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JOINN LABORATORIES (CHINA) CO., LTD.

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(A public company)

(Stock code: 6127)

## PROPOSED CHANGE IN USE OF NET PROCEEDS

Reference are made to (i) the Prospectus in relation to the listing of the H Shares on the Hong Kong Stock Exchange by way of the Global Offering and (ii) the announcement dated 28 April 2022 in relation to the change in use of net proceeds (the “Previous Change”).

## PROPOSED CHANGE IN USE OF NET PROCEEDS

The net proceeds from the Global Offering, after deducting the underwriting commissions and other estimated expenses in connection with the conduct 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). As at 30 June 2023, the Company has utilized approximately RMB2,412.7 million of the net proceeds.

The board of directors of the Company (the “Board”) has resolved to change the use of the remaining unutilized net proceeds after taking into account the recent business environment and development of the Group. The unutilized net proceeds up to the date of this announcement and the proposed change in the use of the remaining unutilized net proceeds (the “Proposed Change”) are summarized below:

Use of Proceeds	Allocation of the proceeds in the Previous Change (R)	Amount of net proceeds utilized as at 30 June 2023	Balance of the unutilized net proceeds after the Previous Change in allocation as at 30 June 2023	Amount of reallocation after the Proposed Change	Allocation of unutilized net proceeds after the Proposed Change	Expected timeframe for the unutilized net proceeds after the Proposed Change
(A) Expand the capacity of our Suzhou facilities for non-clinical studies	57.7	57.7	–	–	–	
(i) renovating our existing laboratory and research model facilities in Suzhou	16.0	16.0	–	–	–	
(ii) constructing the infrastructure of our new facilities in Suzhou	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	5.0	5.0	–	–	–	
(iv) upgrading our technical and scientific research capabilities with international background at our Suzhou facilities	–	–	–	–	–	
(B) Strengthen our U.S. operations to meet the rising customer demand for services provided by Biomere	528.5	71.5	457.0	223.2	680.2	
(i) upgrading our existing facilities and service team in northern California	401.7	71.5	330.2	–	330.2	by the end of 2025
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	126.8	–	126.8	223.2	350.0	by the end of 2025

Use of Proceeds	Allocation of the proceeds in the Previous Change (R)	Amount of net proceeds utilized as at 30 June 2023	Balance of the unutilized net proceeds after the Previous Change in allocation as at 30 June 2023	Amount of reallocation after the Proposed Change	Allocation of unutilized net proceeds after the Proposed Change	Expected timeframe for the unutilized net proceeds after the Proposed Change
(C) Further expand our facility network and service capabilities in China	2,061.3	174.1	1,887.2	(398.5)	1,488.7	
(i) building the Phase I of our new Guangzhou facilities with a focus on non-GLP and GLP-compliant non-clinical studies in Guangzhou	898.5	141.3	757.2	(398.5)	358.7	by the end of 2024
(ii) building the Phase I of our new laboratories, research model breeding facilities and clinical operations in Chongqing	898.5	11.1	887.4	–	887.4	by the end of 2025
(iii) enhancing our technical and scientific research capabilities at our Guangzhou and Chongqing facilities	137.4	21.7	115.7	–	115.7	by the end of 2026
(iv) developing cutting-edge laboratory and research model technologies	126.9	–	126.9	–	126.9	by the end of 2026
(D) Broaden and deepen our integrated CRO service offerings with a particular focus on further expanding our clinical trial and related services	264.3	33.0	231.3	–	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	31.7	8.3	23.4	–	23.4	by the end of 2024

Use of Proceeds	Allocation of the proceeds in the Previous Change (R)	Amount of net proceeds utilized as at 30 June 2023	Balance of the unutilized net proceeds after the Previous Change in allocation as at 30 June 2023	Amount of reallocation after the Proposed Change	Allocation of unutilized net proceeds after the Proposed Change	Expected timeframe for the unutilized net proceeds after the Proposed Change
(ii) investing in business development efforts for our growing clinical trial business	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	211.4	24.7	186.7	–	186.7	by the end of 2024
(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	1,844.9	1,844.0	0.9	175.3	176.2	by the end of 2024
(F) Working capital and general corporate purposes	528.5	232.4	296.1	–	296.1	
	<u>5,285.2</u>	<u>2,412.7</u>	<u>2,872.5</u>	<u>–</u>	<u>2,872.5</u>	

## Reasons for the Proposed Change in Allocation

As at the date of this announcement, for the building of Phase I of our new Guangzhou facilities (the “Guangzhou Facilities Project”), the Company is in the process of building the Phase I of a safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou with a total GFA of approximately 18,000 sq.m., and has completed the infrastructure construction and is in the process of commencing the construction of the ancillary facilities and the fitting-out work in an orderly manner. Having considered: (i) the Group’s demand for capacity deployment in the coming years; (ii) the cost of installation of ancillary facilities and fitting out of Phase I of our Guangzhou facilities, etc., the Company estimates that the capital requirement for the Guangzhou Facilities Project will be approximately RMB500 million.

In summary, based on the Company’s strategic and operational development needs, the Company has reallocated part of the remaining funds of RMB398.5 million, which were originally used to further expand the facility network and service capabilities in Guangzhou, to the following matters:

In order to strengthen its U.S. operations to meet the rising customer demand for services provided by Biomere, the Company intends to allocate RMB223.2 million for the day-to-day operations and expansion of Biomere.

In order to meet the demand for mergers and acquisitions, the Company intends to allocate RMB175.3 million for potential acquisitions.

The Board is of the view that the aforesaid change in the use of the unutilized net proceeds will enable the Company to deploy its financial resources more efficiently and will meet the current needs of the Group as its business continues to develop. The Board also confirms that there has been no material change in the nature of the principal activities of the Group as set out in the Prospectus and is of the view that the Proposed Change is in line with the overall business strategy of the Group, will not have any material adverse impact on its operations and is in the best interests of the Company and its shareholders as a whole.

The Board will continue to evaluate the plan for the use of the unutilized net proceeds and may modify or amend the plan as and when necessary to cope with changing market conditions in an effort to achieve better business performance for the Group.

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

Beijing, the PRC  
30 August 2023

~~As the Chairman of the Board~~  
~~Chairman of the Board~~  
~~Director of the Board~~  
~~Chairman of the Board~~