varieties.

(3) Research Model Study

In the first half of 2023, Aurora Bioscience, a subsidiary, created a variety of gene editing mouse models and cell models, including immunodeficiency models and humanized mouse models of the immune system, which are now undergoing non-clinical application research. It also successfully established mitochondrial gene editing, artificial placenta (tetraploid compensation technology) and lone female/lone male mouse stem cell platforms, which can provide customers with a variety of mature models and model customization services. In terms of large animals, it completed the breeding of gene-edited dog strains and phenotyping work in the first half of the year, and entered into sales cooperation with customers to carry out the customization of large animal models and technical services. In the second half of the year, it will continue to improve the standardization of related work and offer customers with products and technical services that meet their requirements.

In addition to gene editing models, the Company continued its endeavor to maintain high quality and high standards of existing key research models. It strived to stay at the forefront of the industry in terms of various management indicators. It can also provide spontaneous or induced disease models of non-human primates, and offer outsourcing services for pharmacological efficacy and mechanism of action studies by utilizing NHP disease models.

(4) Drug Quality Research and Testing Business

Primarily aimed at the quality research and testing of innovative drugs such as protein drugs, therapeutic vaccines, gene and cell therapy products, the Company set up a stable technical team, and established in-vivo and ex-vivo examination and testing methods, such as physicochemical analysis and biological assay. The major testing methods passed the CNAS certification and GLP certification. It has started its operation now.

Implementation of Featured Experiments

Implementation of evaluation in featured areas: In the first half of 2023, the Company was committed as usual to the quality of the experiments by strengthening the standardization of the experiments operation and ensuring the authenticity and accuracy of the data. Based on the above, the Company optimized and integrated the technical staff, and deployed experienced professionals to control the quality of the experimental program design and report writing, so as to fully ensure the scientificity and unity of projects. Meanwhile, the Company further optimized the project management process with an effort to ensure all businesses are carried out in a more reasonable and orderly manner, and to improve customer satisfaction. Starting from many aspects, such as management and technical innovation, the Company provided solid support for the increasing business demand. Hence, the Company maintained a steady growth trend as to the numbers of newly completed and ongoing projects. As of the end of the Reporting Period, the Company's overall orders on hand were approximately RMB3.87 billion, providing guarantee for future performance.

Marketing

In the first half of 2023, the domestic pharmaceutical industry as a whole was in a downturn due to the combined effect from various factors. Against this backdrop, there were some fluctuations in the orders placed with the Group. However, the Company adjusted its market strategy in a timely manner and continued to strengthen its innovation in technology and business areas. Orders improved significantly since the second quarter. During the Reporting Period, the Group's overall signed orders amounted to approximately RMB1.3 billion. In the first half of 2023, the highlights of the Company's marketing efforts were manifested as follows:

1. Continued to maintain the Company's leading market position in the core business of non-clinical evaluation, actively developed new customer groups and increased the number of orders from key customers.

2. Actively adjusted the market strategy and responded closely and efficiently to the customer demand for service since the second quarter. The number of newly signed projects increased substantially in the second quarter as compared with that of the first quarter.

3. Leveraging its strength in segmented market, the Company recorded a significant increase in the number of antibody-coupled drugs for innovative targets and toxins undertaken. The number of IPSC-induced cell-related projects also increased significantly.

4. In the United States (the "**USA**") market, overseas subsidiaries maintained stable operations and received orders amounting to approximately RMB240 million, representing a year-on-year increase of approximately 16%.

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 30 June 2023 was RMB1,012.1 million, representing an increase of 30.3% as compared to RMB776.9 million for the six months ended 30 June 2022. 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 30 June			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Non-clinical studies services	**976,681**	**96.5**	755,335	97.2
Clinical trial and related services	**31,332**	**3.1**	19,839	2.6
Sales of research models	**4,064**	**0.4**	1,707	0.2
Total revenue	**1,012,077**	**100.0**	776,881	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 30 June 2023 was RMB564.3 million, representing an increase of 41.4% as compared to RMB398.9 million for the six months ended 30 June 2022, which was largely in line with our revenue growth.

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 30 June 2023, the gross profit and gross profit margin was RMB447.8 million and 44.2%, respectively, as compared to RMB377.9 million and 48.6%, respectively, for the six months ended 30 June 2022. The increase in gross profit was mainly driven by our increased gross profit of our non-clinical studies services, which accounted for substantially all of our total revenue during the Reporting Period. Our gross profit margin decreased for the six months ended 30 June 2023, primarily due to the uncertainty of the gross profit margin of clinical trial and related services because of the early stage and it is low in this period, and the comparatively low utilization rate of facilities in JOINN LABORATORIES, CA Inc. which was put into production recently.

Other Gains and Losses, Net

For the six months ended 30 June 2023, other gains and losses, net was RMB99.8 million, represent a decrease of 17.1% as compared to RMB120.4 million for the six months ended 30 June 2022. The decrease in other gains and losses, net was mainly due to the impact of negative goodwill of RMB14.4 million for the six months ended 30 June 2022.

(Losses)/gains arising from changes in fair value of biological assets

For research models that remained as our biological assets at the end of the Reporting Period, we recognized loss of RMB198.8 million arising from changes in fair value of biological assets for the six months ended 30 June 2023, representing a loss as compared to gains of RMB131.3 million for the six months ended 30 June 2022. The loss was primarily due to the decrease in the fair value of biological assets, which is consistent with the decrease in the market value of the research model.

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 expenses, 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 30 June 2023 was RMB11.9 million, representing an increase of 45.0% as compared to RMB8.2 million for the six months ended 30 June 2022. The increase was primarily due to the increased marketing and promotion expenses.

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 30 June 2023 was RMB159.7 million, representing an increase of 0.6% as compared to RMB158.8 million for the six months ended 30 June 2022. Our general and administrative expenses remained relatively stable for the six months ended 30 June 2023 as compared with the same period in 2022.

Research and Development Expenses

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

The Group's research and development expenses for the six months ended 30 June 2023 was RMB56.9 million, representing an increase of 123.4% as compared to RMB25.5 million for the six months ended 30 June 2022. The increase was primarily due to the increase investment in research and development continuously.

Finance Costs

The Group's finance costs for the six months ended 30 June 2023 was RMB1.68 million, representing a decrease of 2.7% as compared to RMB1.73 million for the six months ended 30 June 2022. Our finance costs remained relatively stable for the six months ended 30 June 2023 as compared with the same period in 2022.

Income Tax Expense

The Group's income tax expense for the six months ended 30 June 2023 was RMB27.4 million, representing a decrease of 57.6% as compared to RMB64.8 million for the six months ended 30 June 2022. The decrease was primarily due to the decreased profits.

The Group's effective tax rate for the six months ended 30 June 2023 was 23.5% (for the six months ended 30 June 2022: 14.9%). The increase was primarily due to the losses arising from negative changes in fair value of biological assets relating to the relatively low tax rate.

Profit for the Period

As a result of the foregoing reasons, our profit for the period decreased by 75.8% from RMB370.4 million for the six months ended 30 June 2022 to RMB89.5 million for the six months ended 30 June 2023. Our net profit margin decreased from 47.7% for the six months ended 30 June 2022 to 8.8% for the six months ended 30 June 2023. The decrease in net profit was primarily due to reasons as follows:

- The laboratory services business continued steady growth during the Reporting Period and contributed a net profit of RMB195.3 million.

- The net loss arising from the changes in fair value of biological assets during the current period amounted to RMB183.0 million.

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 of 30 June 2023 were RMB3,040.5 million, representing an increase of 4.2% as compared to RMB2,916.8 million as at 31 December 2022. 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

As of 30 June 2023, the gearing ratio, calculated as total liabilities over total assets, was 21.5% and remained relatively stable compared with 21.0% as of 31 December 2022.

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.

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, renovating and upgrading our existing facilities in view of rising customer demands. Specifically, the layout planning was completed for JOINN Suzhou's Phase II 20,000 square meter facilities, in which 12,000 square meter facilities are under construction design and expected to put into operation successively in the second half of 2023. In accordance with the strategic planning of the Company, the construction of JOINN's drug safety assessment center in Guangzhou is currently progressing in an orderly manner.

Expand global footprint and enhance global service capabilities

We aim to build JOINN Labs as a premier global CRO brand by steadily advancing our global territory 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 USA 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 gradually 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 research and development needs and develop stable and long-term relationships with them. Furthermore, to better address the rising demand of the USA customers, we will fully utilize our California facilities to support our non-clinical studies.

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.

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 are committed to enhancing our value proposition by providing our clients with an integrated CRO service platform that covers the entire drug research and development cycle.

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

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 USA operations primarily through our subsidiary Biomere and our future USA 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.

Ensure research model quality to support our non-clinical studies

Non-human primate research models are used in ordinary course of business of the Company. Continued and stable supply of high-quality research models is fundamental to the development of non-clinical evaluation business. In order to ensure the non-clinical evaluation business would be carried out smoothly and the model preparation period shortened, the Company actively prepared and built a research model assurance system, which empowered the Company in the business development and delivered some competitive edge. Rigidly following the national regulations and industry quality norms, etc., the research model division of the Company established high-quality management standards, set up a professional, stable breeding technology team, adopted informatized, highly standardized management mode and accumulated ample research model background data. The division cultivated research models that meet the export standards to Europe and the USA and the China high supply standards. Meanwhile, the Company performed strict indicator testing and screening while purchasing non-human primate research models, in order to ensure the non-human primate research models used for testing conform to national and industry standards, and to avoid the intervention of animal quality with the reliability of research study data, thus affecting the results of drug safety assessment.

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 research and development 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

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 2023.

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 2023.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 to the Shareholders.

Use of Proceeds From the Global Offering

The H Shares were listed on the Stock Exchange on 26 February 2021 and the over-allotment option described in the Prospectus was partially exercised on 19 March 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 24 March 2021. The Company obtained net proceeds in connection with the exercise of the global offering and the exercise of the over-allotment option amounted to approximately HK$6,373.6 million (equivalent to approximately RMB5,285.2 million) (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the global offering and the over-allotment option) (the "**Net Proceeds**").

Having considered (i) the reasons for and benefits of the transactions as set out in the announcements in relation to the acquisition of Yunnan Yinmore and Guangxi Weimei dated 28 April 2022; and (ii) the reasons as stated in the announcement in the relation to proposed change in use of the Net Proceeds dated 28 April 2022, in order to better utilize the financial resources of the Group and to capture favourable investment opportunities, the Board has reviewed the utilization plan of the Net Proceeds and resolved to re-allocate part of the Net Proceeds amounting to approximately RMB787.9 million from the Global Offering to funding potential acquisitions of suitable (i) CROs focused on non-clinical studies, (ii) CROs focused on clinical trials, and/or (iii) research model production facilities in both China and overseas, which comprise, among others, the acquisition of Yunnan Yinmore and Guangxi Weimei.

For the period from the Listing Date up to 30 June 2023, the Company has used RMB2,412.7 million for the following purposes.

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the proceeds *(RMB million)*	Amount of net proceeds utilized as at 30 June 2023 *(RMB million)*	Amount of net proceeds utilised during the Reporting Period *(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 nonclinical Studies	**16.0**	**845.6**	**57.7**	**57.7**	**–**	**–**	
(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	36.7	–	–	
(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**	**71.5**	**26.1**	**457.0**	
(i) upgrading our existing facilities and service team in northern California	7.6	401.7	401.7	71.5	26.1	330.2	By the end of 2023
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	2.4	126.8	126.8	–	–	126.8	By the end of 2023

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the proceeds *(RMB million)*	Amount of net proceeds utilized as at 30 June 2023 *(RMB million)*	Amount of net proceeds utilised during the Reporting Period *(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**	**174.1**	**26.4**	**1,887.2**	
(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	141.3	19.2	757.2	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	11.1	0.3	887.4	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	21.7	6.9	115.7	By the end of 2026
(iv) developing cutting-edge laboratory and research model technologies	2.4	126.9	126.9	–	–	126.9	By the end of 2026

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the proceeds (RMB million)	Amount of net proceeds utilized as at 30 June 2023 (RMB million)	Amount of net proceeds utilised during the Reporting Period (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
(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**	**33.0**	**6.0**	**231.3**	
(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	8.3	0.6	23.4	By the end of 2024
(ii) investing in business development efforts for our growing clinical trial business	0.4	21.2	21.2	–	–	21.2	By the end of 2024
(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	24.7	5.4	186.7	By the end of 2024

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the proceeds *(RMB million)*	Amount of net proceeds utilized as at 30 June 2023 *(RMB million)*	Amount of net proceeds utilised during the Reporting Period *(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
(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	1,844.0	50.5	0.9	By the end of 2024
(F) Working capital and general corporate purposes	10.0	528.5	528.5	232.4	–	296.1	

Note: The Company will change the allocation of the amount of unutilized proceeds after 30 June 2023. For details, please refer to the announcement made by the Company on 30 August 2023.

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

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

Employee and Remuneration Policy

As at 30 June 2023, the Group had approximately 2,500 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 RMB291.3 million (for the same period in 2022: RMB241.9 million).

Future Plans for Material Investments

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

Purchase, Sale or Redemption of Listed Securities

On 30 March 2023 and 27 April 2023, the second and third meetings of the fourth session of the Board of Directors of the Company were convened respectively, at which the Board of Directors resolved and approved the proposed partial repurchase and cancellation of 3,293 Restricted A Shares under the 2019 Incentive Plan and 31,108 Restricted A Shares under the 2021 Incentive Plan. The relevant repurchase and cancellation was completed on 6 July 2023 for an aggregate consideration of approximately RMB1,884,805.29. For details, please refer to the announcements of the Company dated 30 March 2023 and 27 April 2023 and the overseas regulatory announcement dated 3 July 2023.

During the Reporting Period, the Company repurchased 2,409,500 H shares through trust for an aggregate consideration of HK$80,900,000 in accordance with the rules of the Share Incentive Scheme (H Shares).

Capital Expenditure and Commitments

The Group's capital expenditures for the six months ended 30 June 2023 primarily related to purchase of property, plant and equipment in relation to the expansion and enhancement of our facilities. For the six months ended 30 June 2023, the Group incurred RMB115.9 million in relation to capital expenditures as compared to RMB151.3 million for the same period in 2022.

Charges on Group Assets

As of 30 June 2023, the Group did not have any material charges over its assets.

Contingent Liabilities

The Group had no material contingent liabilities as of 30 June 2023.

Event after the End of the Reporting Period

Issue of Capitalization Shares pursuant to the 2022 Profit Distribution Plan

On 9 June 2023, the 2022 Profit Distribution Plan of the Company was approved at the 2022 annual general meeting, the second A share class meeting for 2023 and the second H share class meeting for 2023 of the Company. Pursuant to the 2022 Profit Distribution Plan, four Shares of the Company were issued for every ten Shares of the Company held by the shareholders of the Company (the "**Shareholders**") on the relevant record date by way of capitalization of reserve. Accordingly,33,998,630 H Shares and 180,245,794 A Shares were issued on 21 July 2023 and 25 July 2023, respectively, and the total number of Shares of the Company has changed to 749,888,699 Shares.

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 30 June 2023. The Audit Committee considers that the interim financial results for the six months ended 30 June 2023 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

Beijing, the PRC, 30 August 2023

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, and Mr. SUN Mingcheng, Dr. ZHAI Yonggong, Mr. OU Xiaojie and Mr. ZHANG Fan as independent non-executive Directors.