

昭衍

JOINN

北京昭衍新藥研究中心股份有限公司
JOINN LABORATORIES (CHINA) CO., LTD.

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

Stock Code: 6127

2023
INTERIM
REPORT

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Definitions

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

"2018 Share Option and Restricted Share Award Scheme"	a share option and restricted share award scheme adopted and approved by the Company on 27 February 2018, the principal terms of which are set out in the Prospectus
"2019 Share Option and Restricted Share Award Scheme"	a share option and restricted share award scheme adopted and approved by the Company on 15 August 2019, the principal terms of which are set out in the Prospectus
"2020 Share Option Scheme"	a share option scheme adopted and approved by the Company on 15 July 2020, the principal terms of which are set out in the Prospectus
"2021 A Share Employee Stock Ownership Plan"	an employee share award scheme adopted and approved by the Company on 19 January 2022, the principal terms of which are set out in the circular dated 30 December 2021
"2021 Restricted A Share Incentive Scheme"	a restricted share award scheme adopted and approved by the Company on 19 January 2022, the principal terms of which are set out in the circular dated 30 December 2021
"2022 A Share Employee Stock Ownership Plan"	an employee share award scheme adopted and approved by the Company on 18 November 2022, the principal terms of which are set out in the circular dated 31 October 2022
"2022 H Shares Incentive Scheme"	a H Shares award scheme adopted and approved by the Company on 24 June 2022, the principal terms of which are set out in the circular dated 26 May 2022
"A Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are listed for trading on the Shanghai Stock Exchange
"Associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Biomere"	Biomedical Research Models, Inc., a limited liability company incorporated in Massachusetts, the United States, on 11 December 1996 and acquired by our Company on 10 December 2019 to become a wholly-owned subsidiary of Joynn Laboratories (Delaware) Corporation, which is in turn wholly-owned by our Company
"Board"	the board of Directors

Definitions

“CG Code”	the “Corporate Governance Code” as contained in Part 2 Appendix 14 of the Listing Rules
“Chief Executive Officer”	chief executive officer of our Company
“Chief Financial Officer”	chief financial officer of our Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Company”, “Our Company” or “JOINN”	JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) which was incorporated in the PRC on 14 February 2008 and converted into a joint-stock company on 26 December 2012, the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 603127) and the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 6127)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Ms. Feng and Mr. Zhou
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the directors of the Company
“Employee Stock Ownership Plans”	the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan
“Global Offering”	the Hong Kong public offering and the international offering of the Shares
“Group”, “our Group”, “our”, “we” or “us”	the company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guangxi Weimei”	Guangxi Weimei Bio-Tech Co., Ltd (廣西瑋美生物科技有限公司), a company established under the laws of the PRC with limited liability
“H Shares”	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

Definitions

“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“JOINN Suzhou”	JOINN Laboratories (Suzhou) Co., Ltd. (昭衍(蘇州)新藥研究中心有限公司), which was incorporated in the PRC on 11 December 2008 with limited liability, and a wholly-owned subsidiary of our Company
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	26 February 2021
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Zhou”	Mr. Zhou Zhiwen (周志文), a Controlling Shareholder and the spouse of Ms. Feng
“Ms. Feng”	Ms. Feng Yuxia (馮宇霞), a Controlling Shareholder, the chairperson of the Board and an executive Director of our Company, and the spouse of Mr. Zhou
“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局)
“Post-IPO Restricted Share Award Scheme and ESOP”	the 2021 Restricted A Share Incentive Scheme, the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan
“Pre-IPO Share Option and Restricted Share Award Schemes”	the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme
“Prospectus”	the prospectus of the Company dated 16 February 2021
“Reporting Period”	the six months ended 30 June 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU”	restricted share awards granted pursuant to the Pre-IPO Share Option and Restricted Share Award Schemes and Post-IPO Restricted Share Award Scheme and ESOP

Definitions

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	shares (including the A Shares and the H Shares) in the share capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of our Share(s)
“Staidson”	Staidson (Beijing) Biopharmaceuticals Co., Ltd. (舒泰神(北京)生物製藥股份有限公司), a joint stock limited company incorporated under the laws of the PRC on 16 August 2002 and whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 300204), which is held as to 40.23% in aggregate by Mr. Zhou and Ms. Feng, which includes 37.15% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (燿昭(北京)醫藥科技有限公司) (which is directly held as to 47.60% by Mr. Zhou and 37.40% by Ms. Feng, respectively), 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管 – 招商銀行 – 華泰聚力16號集合資產管理計劃), and 1.11% by Mr. Zhou directly. Mr. Zhou is also the chairperson of the board of directors and legal representative of Staidson
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of our supervisory committee
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollar(s)”	United States dollar(s), the lawful currency of the United States
“Yunnan Yinmore”	Yunnan Yinmore Bio-Tech Co., Ltd (雲南英茂生物科技有限公司), a company established under the laws of the PRC with limited liability

Glossary of Technical Terms

“antibody”	means a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens, such as bacteria and viruses
“assay”	means an investigative analytical process in medicine, pharmacology or biology that aims to identify either the qualitative or quantitative presence or function of the analytical target, which can be a drug or biochemical substance or a cell in an organism or organic sample
“CRO”	means contract research organization, an entity that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
“distribution”	means in the context of DMPK, the process by which molecules are transported throughout the body
“DMPK”	means Drug Metabolism and Pharmacokinetics, studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
“drug discovery”	means the process through which potential new medicines are identified and may involve a wide range of scientific disciplines, including biology, chemistry and pharmacology
“metabolism”	means the chemical processes that occur within a living organism in order to maintain life, comprising catabolism (breakdown of large molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)
“pharmacokinetics”	means the branch of pharmacology concerned with the movement of drugs within the body
“pharmacology”	means the branch of medicine concerned with the uses, effects, and modes of action of drugs
“validation”	means a process that involves performing laboratory tests to verify that a particular instrument program, or measurement technique is working properly and is capable of being relied upon

BOARD OF DIRECTORS

Executive Directors

Ms. Feng Yuxia (*Chairperson of the Board*)
Mr. Zuo Conglin
Mr. Gao Dapeng
Ms. Sun Yunxia
Dr. Yao Dalin

Independent Non-executive Directors

Mr. Sun Mingcheng
Dr. Zhai Yonggong
Mr. Ou Xiaojie
Mr. Zhang Fan

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Gao Dapeng
Ms. Cheung Ka Lun Karen

AUTHORIZED REPRESENTATIVES

Ms. Feng Yuxia
Ms. Cheung Ka Lun Karen

AUDIT COMMITTEE

Mr. Sun Mingcheng (*Chairperson*)
Dr. Zhai Yonggong
Mr. Zhang Fan

REMUNERATION AND EVALUATION COMMITTEE

Mr. Ou Xiaojie (*Chairperson*)
Mr. Sun Mingcheng
Mr. Zuo Conglin

NOMINATION COMMITTEE

Dr. Zhai Yonggong (*Chairperson*)
Mr. Ou Xiaojie
Ms. Feng Yuxia

STRATEGIC DEVELOPMENT COMMITTEE

Ms. Feng Yuxia (*Chairperson*)
Mr. Zuo Conglin
Ms. Sun Yunxia
Mr. Ou Xiaojie

Corporate Information

STOCK CODE

Hong Kong Stock Exchange
(H Shares): 6127
Shanghai Stock Exchange
(A Shares): 603127

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered
in accordance with the Accounting and Financial
Reporting Council Ordinance
8/F, Prince's Building
10 Chater Road
Central
Hong Kong

LEGAL ADVISOR TO OUR COMPANY

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

As to PRC law
Tian Yuan Law Firm
Unit 509, Tower A
Corporation Square
35 Financial Street
Xicheng District
Beijing, 100033 China

COMPANY'S WEBSITE

www.joinnlabs.com

Financial Summary

	Six months ended 30 June		
	2023 RMB'000	2022 RMB'000	Change
	(Unaudited)	(Unaudited)	
Operating results			
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%
Profitability			
Gross profit margin	44.2%	48.6%	Decrease of 4.4 percentage point
Profit margin for the period	8.8%	47.7%	Decrease of 38.9 percentage point
Earnings per share			
Basic (RMB)	0.17	0.70	-75.7%
Diluted (RMB)	0.17	0.69	-75.4%
	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000	Change
	(Unaudited)	(audited)	
Total assets	10,219,310	10,364,216	-1.4%
Total liabilities	2,195,250	2,173,350	1.0%
Net assets	8,024,060	8,190,866	-2.0%
Equity attributable to the equity shareholders of the Company	8,018,014	8,183,701	-2.0%

Chairperson's Statement

Dear Shareholders,

In the first half of 2023, JOINN Laboratories continued to uphold its visions of “serve drug innovation, focus on safety assessment and monitoring of drug full-life cycle, ensure the drug use safety of patients and protect human healthy life”. Relying on the existing non-clinical evaluation business of drugs, JOINN Laboratories has promoted the building of upstream and downstream service capabilities in an orderly manner and continued to help customers accelerate new drug research and development with high quality and efficient services.

During the Reporting Period, in the face of the complex changes in the biopharmaceutical industry and the capital market environment, the Company maintained stable growth in its principal activities and demonstrated strong operational resilience. The Company achieved revenue of RMB1.012 billion, representing a year-on-year increase of 30.27%, and net profit from laboratory services of RMB195 million, representing a year-on-year increase of 30.82%. As of the end of the Reporting Period, the Company had orders in hand worth approximately RMB3.87 billion in total, offering guarantee to business growth in the future.

In the future, the Company will continue to improve the capability and quality of its research and development services, enhance informationization and automation construction to further improve service efficiency, and continue to focus on the improvement of its operation and management system. Meanwhile, the Company will actively respond to customers' needs according to changes in the industry and the market, and focus on strengthening its investment in and development of overseas markets, so as to continuously enhance its risk resistance and globalization service capabilities.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

(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 market, overseas subsidiaries maintained stable operations and received orders amounting to approximately RMB240 million, representing a year-on-year increase of approximately 16%.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 unit 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 of 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.

Significant Investments Held

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

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.

Management Discussion and Analysis

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 first A share class meeting for 2023 and the first 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 held by 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.

Employee and Remuneration Policy

As of 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 or Capital Assets

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

III. CHALLENGES AHEAD

Risk of changes in the international economic situation and weak development of the industry

As the current market sentiment in the PRC is relatively sluggish, the financing situation of the pharmaceutical industry is unsatisfactory, which may result in a decrease in investment in the pharmaceutical industry and drug innovation, and may in turn affect the Company's business development. In addition, there is a potential increase in the risk of geopolitical instability and rising trade protectionism, which may affect the Company's revenue from international business and the risk of exchange loss.

Risk of adherence and compliance of regulations

Since the Company provides pharmaceutical research and development services to customers in various countries and nations, the commencement of our projects is subject to various applicable legal and regulatory requirements. If the Company fails to comply with the relevant laws, regulations, industry standards or any future changes thereof properly, the reputation, business, financial condition, operating results and prospects of the Company may be negatively affected.

Management Discussion and Analysis

Risk of talent

Along with the expansion of business scale and expansion of business scopes of the Company, the Company has a greater need for talents with expertise in management, technology and marketing. However, the cultivation period of talents in the industry is long, and the Company's business development depends significantly on the cultivation and introduction of talents necessary for the current business and future business development of the Company. Along with the globalization of market competitions and increasing labor costs, introduction of required talents may become a difficult problem of the Company. At the same time, after recruiting relevant talents, the Company is also required to establish ideal career promotion paths for employees to avoid loss of talents.

Risk of market competition

Along with the continuous development of non-clinical CRO industry, the market competitions in the industry are increasingly intense. As other competitors in the industry have been expanding their productivities and increasing their experimental facilities, there may be a situation of oversupply. If the Company cannot maintain our own core competitive edges, we will be subject to serious challenges from other competitors in the industry and the profitability of the Company will be affected.

Risk of raw materials supply

The Company mainly procures research models for non-clinical studies from third parties. If the supplier cannot guarantee stable supply or increase the sale price of research models, the smooth progress of projects will be affected or the project costs of the Company will be increased, which ultimately brings negative impacts to the operating results of the Company.

Risk of failure to keep up with the times and not emphasizing technological innovation

An increasing number of pharmaceutical research and development institutions are being tilted to innovative drugs and new drug targets have been emerging, which requires the Company to follow the development trend of the industry to actively establish new technologies and methodologies, so as to maintain our leading position in the industry. If we fail to develop or adapt to new technologies and methodologies in a timely manner, the demands of customers for our services may decrease, thereby harming our business and prospects.

Risk of new business development

In order to maintain its industry leadership, the Company needs to continuously expand its business, including entering into new service areas, building new facilities and establishing new technological capabilities. These expansions require substantial investment in manpower and material resources. If they are not well organized, if the introduction of talents is not as expected, and if the projects are not in good progress, new revenues and profits will not be generated, which will result in a backlog of capital and difficulties in cost recovery, and will put pressure on the Company's current and future performance growth.

Management Discussion and Analysis

IV. 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 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.

Management Discussion and Analysis

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

INTERIM DIVIDEND

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

DISCLOSURE OBLIGATIONS AND CONTINUING DISCLOSURE UNDER THE LISTING RULES

Saved as disclosed in this Report, the Company had no other disclosure obligations under Rules 13.13, 13.14, 13.15, 13.20 and 13.21 of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of 30 June 2023, the interests or short positions of Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are registered in the register that the Company must keep in accordance with the section 352 of the Securities and Futures Ordinance; or which shall be separately notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name of Director	Title	Nature of Interest	Class of Shares	Number of Underlying Shares held ⁽²⁾	Approximate percentage in the relevant class of Shares ⁽³⁾	Approximate percentage in total Shares ⁽³⁾
Ms. Feng ⁽¹⁾	Chairperson of the Board, Executive Director	Beneficial Owner	A Shares	119,400,452 (L)	26.49%	22.29%
		Interest of Spouse	A Shares	53,375,701 (L)	11.84%	9.96%
Mr. Zuo Conglin	Executive Director	Beneficial Owner	A Shares	12,778,329 (L)	2.84%	2.39%
Ms. Sun Yunxia	Executive Director	Beneficial Owner	A Shares	2,833,899 (L)	0.63%	0.53%
Mr. Gao Dapeng	Executive Director, Secretary to the Board, Joint Company Secretary	Beneficial Owner	A Shares	303,504 (L)	0.07%	0.06%
Dr. Yao Dalin	Executive Director	Beneficial Owner	A Shares	131,270 (L)	0.03%	0.02%

Corporate Governance and Other Information

Notes:

- (1) Mr. Zhou is the spouse of Ms. Feng. Under the SFO, each of Ms. Feng and Mr. Zhou is deemed to be interested in the A Shares that the other person is interested in. Ms. Feng held 119,400,452 of our A Shares, representing 22.29% of our total issued share capital as of 30 June 2023 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Mr. Zhou held 53,375,701 of our A Shares, representing 9.96% of our total issued share capital as of 30 June 2023 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Therefore, Ms. Feng and Mr. Zhou are each deemed to be interested in a total of 172,776,153 Shares, representing 32.25% of our total issued share capital as of 30 June 2023 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).
- (2) The letter “L” denotes the person’s long position in the Shares.
- (3) As of 30 June 2023, the Company had 535,678,676 issued shares in total, comprised of 450,682,100 A Shares and 84,996,576 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

Save as disclosed above and in the section headed “Pre-IPO Share Option and Restricted Share Award Schemes”, so far as the Directors are aware, as of 30 June 2023, none of our Directors, Supervisors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors or chief executive of the Company are aware, as of 30 June 2023, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of Interest	Class of Shares	Number of Shares interested ⁽¹⁾	Approximate percentage in the relevant class of Shares ⁽²⁾	Approximate percentage in total Shares ⁽²⁾
Mr. Zhou	Beneficial owner	A Shares	53,375,701 (L) ⁽³⁾	11.84%	9.96%
	Interest of spouse	A Shares	119,400,452 (L) ⁽³⁾	26.49%	22.29%
UBS Group AG	Interest of controlled corporation	H Shares	9,289,904 (L)	10.93%	1.73%
Aggregate of abrdn plc affiliated investment management entities	Investment manager	H Shares	6,797,648 (L)	8.00%	1.27%
FIDELITY FUNDS	Beneficial owner	H Shares	10,730,600 (L)	12.62%	2.00%
Brown Brothers Harriman & Co.	Approved lending agent	H Shares	8,369,320 (L)	9.85%	1.56%
		H Shares	8,369,320 (P)	9.85%	1.56%
Morgan Stanley	Interest of controlled corporation	H Shares	6,813,087 (L)	8.02%	1.27%
		H Shares	4,938,783 (S)	5.81%	0.92%
FIL Limited	Interest of controlled corporation	H Shares	13,462,778 (L)	15.84%	2.51%
Pandanus Associates Inc.	Interest of controlled corporation	H Shares	13,462,778 (L)	15.84%	2.51%
Pandanus Partners L.P.	Interest of controlled corporation	H Shares	13,462,778 (L)	15.84%	2.51%
The Goldman Sachs Group, Inc.	Interest of controlled corporation	H Shares	4,956,413 (L)	5.83%	0.93%
		H Shares	3,443,161 (S)	4.05%	0.64%
JP Morgan Chase & Co.	Interest of controlled corporation	H Shares	1,637,141 (L)	1.93%	0.31%
		H Shares	1,809,174 (S)	2.13%	0.34%
	Investment manager	H Shares	1,057,300 (L)	1.24%	0.20%
	Person having a security interest in shares	H Shares	65,800 (L)	0.08%	0.01%
	Approved lending agent	H Shares	428,080 (L)	0.50%	0.08%
			428,080 (P)	0.50%	0.08%

Notes:

(1) (L) – Long Position, (S) – Short Position, (P) – Lending Pool.

(2) As of 30 June 2023, the Company had 535,678,676 issued shares in total, comprised of 450,682,100 A Shares and 84,996,576 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

(3) Please refer to note (1) in the sub-section “Interests in the Shares of the Company” above.

Corporate Governance and Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN MEMBERS OF THE GROUP (EXCLUDING THE COMPANY)

Name of Subsidiaries	Authorized share capital/ Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Shikang Frontier Biotechnology Co., Ltd. (北京視康前沿技術有限公司)	RMB1,000,000	Yao Ning (姚寧)	35
Aurora Bioscience Co., Ltd. (蘇州啟辰生物技術有限公司)	RMB10,000,000	Huang Wenjuan (黃雯涓)	45
JOINN Laboratories (Wuxi) Co., Ltd. (昭衍(無錫)新藥研究中心有限公司)	RMB50,000,000	Jiangsu Sinotau Molecular Imaging Science & Technology Co., LTD. (江蘇先通分子影像 技術有限公司)	20

Except as disclosed in this section, to the best knowledge of the Company, as of 30 June 2023, no person owns interests and short positions in the Shares and underlying Shares which shall be disclosed in accordance with Divisions 2 and 3 of Part XV of the SFO, or interests or short positions in 5% or above of relevant class of Shares that the Company must record in the register according to section 336 of the SFO.

PRE-IPO SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

The Company adopted the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme.

SUMMARY OF TERMS

The following is a summary of the principal terms of each of the Pre-IPO Share Option and Restricted Share Award Schemes:

(a) Purpose

The purpose of the Pre-IPO Share Option and Restricted Share Award Schemes is to establish the long-term incentive mechanism of the Company, attract and retain talents, mobilize the enthusiasm of the directors, senior management and key technical employees of the Company, foster shared interests among the shareholders, the Company and operators, thereby promoting sustained, long-term and healthy growth of the Company.

(b) Type of Awards

The Pre-IPO Share Option and Restricted Share Award Schemes provides for awards of options and RSUs ("Awards"), except the 2020 Share Option Scheme does not provide awards of RSUs.

Corporate Governance and Other Information

(c) Administration

The Shareholders' meeting is the highest authority of the Pre-IPO Share Option and Restricted Share Award Schemes. The Board is the managing authority of the Pre-IPO Share Option and Restricted Share Award Schemes. The board of Supervisors and independent non-executive Directors are the supervising authorities of the Pre-IPO Share Option and Restricted Share Award Schemes.

(d) Scope of Participants

The Directors, senior management and key technical employees of the Company (excluding independent non-executive Directors, Supervisors, shareholders that hold more than 5% of the Company's shares and the controlling shareholder and their spouses, parents, and children).

(e) Source of Shares

The Shares underlying the Pre-IPO Share Option and Restricted Share Award Schemes shall be A Shares issued by the Company to the grantees.

(f) Maximum Number of Shares

The maximum number of shares involved with the Awards to be granted to an eligible employee under all effective Pre-IPO Share Option and Restricted Share Award Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of shares involved with all effective Pre-IPO Share Option and Restricted Share Award Schemes shall not exceed 10% of the total outstanding share capital of the Company.

(g) Term of the Pre-IPO Share Option and Restricted Share Award Schemes

Subject to the termination provisions under the Pre-IPO Share Option and Restricted Share Award Schemes, the Pre-IPO Share Option and Restricted Share Award Schemes shall be valid and effective commencing on the date that the Awards are granted to when such Awards are no long under any lock-ups, fully exercised or cancelled. The term of validity shall not exceed 48 months.

The 2018 Share Option and Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme have already ended and the remaining life of the 2020 Share Option Scheme is around 12 months.

(h) Date of Grant

The date on which the Awards are granted shall be determined by the Board, subject to approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting, which shall be a trading day. The Awards shall be granted, registered and announced within 60 days after the approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting. Otherwise, the Pre-IPO Share Option and Restricted Share Award Schemes shall be terminated, and the Awards thereunder that have not been granted shall become invalid.

Corporate Governance and Other Information

(i) Lock-up Period and Vesting Period

The lock-up periods for the Awards underlying the Pre-IPO Share Option and Restricted Share Award Schemes are 12 months, 24 months and 36 months, respectively, commencing from the date the Awards were registered. During the lock-up period, the Awards shall not be transferred, used as guarantee or repayment of debt.

The vesting period for the outstanding options and RSUs under the Pre- IPO Share Option and Restricted Share Award Schemes shall be vested in accordance with the vesting periods as follows: (i) 50% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant ; (ii) 30% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant and (iii) as to 20% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant.

For the 2019 Share Option and Restricted Share Award Scheme, if the date of grant was in the year of 2020, the options and RSUs shall be vested in accordance with the vesting periods as follows: (i) 50% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant ; and (ii) 50% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant.

(j) Grant and Exercise of Awards

On and subject to certain terms of the Pre-IPO Share Option and Restricted Share Award Schemes, Awards can be granted to or exercised by any eligible employee, i.e., linking the grant and exercise of the Awards to the attainment or performance of milestones by the Company and the grantee. If the performance of the Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the Awards shall be repurchased or cancelled by the Company.

The term of validity of outstanding options and RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes shall not exceed 48 months. The exercise period of outstanding options and RSUs shall commence from the date on which such options and RSUs are no longer under any lock-ups and shall not exceed the validity period.

Corporate Governance and Other Information

(k) Basis of Determining the Exercise Price of the Options and Grant Price of the RSUs

The exercise price of the options under the Pre-IPO Share Option and Restricted Share Award Schemes shall not be lower than the nominal value of the Shares and shall not be lower than the higher of the following: (i) the average trading price of the A Shares for the last trading day preceding the respective date of the announcement of the Pre-IPO Share Option and Restricted Share Award Schemes (total trading amount for the last trading day/total trading volume for the last trading day); or (ii) the average trading price of the A Shares for the last 20 trading days preceding the respective date of the announcement of the Pre-IPO Share Option and Restricted Share Award Schemes (total trading amount of the A Shares of for the last 20 trading days/total trading volume of the A Shares of for the last 20 trading days).

The grant price of the RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes shall not be lower than the nominal value of the Shares and shall not be lower than the higher of the following: (i) 50% the average trading price of the A Shares for the last trading day preceding the respective date of the announcement of the Pre-IPO Share Option and Restricted Share Award Schemes (total trading amount for the last trading day/total trading volume for the last trading day); or (ii) 50% the average trading price of the A Shares for the last 20 trading days preceding the respective date of the announcement of the Pre-IPO Share Option and Restricted Share Award Schemes (total trading amount of the A Shares of for the last 20 trading days/total trading volume of the A Shares of for the last 20 trading days).

(l) Rights and Obligations of the Company

- (1) the Company has the right to interpret and implement the Pre-IPO Share Option and Restricted Share Award Schemes, and evaluate the performance of the grantee in accordance with the provisions of the Pre-IPO Share Option and Restricted Share Award Schemes. If the performance of the grantee does not fulfill the conditions under the Pre-IPO Share Option and Restricted Share Award Schemes, the Company will repurchase or cancel the Awards as stipulated by the Pre-IPO Share Option and Restricted Share Award Schemes.
- (2) the Company shall not to provide loans or financial assistance in any other forms to the grantee.
- (3) the Company shall promptly perform the obligations of declaration and information disclosure of the Pre-IPO Share Option and Restricted Share Award Schemes in accordance with relevant regulations.
- (4) the Company shall actively assist the grantee on exercising the Awards in accordance with the relevant provisions under the Pre-IPO Share Option and Restricted Share Award Schemes and relevant regulates of the CSRC, the Shanghai Stock Exchange and China Securities Depository and Clearing Company Limited (中國證券登記結算有限責任公司) (“CSDC”). However, if the grantee fails to exercise its Awards for the reasons that are attributable to the Shanghai Stock Exchange or CSDC, the Company shall not be liable for the losses causes to such grantee.
- (5) the determination of the grantee under the Pre-IPO Share Option and Restricted Share Award Schemes by the Company does not mean the grantee is entitled to serve the Company, nor does it constitute any commitment to the employment period of the grantee. The employment relationship between the Company and the grantee remains subject to the employment contract signed by the Company and the grantee.

Corporate Governance and Other Information

(m) Rights and Obligations of the Grantee

- (1) the grantee shall work diligently abide by professional ethics, making contributions to the development of the Company.
- (2) The grantee shall lock up its granted Awards in accordance with the provisions of the Pre-IPO Share Option and Restricted Share Award Schemes.
- (3) The source of funds of the grantee shall be self-raised funds.
- (4) When the Company distributes dividends, the grantee of options and RSUs shall receive dividends in proportion to the underlying A Shares of the options and RSUs respectively.
- (5) The grantee of RSUs shall be entitled to voting rights in respect of the underlying A Shares of the RSUs. The grantee of options shall only be entitled to voting rights in respect of the underlying A Shares of the options upon the exercise of such options and grant of the corresponding A Shares to the grantee.
- (6) The Awards granted under the Pre-IPO Share Option and Restricted Share Award Schemes shall not be transferred, used as guarantee or repayment of debt.
- (7) The grantee shall pay personal income tax and other taxes in accordance with relevant laws and regulations with regard to the income obtained from the Pre-IPO Share Option and Restricted Share Award Schemes.
- (8) In the event that the grantee ceases to be an eligible grantee before the granted Awards are fully exercised, the unvested Awards shall be repurchased or cancelled by the Company.
- (9) In the event that the grantee ceases to be an eligible grantee due to the false records, misleading statements or material omissions in the disclosed documents by the Company, the grantee shall return all the benefits obtained from the Pre-IPO Share Option and Restricted Share Award Schemes to the Company.
- (10) Upon the approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting, a written agreement shall be signed by and between the Company and each of the grantee, stipulating respective rights and obligations and other related matters under such Pre-IPO Share Option and Restricted Share Award Schemes.
- (11) Other rights and obligations stipulated by relevant laws, regulations and the Pre-IPO Share Option and Restricted Share Award Schemes.

Corporate Governance and Other Information

LIST OF GRANTEES UNDER THE PRE-IPO SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

The following table summarizes the number of underlying A Shares of the outstanding options under the Pre-IPO Share Option and Restricted Share Award Schemes as of 30 June 2023.

Name of Grantee	Position	Exercise Price (RMB/Share)	Date of Grant	Outstanding as of 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Vesting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of 30 June 2023
Directors										
Zuo Conglin	Vice Chairperson of the Board, Executive Director	47.91	17 July 2020	188,160	0	0	(Note 4)	0	0	188,160
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	47.91	17 July 2020	29,400	0	0	(Note 4)	0	0	29,400
Sun Yunxia	Executive Director, Vice General Manager	47.91	24 June 2020	211,680	0	0	(Note 3)	0	0	211,680
		47.91	17 July 2020	58,800	0	0	(Note 4)	0	0	58,800
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	47.91	17 July 2020	58,800	0	0	(Note 4)	0	0	58,800
Subtotal				546,840	0	0		0	0	546,840
Senior Management										
Yu Aishui	Chief Financial Officer	47.91	24 June 2020	9,800	0	0	(Note 3)	0	0	9,800
		47.91	17 July 2020	14,700	0	0	(Note 4)	0	0	14,700
Subtotal				24,500	0	0		0	0	24,500
Other employees										
		14.12	9 March 2018	667,335	0	0	(Note 1)	0	0	667,335
		16.97	9 September 2019				(Note 2)			
		47.91	24 June 2020				(Note 3)			
		47.91	17 July 2020				(Note 4)			
Total				1,238,675	0	0		0	0	1,238,675

Corporate Governance and Other Information

Notes:

- (1) This batch of outstanding options under the 2018 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 19 April 2019 and 18 April 2020; (ii) as to 30% of the aggregate number of options between 19 April 2020 and 18 April 2021; and (iii) as to 20% of the aggregate number of options between 19 April 2021 and 18 April 2022.
- (2) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 14 October 2020 and 13 October 2021; (ii) as to 30% of the aggregate number of options between 14 October 2021 and 13 October 2022; and (iii) as to 20% of the aggregate number of options between 14 October 2022 and 13 October 2023.
- (3) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 11 August 2021 and 10 August 2022; and (ii) as to 50% of the aggregate number of options between 11 August 2022 and 10 August 2023.
- (4) This batch of outstanding options under the 2020 Share Option Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options on between 31 August 2021 and 30 August 2022; (ii) as to 30% of the aggregate number of options between 31 August 2022 and 30 August 2023; and (iii) as to 20% of the aggregate number of options between 31 August 2023 and 30 August 2024.
- (5) The term of validity of outstanding options shall not exceed 48 months. And the exercise period of outstanding options shall commence from the date on which such options are no longer under any lock-up, to shall not exceed the validity period.
- (6) Exercise prices of the outstanding options will be adjusted according to the resolution in respect of the Company's dividend distribution and transfer from share premium in capital reserve to share capital.
- (7) The closing price of the Shares immediately before the date of grant of share options on 9 March 2018, 9 September 2019, 24 June 2020 and 17 July 2020 were RMB59.87, RMB62.81, RMB96.53 and RMB95.42, respectively.
- (8) The options available for grant under the 2018 Share Option Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme as of 1 January 2023 were 29,001,40,926 and 1,420,020, respectively.
- (9) The options available for grant under the 2018 Share Option Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme as of 30 June 2023 were nil, nil and 1,420,020, respectively.
- (10) No options were exercised under the 2018 Share Option Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme during the Reporting Period.

Corporate Governance and Other Information

The following table summarizes the number of underlying A Shares of the outstanding RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes as of 30 June 2023.

Name of Grantee	Position	Exercise Price (RMB/Share)	Date of Grant	Outstanding as of 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Vesting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of 30 June 2023
Directors										
Zuo Conglin	Vice Chairperson of the Board, Executive Director	9.81	9 March 2018	0	0	0	(Note 1)	0	0	0
		8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	9.81	9 March 2018	0	0	0	(Note 1)	0	0	0
		8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
Sun Yunxia	Executive Director, Vice General Manager	9.81	9 March 2018	0	0	0	(Note 1)	0	0	0
		8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	9.81	9 March 2018	0	0	0	(Note 1)	0	0	0
		8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
Subtotal				0	0	0		0	0	0
Senior Management										
Gu Jingliang		9.81	9 March 2018	0	0	0	(Note 1)	0	0	0
		8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
		23.74	24 June 2020	0	0	0	(Note 3)	0	0	0
Yu Aishui	Chief Financial Officer	23.74	24 June 2020	0	0	0	(Note 3)	0	0	0
Subtotal				0	0	0		0	0	0
Other employees										
		9.81	9 March 2018	0	0	0	(Note 1)	0	0	0
		8.21	9 September 2019	3,293	0	0	(Note 2)	0	0	3,293
		23.74	24 June 2020	0	0	0	(Note 3)	0	0	0
Total				3,293	0	0		0	0	3,293

Corporate Governance and Other Information

Notes:

- (1) This batch of outstanding RSUs under the 2018 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 19 April 2019 and 18 April 2020; (ii) as to 30% of the aggregate number of RSUs between 19 April 2020 and 18 April 2021; and (iii) as to 20% of the aggregate number of RSUs between 19 April 2021 and 18 April 2022.
- (2) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 14 October 2020 and 13 October 2021; (ii) as to 30% of the aggregate number of RSUs between 14 October 2021 and 13 October 2022; and (iii) as to 20% of the aggregate number of RSUs between 14 October 2022 and 13 October 2023.
- (3) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 11 August 2021 and 10 August 2022; and (ii) as to 50% of the aggregate number of RSUs between 11 August 2022 and 10 August 2023.
- (4) The term of validity of outstanding RSUs shall not exceed 48 months. And the exercise period of outstanding RSUs shall commence from the date on which such restricted shares are no longer under any lock-up, to shall not exceed the validity period.
- (5) Exercise prices of the outstanding RSUs will be adjusted according to the resolution in respect of the Company's dividend distribution and transfer from share premium in capital reserve to share capital.
- (6) The closing price of the Shares immediately before the date of grant of RSUs on 9 March 2018, 9 September 2019, 24 June 2020 were RMB59.87, RMB62.81, and RMB96.53, respectively.
- (7) The RSUs available for grant under the 2018 Share Option Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme as of 1 January 2023 were nil and nil, respectively.
- (8) The RSUs available for grant under the 2018 Share Option Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme as of 30 June 2023 were nil and nil, respectively.
- (9) No RSUs were exercised under the 2018 Share Option Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme during the Reporting Period.

POST-IPO RESTRICTED SHARE AWARD SCHEME AND ESOP

The Company adopted the 2021 Restricted A Share Incentive Scheme and 2021 A Share Employee Stock Ownership Plan on 19 January 2022 and 2022 A Share Employee Stock Ownership Plan on 18 November 2022.

The Company adopted 2021 Restricted A Share Incentive Scheme and 2021 A Share Employee Stock Ownership Plan on 19 January 2022.

Corporate Governance and Other Information

SUMMARY OF TERMS

(a) *Purpose*

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

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

(b) *Types of Awards*

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

(c) *Administration*

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

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

(d) *Scope of Participants*

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

As to the Employee Stock Ownership Plans, participants shall be supervisors, senior management or key technical (business) personnel of the Company. For the 2021 A Share Employee Stock Ownership Plan, the total number of participants shall not exceed 11, including 4 Supervisors and senior management personnel; for the 2022 A Share Employee Stock Ownership Plan, the total number of participants shall not exceed 20, including 4 Supervisors and senior management personnel.

Corporate Governance and Other Information

(e) Source

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

(f) Maximum Number of Shares

675,400 Restricted A Shares under the 2021 Restricted A Share Incentive Scheme was granted to the Participants, the underlying shares of which are RMB ordinary A Shares, representing approximately 0.13% of the total issued share capital of the Company as of the date of this report.

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

The 2021 A Share Employee Stock Ownership Plan has ended and the number of Shares to be subscribed for under the 2022 A Share Employee Stock Ownership Plan shall not exceed 124,000 Shares, representing approximately 0.023% of the total share capital of the Company as of 30 June 2023. The stake of each holder in the Employee Stock Ownership Plans shall be determined according to the actual payment made by the employees.

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

Subject to the termination provisions under the Post-IPO Restricted Award Scheme and ESOP, the term of the 2021 Restricted A Share Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted A Shares and end on the date on which all the Restricted Shares granted to the participants are unlocked or repurchased and cancelled, and shall not exceed 48 months. The remaining life of the 2021 Restricted A Share Incentive Scheme is around 24 months.

The term of the Employee Stock Ownership Plans shall be 48 months, commencing from the date on which the Company announces the last transfer of the underlying shares to the 2021 A Share Employee Stock Ownership Plan. As of the date of this report, no Share has been transferred to the grantees.

(h) Date of Grant

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

As of the date of this report, no grant has been made under the Employee Stock Ownership Plans.

Corporate Governance and Other Information

(i) Lock-up Period and Vesting Period

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

The vesting period for the outstanding RSUs under the 2021 Restricted A Share Incentive Schemes shall be vested in accordance with the vesting periods as follows: (i) 40% of the aggregate number of RSUs shall vest from the first trading day after expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant; (ii) 30% of the aggregate number of RSUs shall vest from the first trading day after expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant and (iii) as to 30% of the aggregate number of RSUs shall vest from the first trading day after expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant.

The vesting period for the shares under the 2021 A Share Employee Stock Ownership Plan shall be vested in accordance with the vesting periods as follows: (i) 40% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 12-month period from the date of announcement of the transfer of shares ; (ii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 24-month period from the date of announcement of the transfer of shares; and (iii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 36-month period from the date of announcement of the transfer of shares.

The vesting period for the shares under the 2022 A Share Employee Stock Ownership Plans shall be vested in accordance with the vesting periods as follows: (i) 50% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 12-month period from the date of announcement of the transfer of shares; (ii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 24-month period from the date of announcement of the transfer of shares; and (iii) 20% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 36-month period from the date of announcement of the transfer of shares.

Corporate Governance and Other Information

(j) Grant and Exercise of Awards

On and subject to certain terms of the 2021 Restricted A Share Incentive Scheme, the Restricted A Shares can be granted to by any eligible employee, i.e., linking the grant of the awards to the attainment or performance of milestones by the Company and the grantee. If the performance of the Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the awards shall be repurchased or cancelled by the Company.

On and subject to certain terms of the Employee Stock Ownership Plans, shares can be granted to by any eligible employee, i.e., linking the grant of the awards to the attainment or performance of milestones by the Company and the grantee. If the performance of the Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the undistributed portion shall be disposed of at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the individual. Where there is still revenue to be made after the return to the holders, the revenue shall be returned to the Company.

(k) Basis of Determining the Grant Price of the RSUs and Purchase Price of the Shares

The grant price of the RSUs under the 2021 Restricted A Share Incentive Schemes shall not be lower than the nominal value of the Shares and shall not be lower than the higher of the following: (i) 50% the average trading price of the A Shares for the last trading day preceding the date of the announcement of 2021 Restricted A Share Incentive Schemes (total trading amount for the last trading day/total trading volume for the last trading day); or (ii) 50% the average trading price of the A Shares for the last 20 trading days preceding the date of the announcement of 2021 Restricted A Share Incentive Schemes (total trading amount of the A Shares of for the last 20 trading days/total trading volume of the A Shares of for the last 20 trading days).

The purchase price of the shares under the Employee Stock Ownership Plans shall be 50% of the average trading price of the Shares on the trading day preceding the respective date of the announcement of the Employee Stock Ownership Plans. The purchase price of the shares under the Employee Stock Ownership Plans are determined by the Company with reference to relevant policies and other cases of listed companies, taking into account factors such as the implementation effect of the Company's historical share incentive scheme, the trend of the Company's share price in recent years and the actual situation of the Company. The purpose of the above pricing method is to ensure the effectiveness of the Employee Stock Ownership Plans, further stabilize and motivate the core team, and provide mechanism and talent guarantee for the long-term and stable development of the Company.

Corporate Governance and Other Information

LIST OF GRANTEES UNDER THE POST-IPO RESTRICTED SHARE AWARD SCHEME AND ESOP

The following table summarizes the number of underlying A Shares of the outstanding RSUs under the 2021 Restricted A Share Incentive Scheme as of 30 June 2023.

Name of Grantee	Exercise Price (RMB/Share)	Date of Grant	Outstanding as of 1 January 2023	Grant during the period	Exercised during the period ⁽³⁾	Vesting Period and Exercise Period	Canceled during the period	Lapsed during the period	Outstanding as of 30 June 2023
Key technical (business) personnel (297 persons)	59.72	28 January 2022	512,820	0	187,880	(Notes 1&2)	0	0	324,940

Note:

1. This batch of outstanding RSUs under the 2021 Restricted A Share Incentive Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 40% of the aggregate number of Restricted Shares between 29 March 2023 and 28 March 2024; (ii) as to 30% of the aggregate number of RSUs between 29 March 2024 and 28 March 2025; and (iii) as to 30% of the aggregate number of RSUs between 29 March 2025 and 28 March 2026.
- (2) The term of validity of outstanding RSUs shall not exceed 48 months. And the exercise period of outstanding RSUs shall commence from the date on which such restricted shares are no longer under any lock-ups and shall not exceed the validity period.
- (3) On 30 March 2023, the second meeting of the fourth session of the Board of Directors of the Company considered and approved the resolution on "Repurchasing and Cancelling Some Restricted Shares under the 2021 Restricted A Share Incentive Scheme" and the resolution on the "Fulfillment of the Unlocking Conditions for the First Unlocking Period under the 2021 Restricted A Share Incentive Scheme". On 21 April 2023, 187,880 A Shares were unlocked and the weighted average closing price of the A Shares on 20 April 2023 was RMB55.9969.
- (4) The total number of RSUs available for grant under the 2021 Restricted A Share Incentive Scheme was 512,820 and as of 30 June 2023 nil RSU was available for further grant.
- (5) The closing price of the Shares immediately before the date of grant of RSUs on 28 January 2022 was RMB97.24.

During the Reporting Period, the 2021 A Share Employee Stock Ownership Plan has ended and the maximum number of Restricted Shares approved to be subscribed by the participants under the 2022 A Share Employee Stock Ownership Plan has not been subscribed by the eligible participants, representing approximately 0.013% of the Company's issued share capital as of 30 June 2023.

The number of Shares that may be issued in respect of the options and RSUs granted under all schemes during the Reporting Period represented 0.23% and 0.096% of the weighted average number of Shares of the relevant class in issue for the Reporting Period, respectively.

2022 H SHARES INCENTIVE SCHEME

The Company adopted the 2022 H Shares Incentive Scheme on 24 June 2022.

Summary of Terms

(a) *Purpose of the Scheme*

The purposes of the 2022 H Shares Incentive Scheme are (i) to attract and retain the core management team, to fully mobilize the enthusiasm of employees, and to promote sustainable business development; (ii) to align the interests of the employees and the Shareholders, and to strengthen the concept and corporate culture of the sustainable development of the Company and individuals; and (iii) to promote the further improvement of the Company's business performance and to jointly achieve the Company's strategic objectives.

(b) *Type of Awards*

The 2022 H Shares Incentive Scheme provides for awards of H Shares.

(c) *Participants of the Scheme*

The scope of eligible participants shall include any full-time employee (including Director, Supervisor, senior management, mid-level management, basic-level management, core technical personnel and other technical personnel) of any members of the Group, whether within PRC or not.

(d) *Source*

The source of 2022 H Shares Incentive Scheme shall be H Shares to be acquired by the Trustee. The Trustee may accept Shares transferred, gifted, assigned, or conveyed to the Trust from any party designated by the Company from time to time in such number as such party designated by the Company may at their sole discretion determine, which shall constitute part of the trust fund.

(e) *Maximum Number of Shares*

The maximum size of the 2022 H Shares Incentive Scheme shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than RMB600 million (the "**Scheme Limit**").

The Company shall not make any further grant of Award which will result in the aggregate number of H Shares underlying all grants made pursuant to the Share Incentive Scheme (excluding Award Shares that have been lapsed, cancelled, forfeited in accordance with the Share Incentive Scheme) to exceed the Scheme Limit without Shareholders' approval.

There is no maximum entitlement limit for each participant in the 2022 H Shares Incentive Scheme.

Corporate Governance and Other Information

(f) Vesting Period

The Board or its delegate(s) may from time to time while the 2022 H Shares Incentive Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Vesting of an award shall be subject to fulfilment of each of the following conditions: (i) fulfilment of all of the vesting criteria and conditions as determined by the Board or its delegated authority at their absolute discretion; (ii) the selected participant shall remain an eligible participant as of the vesting date; and (iii) the selected participant has not been dismissed by any member of the Group, has not been adjudged bankrupt or insolvent, has not been convicted of any offences involving fraud, dishonesty or corruption, and has not been prosecuted or convicted of any offences under SFO or other rules or regulations of similar nature.

(g) Term

Subject to the termination provisions under the 2022 H Shares Incentive Scheme, the term of the 2022 H Shares Incentive Scheme shall be 10 years commencing on the date of adoption, 24 June 2022. The remaining life of the 2022 H Shares Incentive Scheme is around 9 years.

(h) Basis of Determining the Price of the H Shares

There is no purchase price of the H shares under the 2022 H Shares Incentive Scheme.

LIST OF GRANTEES UNDER THE 2022 H SHARES INCENTIVE SCHEME

During the Reporting Period, no H Shares have been awarded to the eligible participants under the 2022 H Shares Incentive Scheme. During the Reporting Period, the Company has repurchased 2,409,500 H Shares through the Trust at a total consideration of HK\$80,900,000, representing 0.45% of the total issued share capital as of the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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).

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in 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.

AUDIT COMMITTEE

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

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls, risk management and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended 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.

MATERIAL LITIGATION AND ARBITRATION

For the six months ended 30 June 2023, the Group did not have any material litigation or arbitration.

Corporate Governance and Other Information

CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(i) Change in Directors and Composition of Board Committees

For the six months ended 30 June 2023, Mr. Gu Xiaolei has resigned as a non-executive Director and a member of the Strategic Development Committee of the Board since 27 April 2023. Save as the aforesaid, there were no changes in Directors and composition of Board Committees.

(ii) Change in Supervisors

For the six months ended 30 June 2023, there were no changes in Supervisors.

(iii) Change in Biographies of Directors and Supervisors

For the six months ended 30 June 2023, there were no changes in biographies of Directors and Supervisors.

(iv) Change in Senior Management

For the six months ended 30 June 2023, there were no changes in senior management.

For the six months ended 30 June 2023, there was no change in the employees and remuneration policies of the Company. A review of the employees and remuneration policies of the Group during the Reporting Period is set out in "Management Discussion and Analysis – II. Financial Review – Employees and Remuneration Policy" in this report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares 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.

Corporate Governance and Other Information

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 of 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	-	-	-	-	

Corporate Governance and Other Information

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the proceeds (RMB million)	Amount of net proceeds utilized as of 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
(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
(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

Corporate Governance and Other Information

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the proceeds (RMB million)	Amount of net proceeds utilized as of 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

Corporate Governance and Other Information

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the proceeds (RMB million)	Amount of net proceeds utilized as of 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.

Ms. Feng Yuxia

Chairperson of the Board

Hong Kong, 30 August 2023

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For six months ended 30 June 2023
(Expressed in RMB)

	Note	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)			
<i>Items that will not be reclassified to profit or loss:</i>			
– Equity investments at fair value through other comprehensive income (“FVOCI”) – net movement in fair value reserve (non-recycling)		–	5,235
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange differences on translation of financial statements of foreign operations		13,252	12,852
		13,252	18,087
Total comprehensive income for the period		102,760	388,471

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For six months ended 30 June 2023
(Expressed in RMB)

	Note	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			
Basic (RMB)	8	0.17	0.70
Diluted (RMB)		0.17	0.69

Unaudited Consolidated Statement of Financial Position

At 30 June 2023
(Expressed in RMB)

	Note	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	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	10	671,743	787,419
Financial assets at FVOCI		158,720	158,720
Financial assets at FVTPL	11	511,232	485,923
Certificates of deposits		1,514,795	1,478,774
Other non-current assets	12	68,195	50,891
Deferred tax assets	22(b)	33,179	32,613
		4,437,330	4,435,810
Current assets			
Inventories	13	307,292	350,182
Contract costs	14	889,337	773,248
Biological assets	10	931,112	1,071,176
Contract assets	15(a)	104,877	128,477
Trade and bills receivables	16	169,835	211,623
Prepayments and other receivables	17	102,856	68,381
Certificates of deposits		21,688	–
Financial assets at FVTPL	11	214,442	408,471
Cash at bank and on hand	18	3,040,541	2,916,848
		5,781,980	5,928,406
Current liabilities			
Interest-bearing borrowings		–	3,533
Trade payables	19	49,150	127,309
Contract liabilities	15(b)	1,394,820	1,294,707
Other payables	20	404,371	335,504
Lease liabilities		27,002	24,006
Income tax payable	22(a)	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

Unaudited Consolidated Statement of Financial Position

At 30 June 2023
(Expressed in RMB)

	Note	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (audited)
Non-current liabilities			
Interest-bearing borrowings		–	3,281
Leases liabilities		53,410	56,887
Deferred tax liabilities	22(b)	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	24	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

Unaudited Consolidated Statement of Changes in Equity

For six months ended 30 June 2023
(Expressed in RMB)

Attributable to equity shareholders of the Company										
Note	Share capital RMB'000 Note(24)	capital reserve RMB'000	Share award reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2023	535,679	5,480,135	(53,154)	119,511	3,145	92,412	2,005,973	8,183,701	7,165	8,190,866
Changes in equity for six months ended 30 June 2023:										
Profit for the period	-	-	-	-	-	-	90,627	90,627	(1,119)	89,508
Other comprehensive income	-	-	-	-	13,252	-	-	13,252	-	13,252
Total comprehensive income	-	-	-	-	13,252	-	90,627	103,879	(1,119)	102,760
Shares transferred under employee stock ownership plan	-	(2,655)	5,386	-	-	-	-	2,731	-	2,731
Unlock of restricted shares	-	-	11,220	-	-	-	-	11,220	-	11,220
Share held for Share Incentive Schemes	-	-	(72,327)	-	-	-	-	(72,327)	-	(72,327)
Recognition of share-based payments	21	3,156	-	-	-	-	-	3,156	-	3,156
Recognition of tax effect related with share-based payments	-	(88)	-	-	-	-	-	(88)	-	(88)
Dividends declared in respect of the previous year	-	-	-	-	-	-	(214,258)	(214,258)	-	(214,258)
Balance at 30 June 2023	535,679	5,480,548	(108,875)	119,511	16,397	92,412	1,882,342	8,018,014	6,046	8,024,060

Unaudited Consolidated Statement of Changes in Equity

For six months ended 30 June 2023
(Expressed in RMB)

Note	Attributable to equity shareholders of the Company									
	Share capital	capital reserve	Share award reserve	Statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	381,246	5,543,570	(3,935)	87,428	(20,569)	47,312	1,101,162	7,136,214	8,222	7,144,436
Changes in equity for six months ended 30 June 2022:										
Profit for the period	-	-	-	-	-	-	371,120	371,120	(736)	370,384
Other comprehensive income	-	-	-	-	12,852	5,235	-	18,087	-	18,087
Total comprehensive income	-	-	-	-	12,852	5,235	371,120	389,207	(736)	388,471
Issue of restricted shares	366	30,392	(30,758)	-	-	-	-	-	-	-
Shares issued under share option scheme	30	1,954	-	-	-	-	-	1,984	-	1,984
Recognition of share-based payments 21	-	6,284	-	-	-	-	-	6,284	-	6,284
Recognition of tax effect related with share-based payments	-	1,856	-	-	-	-	-	1,856	-	1,856
Dividends declared in respect of the previous year	-	-	-	-	-	-	(137,249)	(137,249)	-	(137,249)
Balance at 30 June 2022	381,642	5,584,056	(34,693)	87,428	(7,717)	52,547	1,335,033	7,398,296	7,486	7,405,782

Unaudited Consolidated Cash Flow Statement

For six months ended 30 June 2023
(Expressed in RMB)

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Operating activities		
Cash generated from operations	336,537	589,749
Income tax paid	(90,527)	(44,255)
Net cash generated from operating activities	246,010	545,494
Investing activities		
Acquisition of a subsidiary, net of cash acquired	(90,060)	(753,179)
Payment for acquisition of equity investment in an unlisted company at FVTPL	–	(317,425)
Payment for acquisition of RMB wealth management products	(120,000)	(215,000)
Payment for investments in unlisted funds	(25,000)	(155,000)
Purchase of property, plant and equipment	(100,990)	(115,337)
Purchase of intangible assets	(3,060)	(1,495)
Payment for acquisition of certificates of deposits	(30,000)	–
Proceeds from disposal of RMB wealth management products	293,525	609,347
Proceeds from disposal of equity investment in a listed company	27,516	6,827
Dividends received from investments in unlisted funds	1,300	–
Proceeds from disposal of property, plant and equipment	44	10
Release of restricted deposits	4,418	–
Government grant received related to assets	200	–
Net cash used in investing activities	(42,107)	(941,252)
Financing activities		
Proceeds from shares issued under share option schemes	–	1,983
Proceeds from issuance of restricted shares	–	30,758
Repayment of interest-bearing borrowings	(6,816)	(1,702)
Share held for Share Incentive Schemes	(72,328)	–
Payments for cancellation of restricted shares	(672)	(74)
Interest paid	(85)	(156)
Capital element of lease rentals paid	(13,531)	(11,862)
Interest element of lease rentals paid	(171)	(150)
Net cash generated from financing activities	(93,603)	18,797
Effect of foreign exchange rate changes on cash and cash equivalents	17,779	23,824
Net increase/(decrease) in cash and cash equivalents	128,079	(353,137)
Cash and cash equivalents at 1 January	2,899,470	4,150,396
Cash and cash equivalents at 30 June	3,027,549	3,797,259

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司, the “Company”) was incorporated in the People’s Republic of China (the “PRC”) as a joint stock limited liability company under the PRC laws. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering of A shares and listed on the Shanghai Stock Exchange (stock code: 603127.SH) on 25 August 2017. The Company’s H shares got listed on the Main Board of The Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (stock code: 6127.HK) on 26 February 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”). It was authorised for issue on 30 August 2023.

The interim financial report 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 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 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 financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES

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

- 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 RMB'000	Six months ended 30 June 2022 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 of 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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

- ***Non-clinical studies services***

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

- ***Clinical trial and related services***

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

- ***Sales of research models***

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

(i) Segment results

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

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

The Group's other operating income and expenses, such as other gains and losses, net and 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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

	Six months ended 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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment gross profit

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

5. OTHER GAINS AND LOSSES, NET

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

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(Expressed in RMB unless otherwise indicated)

6. PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 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.

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(Expressed in RMB unless otherwise indicated)

6. PROFIT BEFORE TAXATION (CONTINUED)

(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

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(Expressed in RMB unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB95,048,000 (six months ended 30 June 2022: RMB169,338,000) for the expansion of production facilities and research capacity.

10. BIOLOGICAL ASSETS

The biological assets of the Group are mainly including research models for non-clinical studies which are classified as current assets, and research models for breeding which are classified as non-current assets of the Group.

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets		
– Non-human primates for breeding	671,743	787,405
– Rodents for breeding	–	14
	671,743	787,419
Current assets		
– Non-human primates for non-clinical studies	931,112	1,071,026
– Rodents for non-clinical studies	–	150
	931,112	1,071,176
	1,602,855	1,858,595

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(Expressed in RMB unless otherwise indicated)

10. BIOLOGICAL ASSETS (CONTINUED)

(a) Analysis of non-human primates

	Non-human primates for breeding RMB'000	Non-human primates for non-clinical studies RMB'000	Total RMB'000
At 1 January 2022	74,102	160,208	234,310
Additions through acquisition of subsidiaries	674,185	1,018,865	1,693,050
Breeding cost*	–	15,321	15,321
Decrease due to sales	–	(415,573)	(415,573)
Decrease due to mortality	(515)	(1,235)	(1,750)
Changes in fair value of biological assets	13,969	319,104	333,073
Transfer	25,664	(25,664)	–
At 31 December 2022	787,405	1,071,026	1,858,431
Increase due to purchasing/raising	–	17,420	17,420
Breeding cost*	–	10,526	10,526
Decrease due to sales	–	(82,255)	(82,255)
Decrease due to mortality	(421)	(2,076)	(2,497)
Changes in fair value of biological assets	(139,544)	(59,226)	(198,770)
Transfer	24,303	(24,303)	–
At 30 June 2023	671,743	931,112	1,602,855

Note:

- * Breeding cost incurred for non-human primates mainly include feeding costs, staff costs, depreciation and amortisation expenses and utilities costs. Breeding cost incurred for non-human primates for breeding has been charged to profit or loss.

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(Expressed in RMB unless otherwise indicated)

10. BIOLOGICAL ASSETS (CONTINUED)

(b) Fair value measurement of biological assets

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

The Group's non-human primates were revalued as of 30 June 2023. The valuations were carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The Group's finance manager and the chief financial officer have discussed with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

The fair values of biological assets are determined using market approach and depreciated replacement cost approach. Market price and replacement cost and adjustment factors based on the characteristics of the biological assets (including age, gender, health status, breeding useful life and etc.) were used in the calculations of fair values.

Information about Level 3 fair value measurements:

Fair value hierarchy	Valuation technique	Inputs	Relationship of unobservable inputs to fair value
Level 3	Market approach and depreciated replacement cost approach	Market prices of non-human primates research model	The higher the market price, the higher the fair value

As of 30 June 2023, the average market price of the non-human primates research model of 3 to 5 years old is RMB130,000 per head. For female non-human primate research models and male non-human primate research models above 5 years, the fair values are estimated using depreciated replacement cost approach, which are based on the residue useful lives of female non-human primate research models and male non-human primate research models at the age of 5 years.

The estimated fair value of non-human primates increases/decreases as a result of an increase/decrease in the market price and replacement cost. As of 30 June 2023 if market price and replacement cost increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB160,286,000 (31 December 2022: RMB185,860,000).

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

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(Expressed in RMB unless otherwise indicated)

11. FINANCIAL ASSETS AT FVTPL

	At 30 June 2023 RMB'000	At 31 December 2022 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 investment 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 of 30 June 2023, all of the shares have been disposed.

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(Expressed in RMB unless otherwise indicated)

12. OTHER NON-CURRENT ASSETS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Prepayment for land use rights	17,794	17,794
Prepayments for acquisition of property, plant and equipment	46,749	28,240
Others	3,652	4,857
	68,195	50,891

13. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Raw materials and consumables	307,292	350,182
Less: write-down of inventories	-	-
	307,292	350,182

For the six months ended 30 June 2023, the Group's amount of inventories recognised as expense and included in the consolidated statement of profit or loss is RMB339,397,000 (six months ended 30 June 2022: RMB221,146,000).

14. CONTRACT COSTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Costs to fulfil contracts	898,506	782,179
Less: write-down of contract costs	(9,169)	(8,931)
	889,337	773,248

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15. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contract assets	105,404	129,123
Less: loss allowance	(527)	(646)
	104,877	128,477

The contract assets primarily relate to the Group's right to the consideration for work completed but not yet billed. The contract assets will be transferred to trade receivables when the rights become unconditional.

(b) Contract liabilities

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Amounts received in advance of the delivery of services	1,394,820	1,294,707
	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Revenue recognised during the period that was included in the contract liabilities at the beginning of the period	544,789	368,338

Normally the Group receives advanced payments before the provision of non-clinical study services to customers. Contract liabilities represent the Group's obligations to transfer services to customers for which the Group have received advanced payments received from such customers.

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(Expressed in RMB unless otherwise indicated)

16. TRADE AND BILLS RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables	175,157	207,998
Less: loss allowance	(12,589)	(8,561)
	162,568	199,437
Bills receivable	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 RMB'000	At 31 December 2022 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

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17. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Prepayments for purchase of inventories and receiving of services	69,795	37,166
Value added tax recoverable	10,569	10,785
Prepayments for miscellaneous expenses	7,682	9,515
Deposits	8,148	6,974
Income tax recoverable	6,353	3,324
Others	1,190	1,168
	103,737	68,932
Less: loss allowance	(881)	(551)
	102,856	68,381

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

18. CASH AT BANK AND ON HAND

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash on hand	-	1
Cash at bank	3,040,541	2,916,847
Cash at bank and on hand included in the consolidated statement of financial position	3,040,541	2,916,848
Less: restricted deposits	(12,992)	(17,379)
Cash and cash equivalents included in the consolidated cash flow statement	3,027,549	2,899,469

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19. TRADE PAYABLES

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

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

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

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

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20. OTHER PAYABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Payables for staff related costs	85,503	125,638
Payables for acquisition of property, plant and equipment	75,969	70,903
Dividends payable (Note 23)	214,258	–
Payables for other taxes	6,432	10,334
Considerations received from employees for subscribing restricted shares of the Company under share incentive scheme	17,548	29,441
Payables for equity investment	–	90,209
Others	4,661	8,979
	404,371	335,504

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

21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 15 August 2019, a share option and a restricted share award scheme (“2019 Share Option and 2019 Restricted Share Award Scheme”) was approved at the Company’s 4th EGM of 2019. On 9 September 2019, the Company granted 1,124,000 share options and 405,000 restricted shares respectively to the eligible directors and employees of the Group under 2019 Share Option and 2019 Restricted Share Award Scheme, of which the registration was completed on 14 October 2019 (the “First Batch”). Each option gives the participants the right to subscribe for one ordinary share in the Company at an exercise price of RMB48.11, and the participants are entitled to subscribe the Company’s restricted shares at RMB24.06 each.

On 24 June 2020, the Company granted 175,000 share options and 63,000 restricted shares respectively to the eligible directors and employees of the Group under 2019 Share Option and 2019 Restricted Share Award Scheme, of which the registration was completed on 11 August 2020 (the “Second Batch”). Each option gives the participants the right to subscribe for one ordinary share in the Company at an exercise price of RMB94.77, and the participants are entitled to subscribe the Company’s restricted shares at RMB47.39 each.

On 15 July 2020, a share option (“2020 Share Option”) was approved at the Company’s second extraordinary general meeting of 2020. On 17 July 2020, the Company granted 2,089,000 share options to the eligible directors and employees of the Group under 2020 Share Option, of which the registration was completed on 31 August 2020. Each option gives the participants the right to subscribe for one ordinary share of the Company at an exercise price of RMB94.77.

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

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

On 24 June 2022, an H share incentive scheme (“2022 H Share Incentive Scheme”) was approved at the annual general meeting of 2022 of the Company. Under the 2022 H Share Incentive Scheme, the Company will repurchase H share by the appointed trustee(s) through on-market transactions and the purchased H share will be used for award the eligible employees. As of 30 June 2023, no award shares have been granted.

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.

The 2022 Employee Stock Ownership Plan and 2022 H Share Incentive Scheme are collectively named as Share Incentive Schemes.

Pursuant to the terms of the above schemes, the numbers and exercise/repurchase prices of the outstanding share options and restricted shares will be adjusted according to the resolution in respect of the Company’s dividend distribution.

(a) Share options

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Contractual life of options
Options granted to directors:			
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	108,000	Both performance and service period conditions apply (Note (ii))	1-2 years
– on 17 July 2020 under 2020 Share Option and Restricted Share Award Scheme	186,000	Both performance and service period conditions apply (Note (ii))	1-3 years
Options granted to employees:			
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	1,124,000	Both performance and service period conditions apply (Note (i))	1-3 years
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	67,000	Both performance and service period conditions apply (Note (ii))	1-2 years
– on 17 July 2020 under 2020 Share Option and Restricted Share Award Scheme	1,904,000	Both performance and service period conditions apply (Note (i))	1-3 years
Total share options granted	3,389,000		

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

(a) Share options (continued)

Notes:

- (i) The options will vest over a three-year period, with 50%, 30% and 20% of total options vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and the employees.
- (ii) The options will vest over a two-year period, with 50% and 50% of total options vesting respectively on the first trading day after the first and second anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and the employees.

The number and weighted average exercise prices of share options are as follows:

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	RMB47.90	1,238,675	RMB42.14	2,164,253
Exercised during the period	-	-	RMB67.44	(29,400)
Forfeited during the period	-	-	RMB55.53	(139,825)
Outstanding at the end of the period	RMB47.90	1,238,675	RMB59.49	1,995,028
Exercisable at the end of the period	-	530,494	-	-

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

(b) Restricted shares

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Restricted shares granted to directors:			
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	120,000	Both performance and service period conditions apply (Note (i))	1-3 years
Restricted shares granted to employees:			
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	285,000	Both performance and service period conditions apply (Note (i))	1-3 years
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	63,000	Both performance and service period conditions apply (Note (ii))	1-2 years
– on 28 January 2022 under 2021 Restricted Share Award Scheme	366,300	Both performance and service period conditions apply (Note (iii))	1-3 years
Total restricted shares granted	834,300		

Notes:

- (i) The restricted shares will vest over a three-year period, with 50%, 30% and 20% of total restricted shares vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and employees.
- (ii) The restricted shares will vest over a two-year period, with 50% and 50% of total restricted shares vesting respectively on the first trading day after the first and second anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the employees.
- (iii) The restricted shares will vest over a three-year period, with 40%, 30% and 30% of total restricted shares vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and employees.

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

(b) Restricted shares (continued)

Set out below are details of the movements of the restricted shares:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Outstanding at the beginning of the period	516,113	266,417
Granted during the period	–	366,300
Unlocked during the period	(187,880)	–
Outstanding at the end of the period	328,233	632,717

The restricted shares granted on 9 September 2019, 24 June 2020 and 28 January 2022 were valued at RMB38.44, RMB47.22 and RMB12.91 per share, respectively, which is the difference between the market price of the ordinary share at the grant date and the proceeds received from the employees.

(c) Employee Stock Ownership Plans

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Employee Stock Ownership Plans ("ESOP") granted to employees:			
– on 17 November 2022 under 2022 A Share Employee Ownership Plan	68,500	Both performance and service period conditions apply (Note (i))	1-3 years
Total ESOP granted	68,500		

Notes:

- (i) The ESOP shares will vest over a three-year period, with 50%, 30% and 20% of total ESOP shares vesting respectively on the first trading day after the first, second and third anniversary date from the date on which the Company announces the last transfer of the underlying shares, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and employees.

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

(c) Employee Stock Ownership Plans (continued)

Set out below are details of the movements of the ESOP shares:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Granted during the period	68,500	–
Outstanding at the end of the period	68,500	–

The ESOP shares granted on 17 November 2022, were valued at RMB38.76 per share, which is the difference between the average market price of the repurchased ordinary share and the proceeds received from the employees.

(d) Share-based payment expenses

The Group has recognised share-based payment expenses of RMB3,156,000 during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB6,284,000).

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22. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Net balance of income tax payable at 1 January	55,879	21,587
Acquisition of subsidiaries	–	(166)
Provision for the period	53,350	55,774
Credit to reserve	–	(135)
Income tax paid	(90,527)	(44,255)
Net balance of income tax payable at 30 June	18,702	32,805
Represented by:		
Income tax recoverable included in prepayments and other receivables (Note 17)	(6,353)	(3,442)
Income tax payable	25,055	36,247
	18,702	32,805

(b) Deferred tax assets and liabilities recognised:

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Deferred tax assets	33,179	32,613
Deferred tax liabilities	(163,246)	(188,243)
	(130,067)	(155,630)

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23. 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.

24. 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

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25. FAIR VALUES MEASUREMENT

(a) Fair value hierarchy

Fair values are categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(b) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis.

Financial assets	Fair value at 30 June 2023	Fair value at 31 December 2022	Fair value hierarchy
Equity investment in a listed company	–	27,145	Level 1
Equity investment in an unlisted company designated at FVOCI	158,720	158,720	Level 3
Equity investment in an unlisted company at FVTPL	317,749	317,749	Level 3
Investments in unlisted funds	193,483	168,174	Level 3
RMB wealth management products	214,442	381,326	Level 3

During the six months ended 30 June 2023, there were no transfers into or out. The Group's policy is to recognise transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

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25. FAIR VALUES MEASUREMENT (CONTINUED)

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

(i) Information about Level 1 fair value measurements

The fair value of the equity investment in a listed company is estimated using the market closing price of the shares. The equity investment in a listed company has been fully sold as of 30 June 2023.

(ii) Information about Level 3 fair value measurements

The fair value of equity investment in an unlisted company at FVOCI is determined using the price to book ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. At 30 June 2023, if the discount for lack of marketability had been one percentage point higher/lower, the Group's total comprehensive income would have been RMB2,027,000 lower/higher.

The fair value of equity investment in an unlisted company at FVTPL is determined based on the price to book ratio of comparable listed companies and the equity allocation model, and the fair value measurement is negatively correlated to the expected volatility. At 30 June 2023, if the expected volatility had been one percentage point higher/lower, the Group's total comprehensive income would have been RMB311,000 lower/higher.

The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method. The main level 3 inputs used by the Group for RMB wealth management products are the expected rates of return. As of 30 June 2023, if the expected rate of return of the investment in RMB wealth management products held by the Group had been one percentage point higher/lower, the Group's profit for the year and retained profits would have been RMB681,000 higher/lower.

The fair values of which are based on the net asset values of the investments in unlisted funds reported to the limited partners by the general partners at the end of the reporting period.

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25. FAIR VALUES MEASUREMENT (CONTINUED)

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

(ii) Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of Level 3 fair value measurements are as follows:

	Equity investment in an unlisted company designated at FVOCI RMB'000	Equity investment in an unlisted company at FVTPL RMB'000	RMB wealth management products RMB'000	Investments in unlisted funds RMB'000
At 1 January 2022	105,661	–	605,534	–
Additions in investments	–	317,425	596,500	155,000
Acquisition of subsidiaries	–	–	19,685	–
Net realised and unrealised gains or losses recognised in profit or loss during the period	–	324	9,321	13,174
Changes in fair value recognised in other comprehensive income	53,059	–	–	–
Disposal of financial assets	–	–	(849,714)	–
At 31 December 2022	158,720	317,749	381,326	168,174
Additions in investments	–	–	120,000	25,000
Net realised and unrealised gains or losses recognised in profit or loss during the period	–	–	6,641	309
Changes in fair value recognised in other comprehensive income	–	–	–	–
Disposal of financial assets	–	–	(293,525)	–
At 30 June 2023	158,720	317,749	214,442	193,483

(c) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as of 30 June 2023.

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26. COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the consolidated financial statements were as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Purchase of property, plant and equipment: – Contracted for	193,048	158,578

27. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) **Names and relationships of the related parties that had material transactions with the Group during both years:**

Name of related parties	Relationship
Staidson (Beijing) Biopharmaceuticals Co., Ltd. ("Staidson") 舒泰神(北京)生物製藥股份有限公司	A company controlled by the controlling shareholders
Suzhou Qixi Bio-Valley Co., Ltd. ("Qixi Bio") 蘇州七溪生物矽谷有限公司	A company controlled by the controlling shareholders
Biorichland LLC	A company controlled by close family members of the controlling shareholders
Beijing Joinn Biologics Co. Ltd. ("Beijing Biologics") 北京昭衍生物技術有限公司	A company controlled by the controlling shareholders
JOINN Biologics Inc. ("JOINN Cayman")	A company controlled by the controlling shareholders
Hexin (Suzhou) Pharmaceutical Technology Co., Ltd 核欣(蘇州)醫藥科技有限公司	A company controlled by the director of the Company
Beijing Heyu Pharmaceutical Technology Co., Ltd. ("Beijing Heyu") 北京和興醫藥科技有限公司	A company controlled by close family members of the director of the Company

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27. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with related parties

	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Sales of research models to a company controlled by the controlling shareholders	–	415
Provision of services to companies controlled by the controlling shareholders	31,665	9,828
Provision of service to a company controlled by the director of the Company	249	–
Provision of services to a company controlled by close family members of the director of the Company	93	–
Purchase of services from a company controlled by the controlling shareholders	81	–

In 2023, the Group has entered into the Power Capacity Increase Agreement with Qixi Bio pursuant to which Qixi Bio agreed to provide increased power capacity for the Leased Property in respect of the payment in lieu and comprehensive management services in respect of the payment made to the power company including the change from single-circuit power supply to dual-circuit power supply at a consideration of approximately RMB5 million.

As of the end of the Reporting Period, the Group has paid RMB2,339,000, 50% of the Power Capacity Increase Agreement to Qixi Bio.

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27. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contract assets due from companies controlled by the controlling shareholders	15,098	12,259
Trade and bills receivables due from companies controlled by the controlling shareholders	9,608	9,461
Prepayments and other receivables due from companies controlled by the controlling shareholders	1,115	–
by close family members of the controlling shareholders	728	702
Contract liabilities		
– due to companies controlled by the controlling shareholders	17,679	30,975
– due to companies controlled by close family member of a director of the Company	759	796
– due to a company controlled by the director of the Company	573	686

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

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27. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group is RMB6,527,000 during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB6,377,000).

(e) Leasing arrangements

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

At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of USD6,025,000, which is equivalent to RMB41,858,000. The rental paid/payable by the company during the six months ended 30 June 2023 amounted at USD652,000, which is equivalent to RMB4,545,000.

- In 2023, the Group entered into a lease agreement in respect of certain premises to be used for research and development space, from a company controlled by the controlling shareholders.

At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB7,723,000. The rental paid/payable by the company during the six months ended 30 June 2023 amounted at RMB696,000.