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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in JOINN Laboratories (China) Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

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

**(Stock code: 6127)**

- (1) ANNUAL REPORT AND SUMMARY FOR 2020;**
- (2) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2020;**
- (3) WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2020;**
- (4) FINAL ACCOUNT REPORT FOR 2020;**
- (5) PROPOSED 2020 PROFIT DISTRIBUTION PLAN;**
- (6) PROPOSED RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT AND THE INTERNAL CONTROL AUDITOR FOR 2021;**
- (7) PROPOSED REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT;**
- (8) PROPOSED REMUNERATION OF SUPERVISORS;**
- (9) AUTHORIZATION OF FINANCIAL DERIVATIVES INVESTMENT OF THE COMPANY;**
- (10) PROPOSED CHANGE OF THE REGISTERED CAPITAL OF THE COMPANY;**
- (11) AMENDMENTS TO THE ARTICLES OF ASSOCIATION;**
- (12) NOTICE OF THE ANNUAL GENERAL MEETING OF 2020; AND**
- (13) NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2021**

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The notice convening the Annual General Meeting and the notice convening the H Share Class Meeting to be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Friday, June 18, 2021 at 2:00 p.m. are set out in this circular.

Whether or not you are able to attend the Annual General Meeting and/or the H Share Class Meeting, please complete and sign the enclosed form of proxy for use at the Annual General Meeting and/or the H Share Class Meeting in accordance with the instructions printed thereon and return it to the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the Annual General Meeting and/or the H Share Class Meeting (i.e. not later than 2:00 p.m. on Thursday, June 17, 2021 (Hong Kong time) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Annual General Meeting and/or the H Share Class Meeting if they so wish.

For joint shareholders of any Shares, only the joint shareholder whose name appears first in the register of members is entitled to accept the certificate for the relevant shares from the Company, and receive notices or other documents of the Company. Any notice delivered to the aforesaid shareholder shall be deemed to have been delivered to all the joint shareholders of the relevant shares. Any joint shareholder may sign the proxy form, provided that if more than one joint shareholders who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint shareholders. In this regard, the priority of shareholders shall be determined by the ranking of joint holders in the Company's register of members in relation to the relevant shares.

This circular together with the form of proxy are also published on the websites of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.joinn-lab.com/>).

References to time and dates in this circular are to Hong Kong time and dates.

May 18, 2021

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## EXPECTED TIMETABLE

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*The expected timetable for the Capitalization of Reserve and Profit Distribution, which are subject to Shareholders' approval of the 2020 Profit Distribution Plan at the AGM, the A Share Class Meeting and the H Share Class Meeting, as set forth below is indicative only and has been prepared on the assumption that all conditions of the Capitalization of Reserve and Profit Distribution will be fulfilled. Any consequential changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.*

Latest time for lodging transfer documents  
for registration of transfer of H Shares to  
qualify for attending and voting at the AGM and  
the H Share Class Meeting ..... 4:30 p.m. on  
Monday, May 17, 2021

Closure of register of members for transfer of  
H Shares to qualify for attending and voting  
at the AGM and the H Share Class Meeting ..... Tuesday, May 18, 2021  
to Friday, June 18, 2021  
(both days inclusive)

Latest time for returning proxy form for the AGM ..... 2:00 p.m. on  
Thursday, June 17, 2021

Latest time for returning proxy form for  
the H Share Class Meeting ..... 2:00 p.m. on  
Thursday, June 17, 2021

AGM ..... 2:00 p.m. on  
Friday, June 18, 2021

A Share Class Meeting ..... after the conclusion of the AGM  
on Friday, June 18, 2021

H Share Class Meeting ..... after the conclusion of the AGM  
and A Share Class Meeting  
on Friday, June 18, 2021

Announcement of poll results of the AGM,  
A Share Class Meeting and H Share Class Meeting ..... Friday, June 18, 2021

Resumption of registration of transfer of H Shares ..... Monday, June 21, 2021

Last day of dealings in H shares on a  
cum-entitlement basis relating to the  
Cash Dividend and the Capitalization Shares ..... Tuesday, June 22, 2021

First day of dealings in H Shares on  
an ex-entitlement basis relating to the  
Cash Dividend and the Capitalization Shares ..... Wednesday, June 23, 2021

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## EXPECTED TIMETABLE

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Latest time for lodging transfer documents  
for registration of transfer of H Shares to  
qualify H Shareholders for the Cash Dividend  
and the Capitalization Shares ..... 4:30 p.m. on  
Thursday, June 24, 2021

Closure of register of members for transfer of  
H Shares to qualify H Shareholders for the  
Cash Dividend and the Capitalization Shares<sup>(1)</sup> ..... Friday, June 25, 2021 to  
Monday, July 5, 2021  
(both days inclusive)

Record Date (to qualify H Shareholders for  
the Cash Dividend and the Capitalization Shares) ..... Monday, July 5, 2021

Resumption of registration of transfer of H Shares ..... Tuesday, July 6, 2021

Latest time for delivery of payment cheques for  
the Cash Dividend ..... Friday, July 30, 2021

Certificates for the Capitalization  
Shares expected to be despatched ..... Friday, July 30, 2021

Commencement of dealings in the  
Capitalization H Shares ..... Monday, August 2, 2021

*Notes:*

1. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, or "extreme conditions" caused by super typhoons:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon, the latest time for lodging transfer documents will remain at 4:30 p.m. on the same Business Day;
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m., the latest time for lodging transfer documents will be rescheduled to 4:30 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:30 p.m.
2. The period of closure of register of members for transfer of H Shares to qualify H Shareholders for the Cash Dividend and the Capitalization Shares is pursuant to the relevant provisions in the Articles of Association.
3. All times and dates in this circular are Hong Kong times and dates.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“2020 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2020 including the Capitalization of Reserve and Profit Distribution
“A Shareholder(s)”	holder(s) of A Shares
“A Share(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each listed on the Shanghai Stock Exchange
“A Share Class Meeting”	the first A Share class meeting of the Company of 2021 to be held on Friday, June 18, 2021
“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Friday, June 18, 2021 at 2:00 p.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 38 to 40 of this circular, or any adjournment thereof
“Articles of Association”	the articles of association of the Company currently in force
“Board” or “Board of Directors”	the board of Directors
“Capitalization of Reserve”	the proposed issue of 4 Capitalization Shares for every 10 Shares by way of capitalization of reserve
“Capitalization Shares”	the new Shares to be allotted and issued under the Capitalization of Reserve by the Company
“CCASS”	Central Clearing and Settlement System
“Class Meetings”	the A Share Class Meeting and the H Share Class Meeting
“Company”	JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司), a joint stock company incorporated in the People’s Republic of China with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company
“H Shareholder(s)”	holder(s) of H Shares
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
“H Share Class Meeting”	the first H Share class meeting of the Company of 2021 to be held on Friday, June 18, 2021 after the conclusion of the Annual General Meeting and the A Share Class Meeting to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 41 to 42 of this circular, or any adjournment thereof
“H Share Registrar”	Tricor Investor Services Limited, the H Share registrar of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	May 12, 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
“New A Shares”	the new A Shares to be allotted and issued under the Capitalization of Reserve
“New H Shares”	the new H Shares to be allotted and issued under the Capitalization of Reserve

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## DEFINITIONS

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“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Profit Distribution”	the proposed distribution of cash dividend of RMB0.35 per Share
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the issued share capital of the Company, with a nominal value of RMB1.00 each, including both A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“SSE”	The Shanghai Stock Exchange, a stock exchange based in the city of Shanghai, China
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	The Shenzhen Stock Exchange, a stock exchange based in the city of Shenzhen, China



**JOINN LABORATORIES (CHINA) CO., LTD.**

**北京昭衍新藥研究中心股份有限公司**

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

**(Stock code: 6127)**

*Executive Directors:*

Ms. Feng Yuxia (*Chairperson*)

Mr. Zuo Conglin

Mr. Gao Dapeng

Ms. Sun Yunxia

Dr. Yao Dalin

*Non-executive Director:*

Mr. Gu Xiaolei

*Independent Non-executive Directors:*

Mr. Sun Mingcheng

Dr. Zhai Yonggong

Mr. Ou Xiaojie

Mr. Zhang Fan

*Registered Office:*

A5 Rongjing East Street

Beijing Economic-Technological  
Development Area

Beijing, 100176, China

*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:*

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

May 18, 2021

*To the Shareholders*

Dear Sir or Madam,

- (1) ANNUAL REPORT AND SUMMARY FOR 2020;**
- (2) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2020;**
- (3) WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2020;**
- (4) FINAL ACCOUNT REPORT FOR 2020;**
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- (8) PROPOSED REMUNERATION OF SUPERVISORS;**
- (9) AUTHORIZATION OF FINANCIAL DERIVATIVES  
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## LETTER FROM THE BOARD

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### **1. INTRODUCTION**

The purpose of this circular is to provide the Shareholders with information in respect of certain resolutions to be proposed at the Annual General Meeting and the H Share Class Meeting to be held on Friday, June 18, 2021, to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the Annual General Meeting and the H Share Class Meeting. For the details of the proposed resolutions at the Annual General Meeting and the H Share Class Meeting, please also refer to the notices of the Annual General Meeting and the H Share Class Meeting enclosed with this circular.

### **2. ANNUAL REPORT AND SUMMARY FOR 2020**

An ordinary resolution will be proposed at the Annual General Meeting to consider and approve the annual report and annual report summary for the year 2020 which are or will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and Shanghai Stock Exchange (<http://www.sse.com.cn>).

### **3. WORK REPORT OF THE BOARD OF DIRECTORS FOR 2020**

The work report of the Board of the Company for 2020 was considered and approved by the Board and will hereby be proposed at the Annual General Meeting as an ordinary resolution for Shareholders' consideration and approval, details of which are set out in Appendix I to this circular.

### **4. WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2020**

The work report of the Supervisory Committee of the Company for 2020 was considered and approved by the Supervisory Committee and is hereby proposed at the Annual General Meeting as an ordinary resolution for Shareholders' consideration and approval, details of which are set out in Appendix II to this circular.

### **5. FINAL ACCOUNT REPORT FOR 2020**

The final account report of the Company for 2020 was considered and approved by the Board and is hereby proposed at the Annual General Meeting as an ordinary resolution for Shareholders' consideration and approval, details of which are set out in Appendix III to this circular.

### **6. PROPOSED 2020 PROFIT DISTRIBUTION PLAN**

Special resolution will be proposed at the Annual General Meeting, the A Share Class Meeting and the H Share Class Meeting to consider and approve the proposed 2020 Profit Distribution Plan.

The Board proposed the issue of the Capitalization Shares on the basis of 4 Capitalization Shares for every existing 10 Shares by way of Capitalization of Reserve, representing a total increase of 108,328,131 Shares comprising 90,981,891 New A Shares

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## LETTER FROM THE BOARD

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and 17,346,240 New H Shares based on the Company's total share capital of 270,820,329 Shares comprising 227,454,729 A Shares and 43,365,600 H Shares as at the Latest Practicable Date, subject to any change of number of Shares until the record date for determining Shareholders' entitlement to the Capitalization of Reserve. The final number of shares is based on the shares registered on the registration date for dividend distribution which will be clarified in the announcement on the implementation of dividend distribution.

The Board also proposed that a cash dividend in an aggregate amount of RMB94,787,115.15 (inclusive of tax) be distributed to the Shareholders, representing a dividend of RMB0.35 (inclusive of tax) per Share based on the total issued Shares of the Company as of the Latest Practicable Date. The cash dividend will be denominated and declared in RMB, and paid in RMB and in HK dollars to A Shareholders and H Shareholders respectively. The actual amount distributed in HK dollars will be calculated based on the average of the middle exchange rate of RMB against HK dollars published on the website of the People's Bank of China for the seven working days prior to and including the date of the Annual General Meeting and the H Share Class Meeting. Information regarding the finalized exchange rate and actual amount of cash dividend payable to H Shareholders will be announced by the Company in the poll results announcement on Friday, June 18, 2021 (after trading hours).

The Capitalization of Reserve is subject to the following conditions:

- (i) approval of the Shareholders by way of special resolutions at the Annual General Meeting, and the Class Meetings to be held on Friday, June 18, 2021;
- (ii) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the New H Shares issued under the Capitalization of Reserve; and
- (iii) compliance with the relevant legal procedures and requirements under the Company Law of the PRC to effect the Capitalization of Reserve.

Subject to the arrangements under the Northbound Trading or Southbound Trading (as defined below) as disclosed in details below, the 2020 Profit Distribution will be declared according to the Articles of Association.

The independent non-executive Directors of the Company have expressed their view that the 2020 Profit Distribution Plan of the Company fully considered the appeal of medium and small investors and protected their interests besides the interests of the Company and its Shareholders, has complied with the relevant laws, regulations and the Articles of Association of the Company, and is beneficial to the sustainable, stable and healthy development of the Company.

The formulation and implementation of the cash dividend policy by the Company are in compliance with the stipulation of the Articles of Association and the requirements stated in the resolutions approved by the general meeting of the Company. The basis and proportion of profit distribution are clearly specified. Effective determination and approval procedures and mechanisms are in place. The said distribution has been

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## LETTER FROM THE BOARD

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examined and approved by the independent non-executive Directors. Legitimate rights and interests of minority Shareholders are well protected since they are entitled to attend general meetings to exercise their voting rights and make proposals or enquiries on the operations of the Company.

### **Status of Capitalization Shares**

The Capitalization Shares will, subject to the Articles of Association, rank *pari passu* in all respects with the Shares in issue on the date of the issue of the Capitalization Shares. Holders of the Capitalization Shares will be entitled to receive all future dividends and distributions (if any) which are declared, made or paid after the date on which the Capitalization Shares are allotted and issued. The Capitalization of Reserve should not result in any change to the rights of the Shares. For the avoidance of doubt, the holder of the Capitalization Shares will not be entitled to the cash dividend under the proposed 2020 Profit Distribution Plan.

### **Fractional Capitalization Shares**

No fractional Capitalization Shares shall be allotted to H Shareholders and fractional entitlements (if any) will be aggregated and sold for the benefit of the Company.

For A Shareholders, in accordance with requirements under the Guideline to the Business of Security Issuers published by the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司上海分公司證券發行人業務指南》), in the event of registration of fractional shares, China Securities Depository and Clearing Corporation Limited (the “CSDC”) requires that: the fractional shares less than one share arising from the issue of bonus shares or the issue of shares by capitalization of capital reserves are sorted in descending order by the number of fractional shares held by shareholders; if the numbers of fractional shares are same, they shall be sorted randomly by electronic settlement system. In accordance with the order of arrangement, the CSDC shall register them as one share one by one until completing all the issue of bonus shares or the issue of shares by capitalization of capital reserves. Accordingly, no fractional Capitalization Shares shall be allotted to A Shareholders under the Capitalization Issue.

### **Odd Lot Arrangement**

In order to facilitate the trading of odd lots (if any) of the H Shares as a result of the Capitalization of Reserve, the Company has appointed Futu Securities International (Hong Kong) Limited as an agent to provide matching service, on a best effort basis, to those H Shareholders who wish to acquire odd lots of the H Shares to make up a full board lot, or to dispose of their holding of odd lots of the H Shares during the period from 9:00 a.m. on Monday, August 2, 2021 to 4:00 p.m. on Monday, August 23, 2021, both days inclusive, based on the expected timetable. H Shareholders who wish to take advantage of this service should, directly or through their brokers contact Mr. Lo of Futu Securities International (Hong Kong) Limited at Unit C1-C2, 13/F, United Centre, 95 Queensway, Admiralty, Hong Kong during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of the aforesaid period. H Shareholders should note that successful matching of the sale and purchase of odd lots of the H Shares is not guaranteed. H Shareholders who are in doubt about this service are recommended to consult their professional advisors.

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## LETTER FROM THE BOARD

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### Overseas H Shareholders

As at the Latest Practicable Date, according to the latest register of members available to the Company, none of the H Shareholders as recorded on the register of members of the Company had an address which is outside Hong Kong.

Upon the Capitalization Issue becoming unconditional or should there be any overseas Shareholders on the Record Date, the Company will make enquiry on whether there are any overseas Shareholders located in other jurisdictions, and if there are such overseas Shareholders, then the Company will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges for the relevant overseas Shareholders to be eligible to take part in the Capitalization Issue pursuant to the Listing Rules. Upon such enquiry, if the Board is of the view that the exclusion of the overseas Shareholders is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Capitalization Shares will not be issued to those overseas Shareholders. If any such overseas Shareholder is excluded, arrangements will be made for the Capitalization Shares which would otherwise have been issued to the overseas Shareholders to be sold in the market as soon as practicable after dealings commence, if a premium, net of expenses, can be obtained. Any net proceeds of such sale for each overseas Shareholder, after deduction of expenses, of HK\$100 or more will be distributed in HK dollars to the relevant overseas Shareholders, by post at his/her/its own risk, unless the amount falling to be distributed to any such person is less than HK\$100 in which case it will be retained for the benefit of the Company.

Accordingly, overseas Shareholders receiving a copy of this circular about the Capitalization Issue may not be treated the same as an invitation to participate in the Capitalization Issue unless invitation could lawfully be made to him/her/it without requiring the Company or such overseas Shareholders to comply with any registration or other legal requirements in the relevant territory. Furthermore, any Shareholder with a registered address outside Hong Kong or otherwise residing outside Hong Kong should consult his/her/its professional advisers as to whether he/she/it is permitted to receive the Capitalization Shares under the Capitalization Issue and the taxation consequences of his/her/its decision. It is the responsibility of the Shareholders who wish to receive the Capitalization Shares under the Capitalization Issue to comply with the laws of the relevant jurisdiction(s).

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## LETTER FROM THE BOARD

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### Effect to the Shareholding upon Completion of the Capitalization of Reserve

On March 19, 2021, the over-allotment option has been partially exercised such that an additional 40,800 H shares has been issued. The listing of and dealings in the over-allotment shares were commenced on the Main Board of the Hong Kong Stock Exchange at 9:00 a.m. on March 24, 2021.

As disclosed in the announcement of the Company dated March 29, 2021, in relation to the proposed partial repurchase and cancellation of the restricted A Shares of the Company (“**Restricted A Shares**”) under the 2018 Stock Option and Restricted Share Incentive Scheme (the “**2018 Incentive Scheme**”), the Company will repurchase and cancel 25,518 Restricted A Shares (the “**Repurchased Restricted A Shares**”) from four participants who have resigned from the Company and four participants who have not satisfied performance appraisal targets at individual level. As at the Latest Practicable Date, the Company has not completed the repurchase and cancellation of such Restricted A Shares. If such repurchase and cancellation is completed before the completion of the Capitalization of Reserve, no Capitalization Share will be issued in respect of the Repurchased Restricted A Shares.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:

	As at the Latest Practicable Date		Immediately upon completion of the Capitalization of Reserve	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
H Shares	43,365,600	16.01%	60,711,840	16.01%
A Shares	227,454,729	83.99%	318,436,620	83.99%
<b>Total</b>	<b>270,820,329</b>	<b>100.00%</b>	<b>379,148,460</b>	<b>100.00%</b>

### Tax Arrangements in respect of the Capitalization of Reserve and the Profit Distribution

In accordance with the Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) which came into effect on January 1, 2008 and was last amended on April 23, 2019 and the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) which was last amended and came into effect on December 29, 2018, and the “Notice on Issues in Relation to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Enterprises to Overseas Non-resident Enterprise Holders of H Shares” (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated on November 6, 2008, the Company is obliged to withhold and pay PRC enterprise income tax on behalf of

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## LETTER FROM THE BOARD

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non-resident enterprise Shareholders at a tax rate of 10%, when the Company distributes annual dividend to non-resident enterprise Shareholders whose names appear on the H Shares register of members. As such, any H Shares registered in the name of non-individual Shareholder, including shares registered in the name of HKSCC Nominees Limited, and other nominees, trustees, or other organizations and groups, shall be deemed to be H Shares held by non-resident enterprise Shareholder(s), and the PRC enterprise income tax shall be withheld from any dividends payable thereon. Non-resident enterprise Shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements), upon receipt of any dividends.

In accordance with the “Notice on Certain Issues Concerning the Policies of Individual Income Tax” (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the PRC Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. Therefore, the Company will not be required to withhold and pay any individual income tax on behalf of overseas individual Shareholders when the Company distributes the dividend to overseas individual Shareholders whose names appear on the H Share register of members. The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

### *Profit Distribution to Investors of Southbound Trading*

For investors of the SZSE (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (“**Southbound Trading**”), the cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company. Below are relevant taxation policies:

- Shenzhen-Hong Kong Stock Connect: Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H Shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H Shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

According to the relevant provisions of the State Administration of Taxation of the PRC, the Capitalization of Reserve shall not be subject to any tax nor any withholding tax.



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## LETTER FROM THE BOARD

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Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling the Company's Shares.

### *Eligibility for Capitalization Shares of Shareholders trading through Southbound Trading*

As at the Latest Practicable Date, the H Shares are eligible for Southbound Trading and the A Shares are eligible for northbound trading. Subject to compliance with the relevant laws or regulations in the PRC, the New H Shares will be allotted to the H Shareholders in the PRC who are holding the H Shares through the Southbound Trading and New A Shares will be allotted to the A Shareholders in Hong Kong who are holding the A Shares through Northbound Trading.

### **Application for Listing**

Application will be made by the Company to the Listing Committee for the approval for the listing of, and permission to deal in, the New H Shares. The New A Shares will be listed on the Shanghai Stock Exchange. Subject to the satisfaction of the conditions as set out in this circular (including but not limited to the granting of the aforesaid listing approval by the Hong Kong Stock Exchange), the New H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. All necessary arrangements will be made by the Company for the New H Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Aside from the Hong Kong Stock Exchange, the New H Shares will not be listed at or dealt in any other stock exchanges, and the Company is not currently seeking for or proposing to seek for the listing at or dealing in any other stock exchanges for the New H Shares.

Subject to the Capitalization of Reserve becoming unconditional, the certificates for the New H Shares and the cheques for the Profit Distribution will be despatched by ordinary post to the H Shareholders who are entitled thereto at their own risk. In case of joint shareholding, the certificates for the New H Shares and the cheques for the Profit Distribution will be posted to the first named person on the H Shareholder's register in respect of such joint shareholding. All Capitalization Shares are non-renounceable. The New H Shares are expected to commence dealing on the Hong Kong Stock Exchange no later than Monday, August 2, 2021.

### **Closure of Register of Members**

For the purpose of determining the list of H Shareholders who are entitled to the Profit Distribution and the Capitalization Shares, the register of members of the Company will be closed from Friday, June 25, 2021 to Monday, July 5, 2021 (both days inclusive), during which period no transfer of Shares will be registered. H Share Shareholders whose names appear on the H Share register of members of the Company on Monday, July 5, 2021 are entitled to the Profit Distribution and the Capitalization Shares. In order to be entitled to receive the Profit Distribution and the new H Shares issued under the Capitalization

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## LETTER FROM THE BOARD

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Issue, all share certificates, together with the instruments of transfers, must be lodged for registration with the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, June 24, 2021.

### **Statement to be made on Acquisition of Shares**

The Company shall ensure that all its listing document(s) and share certificates include the statements stipulated below and shall instruct and cause its share registrars not to register the subscription, purchase or transfer of any of its Shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such Shares bearing statements to the following effect:

- (i) the acquirer of Shares agrees with the Company and each of its Shareholders, and the Company agrees with each Shareholder, to observe and comply with the Company Law of the PRC, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies and the Articles of Association;
- (ii) the acquirer of Shares agrees with the Company, each of its Shareholders, Directors, Supervisors, managers and officers, and the Company acting for itself and for each Director, Supervisor, manager and officer agrees with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law of the PRC or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- (iii) the acquirer of Shares agrees with the Company and its Shareholders that the Shares are freely transferable by the holder of such Shares; and
- (iv) the acquirer of Shares authorizes the Company to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders stipulated in the Articles of Association.

### **Risk Warning for trading of H Shares**

H Share Shareholders should note that H Shares are expected to be traded on ex-entitlement basis commencing from Wednesday, June 23, 2021. The Capitalization Issue will not be carried out until satisfaction of the conditions for the Capitalization Issue as set out in this circular, while the Profit Distribution will be subject to the approval of Shareholders at the Annual General Meeting and the Class Meetings. Any person who deals in H Shares on ex-entitlement basis prior to the satisfaction of the conditions and obtaining of the approval will be subject to the risk that the relevant proposal may not become unconditional or fail to proceed. Shareholders or potential investors shall seek professional advice from their own professional consultants should they have any doubt on their situations.



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## LETTER FROM THE BOARD

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### **Reasons for the Capitalization of Reserve and the Profit Distribution**

Based on the positive expectations on the future development of the Company, and with reference to the operating results and the overall financial status of the Company, the Board proposed the Capitalization of Reserve and the Profit Distribution so as to share the fruitful result of the Company's business performance with the Shareholders.

In addition, to encourage the Shareholders to continue to support the Company's future development, the Board believes that the Capitalization of Reserve will allow the Shareholders to enjoy a pro-rata increase in the number of Shares held by them in the Company without incurring any significant costs to them. Although the Capitalization of Reserve is not expected to increase the Shareholders' proportionate equity interests in the Company, the Capitalization of Reserve will increase the number of Shares to be held by the Shareholders, which will afford the Shareholders with more flexibility in managing their own investment portfolios such as giving them more convenience in disposing of a portion of the Shares for cash return. The Capitalization of Reserve will also result in the increase of number of Shares in issue, and the number of Shares held by H Shareholders, which will motivate the trading of Shares by the H Shareholders, and thus will enhance the trading activities and liquidity of the Shares in the market.

### **7. PROPOSED RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT AND THE INTERNAL CONTROL AUDITOR FOR 2021**

An ordinary resolution will be proposed at the Annual General Meeting to consider and approve the re-appointment of KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) as PRC financial report and internal control report auditors of the Company for 2021, and the appointment of KPMG (畢馬威會計師事務所) as international financial report auditors of the Company for 2021. The remuneration for the PRC and international auditors for 2021 shall be RMB2.4 million.

It is also proposed at the Annual General Meeting that the Board be authorized to exercise discretion for the implementation of the aforesaid remuneration packages for auditors.

## LETTER FROM THE BOARD

### 8. PROPOSED REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

In accordance with the relevant provisions of the Company Law, the Articles of Association and other regulations, based on the remuneration level of the Company's industry, the annual operating performance and performance appraisal results of the Company, and combined with the actual situation of the Company and the working hours and quantity of independent Directors, the remuneration of Directors and senior management for 2021 is as follows:

Name	Position	Proposed remuneration from the Company for 2021
Ms. Feng Yuxia	Chairperson, Executive Director	RMB600,000 US\$200,000
Mr. Zuo Conglin	Vice Chairman, Executive Director	RMB600,000
Dr. Yao Dalin	Executive Director, Vice General Manager	RMB240,000 US\$120,000
Ms. Sun Yunxia	Executive Director, Vice General Manager	RMB600,000
Mr. Gao Dapeng	General Manager, Executive Director, Secretary to the Board	RMB600,000
Mr. Gu Jingliang	Vice General Manager	RMB600,000
Ms. Yu Aishui	Financial Director	RMB550,000
Mr. Gu Xiaolei <sup>(1)</sup>	Non-Executive Director	0
Mr. Sun Mingcheng <sup>(2)</sup>	Independent Non-Executive Director	RMB100,000
Dr. Zhai Yonggong <sup>(2)</sup>	Independent Non-Executive Director	RMB100,000
Mr. Ou Xiaojie <sup>(2)</sup>	Independent Non-Executive Director	RMB100,000
Mr. Zhang Fan <sup>(2)</sup>	Independent Non-Executive Director	HK\$120,000

*Note 1:* Mr. Gu Xiaolei is appointed by shareholders and does not receive remuneration in the Company;

*Note 2:* Ms. Sun Mingcheng, Dr. Zhai Yonggong, Mr. Ou Xiaojie, and Mr. Zhang Fan do not hold actual positions in the Company, and remuneration is given in the form of allowances.

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## LETTER FROM THE BOARD

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An ordinary resolution will be proposed at the Annual General Meeting for Shareholders to consider and approve the above remuneration of Directors and senior management.

### 9. PROPOSED REMUNERATION OF SUPERVISORS

In accordance with the relevant provisions of the Company Law, the Articles of Association and other regulations, based on the remuneration level of the Company's industry, the annual operating performance and performance appraisal results of the Company, and combined with the actual situation of the Company and the working hours and quantity of independent Directors, the Supervisors' remuneration for 2021 is as follows:

Name	Position	Proposed
		remuneration from the Company for 2021
Ms. Li Ye	Chairperson	RMB550,000
Mr. Sun Huiye	Employee Supervisor	RMB550,000
Ms. Yin Lili	Non-employee Supervisor	RMB550,000

The Supervisory Committee has considered and approved the above-mentioned remuneration and the related Supervisors have abstained from voting on the relevant resolution concerning their remuneration.

The above remuneration was considered and approved by the Board and an ordinary resolution will be proposed at the Annual General Meeting for consideration and approval by the Shareholders.

### 10. AUTHORIZATION OF FINANCIAL DERIVATIVES INVESTMENT OF THE COMPANY

According to the needs for the operation and development, the Company intends to commence financial derivative investments within the amount of RMB1.9 billion (or equivalent foreign currency), the details of which are as follows:

#### I. Objectives

After the listing of the Company in Hong Kong on February 2021, a total of HK\$6.373 billion of proceeds are raised. Due to the relatively high level of raised proceeds, when the exchange rate fluctuates significantly, the gains and losses on foreign exchanges will have certain impact on the Company's operating results. In order to further enhance the capability of addressing the exposure to foreign exchange fluctuation, reduce exchange rate fluctuation risk, enhance financial stability and preserve and increase the value of assets, the Company will carry out investments in financial derivatives at appropriate market opportunities.

### **II. Basic information about the investments in financial derivatives proposed to be carried out**

#### **1. *Business types***

- (1) Interest rate swaps, basis difference swaps, interest rate options, forward rate agreements, foreign currency forward (including Renminbi and foreign currency forward), foreign currency swaps (including Renminbi and foreign currency swaps), cap rate, floor rate, currency swap, bond options, credit default swap and structural deposits and other transactions similar to such transactions;
- (2) The transactions arose from the combination of the above transactions.

#### **2. *Business scale and term***

According to the current financial condition of the Company and the competency of the Board of Directors, the Company proposes to commence investments in financial derivatives with the transaction amount not exceeding RMB1.9 billion (or equivalent foreign currency) and such funds can be used on rolling basis within the above limit for a period of 12 months commencing on the date of consideration and approval at the general meeting.

#### **3. *Decision-making and authorization***

The Company proposed to the Board of Directors to authorize the chairperson of the Board (or other person designated by the chairperson of the Board) to exercise its competency and sign relevant documents of financial derivatives trading business within the above range. The finance department of the Company is responsible for implementing relevant matters concretely.

#### **4. *Counterparties***

As approved by relevant government authorities, the counterparties are financial institutions like banks with business operation qualification of foreign exchange hedging business.

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## LETTER FROM THE BOARD

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### III. Possible risks of investments in financial derivatives

#### 1. *Exchange rate fluctuation risk*

In the event of substantial deviation of the trend of foreign exchange rate from the Company's judgements, the cost of the expenditure on foreign exchange hedging business may exceed its expectations, losses may be incurred.

#### 2. *Internal control risk*

Owing to high professionalism and complexity of the foreign exchange hedging business, the Company may suffer from loss during the foreign exchange hedging business due to operational error of staff and malfunction of system, etc.

#### 3. *Default risk*

If the counterparties of foreign exchange hedging transactions default and fail to pay the profit of foreign exchange hedging to the Company which result in the failure of hedging the actual exchange loss of the Company, the Company will suffer from loss.

### IV. Risk control measures

1. The Management System for Financial Derivatives Trading formulated by the Company has clear rules on operational requirements for foreign exchange hedging business, business processes, confidentiality system and risk management.
2. In order to control the risk of significant fluctuation in exchange rates, the Company will enhance study and analysis of exchange rate, keep abreast of the changes in international and domestic markets, and adjust its operation strategy when appropriate to get rid of exchange loss to the utmost.
3. In order to prevent the internal control risk, all foreign exchange transactions of the Company are aimed at avoiding and preventing exchange rate risk and no venture and arbitrage transactions shall be carried out. The requirements under the Management System for Financial Derivatives Trading shall be strictly followed when carrying out business operations, so as to guarantee the effective implementation of such system.

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## LETTER FROM THE BOARD

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4. To control the default risk, the Company only carries out foreign exchange hedging business with financial institutions like banks with relevant business operation qualification, so as to ensure the legality of the management of financial derivatives trading business of the Company.

### **V. Accounting policies and principle of auditing**

In accordance with the relevant requirements of the “Accounting Standard for Enterprises No. 22 — Recognition and Measurement of Financial Instruments”, the “Accounting Standard for Enterprises No. 24 — Hedging”, the “Accounting Standard for Enterprises No. 37 — Presentation of Financial Instruments” and the “Accounting Standard for Enterprises No. 39 — Fair Value Measurement” as well as the guidelines of the Ministry of Finance, the Company arranges corresponding audits on the investments in financial derivatives that intends to be carried out and the same will be reflected in the relevant items in the statement of financial position and the income statement.

If the Company contemplates to commence financial derivative investments in the future, all applicable requirements of the Hong Kong Listing Rules, the Articles of Association and other applicable laws, regulations as well as regulatory rules will be complied with by the Company as and when appropriate.

### **11. PROPOSED CHANGE OF THE REGISTERED CAPITAL OF THE COMPANY**

Reference is made to the announcement of the Company dated April 29, 2021, in relation to, among others, the proposed change of the registered capital of the Company. Given that (1) on February 26, 2021, 43,324,800 H Shares issued by the Company were listed and traded on the Main board of the Hong Kong Stock Exchange; and (2) according to the capital market conditions, the joint global coordinator (on behalf of international underwriters) of the Company in relation to the issuance partially exercised the Over-allotment Option on March 19, 2021 which involved 40,800 H Shares in total and such shares were listed and traded on the Main board of the Stock Exchange on March 24, 2021, the Company has issued 43,365,600 H Shares in total. Pursuant to the relevant requirements of the Company Law and the Articles of Association, the registered capital of the Company and the total number of shares of the Company shall be changed as a result of the aforesaid matters. After the issuance, the total number of shares of the Company increased from 227,454,729 shares to 270,820,329 shares and the registered capital increased from RMB227,454,729 to RMB270,820,329. As a result of the changes of the registered capital of the Company above, the Board proposed to change the registered capital of the Company from RMB227,454,729 (divided into 227,454,729 shares) to RMB270,820,329 (divided into 270,820,329 shares).

The proposed change of the registered capital of the Company is subject to approval of the special resolution by the Shareholders at the Annual General Meeting, A share class meeting and H share class meeting of the Company.

## LETTER FROM THE BOARD

### 12. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated April 29, 2021, in relation to, among others, the proposed amendments to the Articles of Association. In view of the changes of the registered capital of the Company and the updates on the interpretation of applicable laws and regulations by relevant regulatory authorities, and for the purpose of improving the corporate governance of the Company, the Board proposed to make the following amendments to the relevant provisions of the Articles of Association:

Original Articles	Amended Articles
<p><b>Article 3</b> The Company was approved by the China Securities Regulatory Commission (the “CSRC”) (Zheng Jian Xu Ke [2017] No.1448) on August 4, 2017 to issue 20,500,000 Renminbi ordinary shares to the public for the first time, which were listed on the Shanghai Stock Exchange (the “Exchange”) on August 25, 2017.</p> <p>The Company was approved by the CSRC to issue 43,324,800 overseas listed shares (the “H Shares”) (assuming the Over-allotment Option has not been exercised) in Hong Kong on January 18, 2021, which were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on February 26, 2021.</p>	<p><b>Article 3</b> The Company was approved by the China Securities Regulatory Commission (the “CSRC”) (Zheng Jian Xu Ke [2017] No.1448) on August 4, 2017 to issue 20,500,000 Renminbi ordinary shares to the public for the first time, which were listed on the Shanghai Stock Exchange (the “Exchange”) on August 25, 2017.</p> <p>The Company was approved by the CSRC to issue 43,324,800 overseas listed shares (the “H Shares”) (<del>assuming the Over-allotment Option has not been exercised</del>) <b>and over-allotted 40,800 shares</b> in Hong Kong on January 18, 2021, which were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on February 26, 2021 <b>and March 24, 2021 respectively.</b></p>
<p><b>Article 6</b> The registered capital of the Company is RMB270,779,529 (assuming the Over-allotment Option has not been exercised).</p>	<p><b>Article 6</b> The registered capital of the Company is <del>RMB227,454,729 (assuming the Over-allotment Option has not been exercised)</del> <b>RMB270,820,329.</b></p>

## LETTER FROM THE BOARD

Original Articles	Amended Articles
<p><b>Article 22</b> After establishment, the Company issued for the first time 20,500,000 domestic shares to domestic investors and other qualified investors upon approval of the CSRC. After the abovementioned issuance, the total number of shares of the Company is 81,800,000, all being Renminbi ordinary shares.</p> <p>The Company issued 43,324,800 H Shares (assuming the Over-allotment Option has not been exercised) in 2021 for the first time upon approval of the CSRC. After the abovementioned issuance, the total number of shares of the Company is 270,779,529 (assuming the Over-allotment Option has not been exercised), all being ordinary shares.</p> <p>The shareholding of the Company is: 270,779,529 ordinary shares, including 227,454,729 shares held by shareholders of domestically listed domestic shares, accounting for approximately 84% of the total share capital of the Company; 43,324,800 shares held by shareholders of H Shares, accounting for approximately 16% of the total share capital of the Company (assuming the Over-allotment Option has not been exercised).</p>	<p><b>Article 22</b> After establishment, the Company issued for the first time 20,500,000 domestic shares to domestic investors and other qualified investors upon approval of the CSRC. After the abovementioned issuance, the total number of shares of the Company is 81,800,000, all being Renminbi ordinary shares.</p> <p>The Company issued <del>43,324,800</del><b>43,365,600</b> H Shares <del>(assuming the Over-allotment Option has not been exercised)</del> <b>to foreign investors</b> in 2021 for the first time upon approval of the CSRC. After the abovementioned issuance, the total number of shares of the Company is 270,779,529<del>(assuming the Over-allotment Option has not been exercised)</del><b>270,820,329</b>, all being ordinary shares.</p> <p>The shareholding of the Company is: 270,779,529<del>270,820,329</del> ordinary shares, including 227,454,729 shares held by shareholders of domestically listed domestic shares, accounting for approximately <del>84%</del><b>83.99%</b> of the total share capital of the Company; <del>43,324,800</del><b>43,365,600</b> shares held by shareholders of H Shares, accounting for approximately <del>16%</del><b>16.01%</b> of the total share capital of the Company <del>(assuming the Over-allotment Option has not been exercised)</del>.</p>



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## LETTER FROM THE BOARD

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Original Articles	Amended Articles
<p><b>Article 50</b> No change of the register of shareholders as a result of share transfer shall be made within 30 days before the shareholders' general meeting is convened or within five days prior to the base date on which the Company decides to pay dividends. If there is any provision in laws and regulations and listing rules of stock exchange on the period of closure of the register of shareholders prior to a shareholders' general meeting or the base date set by the Company for the purpose of distribution of dividends, such provision shall prevail.</p>	<p><b>Article 50</b> <del>No change of the register of shareholders as a result of share transfer shall be made within 30 days before the shareholders' general meeting is convened or within five days prior to the base date on which the Company decides to pay dividends. If there is any provision in laws and regulations and listing rules of stock exchange on the period of closure of the register of shareholders prior to a shareholders' general meeting or the base date set by the Company for the purpose of distribution of dividends, such provision shall prevail.</del> <b>If any laws, administrative regulations, departmental rules and regulatory documents, and relevant stock exchanges or regulatory agencies of the place where the Company's shares are listed require a period of closure of the register of shareholders during which time no transfers of shares will be registered prior to the date of a general meeting or before the benchmark date set by the Company for the purpose of determination of distribution of dividends, such provisions shall apply.</b></p>

Save for the proposed amendments, other provisions of the Articles of Association shall remain unchanged. The proposed amendments to the Articles of Association are prepared in Chinese language. In the event of any discrepancy between the English translation and the Chinese version, the Chinese version shall prevail.

The proposed amendments to the Articles of Association are subject to the approval of the special resolution by the Shareholders at the Annual General Meeting. The Board has resolved to propose a resolution at the Annual General Meeting to authorise the Board to delegate the management of the Company to handle the approval and filing procedures with relevant regulatory authorities involved in such amendments, and to make adjustments to the wordings of such amendments to the Articles of Association according to opinions of the regulatory authorities.

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## LETTER FROM THE BOARD

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### 13. ANNUAL GENERAL MEETING AND CLASS MEETINGS

The notices of the Annual General Meeting and the H Share Class Meeting are set out on pages 38 to 42 of this circular.

The proxy forms for the Annual General Meeting and the H Share Class Meeting are also enclosed herein and published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.joinn-lab.com](http://www.joinn-lab.com)). Shareholders who intend to appoint proxy/proxies to attend and vote at the Annual General Meeting and H Share Class Meeting on his behalf shall complete, sign and return the proxy forms in accordance with the instructions printed thereon.

For H Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the Annual General Meeting or H Share Class Meeting in order for such documents to be valid. For A Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the headquarters of the Company in the PRC at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing not less than 24 hours before the time for holding the Annual General Meeting or A Share Class Meeting in order for such documents to be valid.

Pursuant to the Articles of Association, for the purpose of holding the Annual General Meeting or H Share Class Meeting, the register of members of H Shares will be closed from Tuesday, May 18, 2021 to Friday, June 18, 2021 (both days inclusive), during this period no transfer of H Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting and the H Share Class Meeting, non-registered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, May 17, 2021. For information about A Shareholders' attendance at the Annual General Meeting or A Share Class Meeting, please see the A Share announcement published by the Company on the website of the SSE.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairperson, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions proposed at the Annual General Meeting and the H Share Class Meeting will be voted by poll.

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## LETTER FROM THE BOARD

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### 14. RECOMMENDATION

The Directors consider that all resolutions set out in the notice of Annual General Meeting and notices of Class Meetings for consideration and approval by Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all resolutions to be proposed at the Annual General Meeting and the Class Meetings.

### 15. RESPONSIBILITY STATEMENT

This circular for which the Directors collectively and individually accept full responsibility, provides information in relation to the Company in compliance with the Listing Rules. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,  
For and on behalf of the Board  
**JOINN Laboratories (China) Co., Ltd.**  
**Feng Yuxia**  
*Chairperson*

**WORK REPORT OF THE BOARD FOR 2020**

In 2020, the Board of Directors of JOINN Laboratories (China) Co., Ltd. (the “Company”) diligently performed its duties delegated by the general meeting in strict compliance with relevant laws and regulations and normative documents such as the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Articles of Association as well as the requirements under the Company’s systems, and actively promoted the business development of the Company by operating in compliance with regulations and by scientific decision making. The work of the Board of Directors in 2020 is hereby reported as follows.

**I. MAJOR OPERATING CONDITIONS DURING THE REPORTING PERIOD**

During the reporting period, the Company achieved an operating income of approximately RMB1.076 billion, representing an increase of 68.27% as compared to 2019. The net profit attributable to the Shareholders of the listed company amounted to RMB315 million, representing an increase of 68.67% as compared to 2019. Basic earnings per Share amounted to RMB1.39, representing an increase of 67.47% as compared to 2019.

**II. WORK OF THE BOARD DURING THE REPORTING PERIOD****(1) Board meetings during the reporting period**

During the reporting period, the Board has convened 9 meetings:

1. On January 20, 2020, the fifteenth meeting of the third session of the Board was convened, during which the Board considered and approved the participation in the bidding for 80% equity interests in Shanghai SLAC Laboratory Animal Co., Ltd, the application to bank(s) for credit facilities by the Company and its subsidiaries, the application of a merger and acquisition loan to Minsheng Bank by the Company and the purchase of wealth management products by internal idle funds;
2. On April 10, 2020, the sixteenth meeting of the third session of the Board was convened, during which the Board considered and approved the full text of the 2019 Annual Report of the Company and its summary, the Work Report of the Board of Directors for 2019, the Final Financial Report for 2019, the Profit Distribution for 2019, the Internal Control Self-evaluation Report for 2019, the Internal Control Audit Report for 2019, the re-appointment of the auditor and internal control auditor for 2020, the estimated continuing connected transactions in the ordinary course of business for 2020, the Special Report on the Deposit and Use of Proceeds in 2019, the change in the chief financial officer of the Company, the Remuneration Plan of Directors and Senior Management for 2020, the Repurchase and Cancellation of 2018 Share Options and part of restricted shares under the Restricted Share Incentive Scheme, the Cancellation of 2018 Share Options and part of restricted shares

under the Restricted Share Incentive Scheme and the second exercise option/release of the exercise option of lock-up period/release of lock-up conditions under the 2018 Share Option and Incentive Share Incentive Plan;

3. On April 29, 2020, the seventeenth meeting of the third session of the Board was convened, during which the Board considered and approved the First Quarterly Report of 2020 and the matters in relation to supplement of liquidity with temporary idle proceeds and the changes in the Company's accounting policies;
4. On June 28, 2020, the eighteenth meeting of the third session of the Board was convened, during which the Board considered and approved the Company's 2020 Share Option Incentive Scheme (Draft) and its summary, the Company's Administrative Measures for Performance Evaluation under the 2020 Share Option Incentive Scheme, the proposal on requesting the general meeting of shareholders to authorize the Board to handle equity incentives-related matters, the adjustments to the amount of reserved interests under the 2019 Share Option and Restricted Share Incentive Plan, the grant of reserved interests under the 2019 Share Option and Restricted Share Incentive Plan to incentive participants and the change in registered capital and the amendments to the Articles of Association;
5. On July 13, 2020, the nineteenth meeting of the third session of the Board was convened, during which the Board considered and approved the exemption of the Company's undertaking to the related party transaction between the Company and Staidson Beijing Biopharmaceuticals Co Ltd;
6. On July 19, 2020, the twentieth meeting of the third session of the Board was convened, during which the Board considered and approved the grant of share options to incentive participants;
7. On July 23, 2020, the twenty-first meeting of the third session of the Board was convened, during which the Board considered and approved the company's issuance of H Shares and listing on Hong Kong and conversion into a joint stock limited company offering Shares overseas, the scheme of Company's issuance of H Shares and listing in Hong Kong, the term of validity for resolution on the Company's issuance of H Shares and listing, the authorisation to the Board and its authorised person(s) to deal with matters relevant to the issuance of H Shares and listing, the determination of authorised person(s) of the Board, the Pre-H Share Issue and Listing Accumulated Profit Distribution Plan of the Company and the plan on the use of proceeds of the Company's issuance of H shares;

8. On August 29, 2020, the twenty-second meeting of the third session of the Board was convened, during which the Board considered and approved the full text of the 2020 Interim Report of the Company and its summary, the Half-year Special Report on the Deposit and Use of Proceeds for 2020, the adjustments to the number of the first grant of share options and exercise price under the 2019 Share Option and Restricted Share Incentive Plan, the adjustments to the number of the first grant of restricted shares and repurchase price under the 2019 Share Option and Restricted Share Incentive Plan, the repurchase and cancellation of part of the restricted shares first granted under the 2019 Share Option and Restricted Share Incentive Plan, the cancellation of part of the share options first granted under the 2019 Share Option and Restricted Share Incentive Plan, part of the exercise options under the first grant/release of the exercise option of lock-up period/release of lock-up conditions under the 2019 Share Option and Incentive Share Incentive Plan, the nomination and election of candidates for independent directors of the third session of the Board of Directors of the Company as per requirements for the H-Share listed companies, the adjustments to members of special committees of the Board of the Company as per requirements for the H-Share listed companies, the purchase of liability insurance for directors, supervisors and senior management and liability insurance for the prospectus, the amendments to the Articles of Association of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the amendments to the Rules of Procedures of the Supervisory Committee of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the amendments to the Rules of Procedures of the Board of Directors of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the amendments to the Management System of Connected Transactions of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the amendments to the Management System of External Investments of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the amendments to the Management System of External Guarantees of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the amendments to the Working Systems of independent directors of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the formulation of the Working System of Overseas Issuance of Securities and Confidentiality and File Management System Related to Listing of JOINN Laboratories (China) Co., Ltd., the Report on the Use of Proceeds Previously Raised by the Company, the appointment of joint company secretaries and authorized representatives, the change in auditors for 2020, the amendments to the Management System of Raised Proceeds of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the amendments to the Management System of Preventing Embezzlement of Company Funds by Major Shareholders and Related Parties of JOINN

Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the amendments to the Code of Conduct of Controlling Shareholders and Actual Controllers of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the corporate governance system applicable after the issuance of H shares, the Company's waiver of pre-emptive rights in invested companies and connected transactions, the registration of the Company as a registered non-Hong Kong company and the application of the E-Submission System to the Hong Kong Stock Exchange;

9. On October 30, 2020, the twenty-third meeting of the third session of the Board was convened, during which the Board considered and approved the 2020 third quarterly report of the Company.

**(2) Meetings of Professional Committees of the Board during the Reporting Period**

During the Reporting Period, the Audit Committee of the Board has convened 4 meetings in total:

1. On April 10, 2020, the fifth meeting of the third session of the Audit Committee of the Board was convened, during which the Audit Committee considered and approved the financial report and audit report of the Company for 2019, the re-appointment of Talent Certified Public Accountants (Special General Partnership) as the auditor and internal control auditor for 2020 and the Internal Control Self-evaluation Report and Audit Report for 2019;
2. On April 29, 2020, the sixth meeting of the third session of the Audit Committee of the Board was convened, during which the Audit Committee considered and approved the 2020 First Quarterly Report of the Company and the changes in accounting policies of the Company;
3. On August 29, 2020, the seventh meeting of the third session of the Audit Committee of the Board was convened, during which the Audit Committee considered and approved the 2020 Interim Report of the Company, the change in the accounting firm and the Company's waiver of pre-emptive rights in invested companies and connected transactions;
4. On October 30, 2020, the eighth meeting of the third session of the Audit Committee of the Board was convened, during which the Audit Committee considered and approved the 2020 Third Quarterly Report of the Company;



During the Reporting Period, the Remuneration and Evaluation Committee of the Board has convened 3 meetings in total:

1. On April 10, 2020, the fourth meeting of the third session of the Remuneration and Evaluation Committee of the Board was convened, during which the Remuneration and Evaluation Committee considered and approved the remuneration plan of directors and senior management of the Company for 2020 and the second exercise option/release of the exercise option of lock-up period/ release of lock-up conditions under the 2018 Share Option and Incentive Share Incentive Plan;
2. On June 28, 2020, the fifth meeting of the third session of the Remuneration and Evaluation Committee of the Board was convened, during which the Remuneration and Evaluation Committee considered and approved the Company's 2020 Share Option and Restricted Share Incentive Scheme (Draft) and its abstract and the Company's Administrative Measures for Performance Evaluation under the 2020 Share Option Incentive Scheme;
3. On August 29, 2020, the sixth meeting of the third session of the Remuneration and Evaluation Committee of the Board was convened, during which the Remuneration and Evaluation Committee considered and approved the part of the exercise options under the first grant/release of the exercise option of lock-up period/release of lock-up conditions under the 2019 Share Option and Restricted Share Incentive Plan;

During the Reporting Period, the Nomination Committee of the Board has convened 2 meetings in total:

1. On April 10, 2020, the first meeting of the third session of the Nomination Committee of the Board was convened, during which the Nomination Committee considered and approved the appointment of Ms. Yu Aishui as the Company's chief financial officer;
2. On August 29, 2020, the second meeting of the third session of the Nomination Committee of the Board was convened, during which the Nomination Committee considered and approved the nomination and election of candidates for independent directors of the third session of the Board of Directors of the Company as per requirements for the H-Share listed companies;



During the Reporting Period, the Strategic Committee of the Board has convened one meeting in total:

1. On July 23, 2020, the first meeting of the third session of the Strategic Committee of the Board was convened, during which the Strategic Committee considered and approved the company's issuance of H Shares and listing on Hong Kong and conversion into a joint stock limited company offering Shares overseas, the scheme of Company's issuance of H Shares and listing in Hong Kong, the term of validity for resolution on the Company's issuance of H Shares and listing, the authorisation to the Board and its authorised person(s) to deal with matters relevant to the issuance of H Shares and listing, the determination of authorised person(s) of the Board, the Pre-H Share Issue and Listing Accumulated Profit Distribution Plan of the Company and the plan on the use of proceeds of the Company's issuance of H shares;

### III. PROSPECTS OF 2021

In 2021, the Board of the Company will continue to perform the duties and obligations of the Board diligently and carried out all work diligently and responsibly to promote the Company's continued healthy and stable development:

Driven by market demands, the Company will actively develop new technologies and new methodologies to satisfy the demand for innovative medicines, improve our drug evaluation capabilities and standards as well as enhancing our market share in preclinical pharmaceutical pharmacology and toxicology assessment business;

Further expand our clinical CRO and pharmacovigilance service business as well as increasing the construction of and investment in the production bases of laboratory animals;

Strengthen the strategic cooperation and business cooperation with Biomere, our U.S. subsidiary and participate in global competition actively, so as to further improve our international service capability.

BOARD OF DIRECTORS  
JOINN LABORATORIES (CHINA) CO., LTD.  
March 29, 2021

**WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2020****I.     CONVENING OF THE MEETINGS OF THE SUPERVISORY COMMITTEE**

During the year, the Company held 7 meetings of the Supervisory Committee.

1.     On April 10, 2020, the ninth meeting of the third session of the Supervisory Committee was convened, during which the Supervisory Committee considered and approved the full text of the 2019 Annual Report of the Company and its summary, the Work Report of the Supervisory Committee for 2019, the Final Financial Report for 2019, the Profit Distribution Proposal for 2019, the Internal Control Self-evaluation Report for 2019, the Internal Control Audit Report for 2019, the Remuneration Plans for Supervisors for 2020, the Specific Report on the Deposit and Use of Proceeds for 2019, the Repurchase and Cancellation of 2018 Share Options and part of restricted shares under the Restricted Share Incentive Scheme, the Cancellation of 2018 Share Options and part of restricted shares under the Restricted Share Incentive Scheme and the second exercise option/release of the exercise option of lock-up period/ release of lock-up conditions under the 2018 Share Option and Restricted Share Incentive Plan.
2.     On April 29, 2020, the tenth meeting of the third session of the Supervisory Committee was convened, during which the Supervisory Committee considered and approved the 2020 First Quarterly Report, the matters in relation to supplement of liquidity with temporary idle proceeds and the changes in the Company's accounting policies.
3.     On June 28, 2020, the eleventh meeting of the third session of the Supervisory Committee was convened, during which the Supervisory Committee considered and approved the Company's 2020 Share Option and Restricted Share Incentive Scheme (Draft) and its summary, the Company's Administrative Measures for Performance Evaluation under the 2020 Share Option Incentive Scheme, the verification of the list of beneficiaries under the 2020 Share Option Incentive Scheme, the adjustments to the amount of reserved interests under the 2019 Share Option and Restricted Share Incentive Plan, the grant of reserved interests under the 2019 Share Option and Restricted Share Incentive Plan to incentive participants and the verification of the reserved interests and the list of beneficiaries under the 2019 Share Option and Restricted Share Incentive Plan of JOINN Laboratories (China) Co., Ltd.
4.     On July 13, 2020, the twelfth meeting of the third session of the Supervisory Committee was convened, during which the Supervisory Committee considered and approved the exemption of the Company's undertaking to the related party transaction between the Company and Staidson Beijing Biopharmaceuticals Co Ltd.

5. On July 19, 2020, the thirteenth meeting of the third session of the Supervisory Committee was convened, during which the Supervisory Committee considered and approved the grant of share options to incentive participants.
6. On August 29, 2020, the fourteenth meeting of the third session of the Supervisory Committee was convened, during which the Supervisory Committee considered and approved the full text of the 2020 Interim Report of the Company and its summary, the Half-year Special Report on the Deposit and Use of Proceeds for 2020, the adjustments to the number of the first grant of share options and exercise price under the 2019 Share Option and Restricted Share Incentive Plan, the adjustments to the number of the first grant of restricted shares and repurchase price under the 2019 Share Option and Restricted Share Incentive Plan, the repurchase and cancellation of part of the restricted shares first granted under the 2019 Share Option and Restricted Share Incentive Plan, the cancellation of part of the share options first granted under the 2019 Share Option and Restricted Share Incentive Plan, part of the exercise options under the first grant/release of the exercise option of lock-up period/ release of lock-up conditions under the 2019 Share Option and Restricted Share Incentive Plan, the amendments to the Rules of Procedures of the Supervisory Committee of JOINN Laboratories (China) Co., Ltd. applicable after the issuance of H shares, the report on the use of proceeds previously raised of the Company, the Pre-H Share Issue and Listing Accumulated Profit Distribution Plan of the Company and the change in auditors for 2020.
7. On October 30, 2020, the fifteenth meeting of the third session of the Supervisory Committee was convened, during which the Supervisory Committee considered and approved the 2020 Third Quarterly Report of the Company.

## **II. OPINIONS OF THE SUPERVISORY COMMITTEE ON SUPERVISED MATTERS OF THE COMPANY IN THE REPORTING PERIOD**

### **1. Compliance of the Company's operations with legal requirements**

During the Reporting Period, pursuant to the laws and regulations of the PRC and the Articles of Association, the Supervisory Committee duly supervised the convening procedures and resolutions of general meetings of Shareholders and meetings of the Board, the Board's execution of resolutions approved at general meetings of shareholders, the performance of duties by the senior management of the Company. The Supervisory Committee was of the view that the Board and the senior management of the Company performed their duties with integrity and diligence, made decisions in a scientific approach, maintained sound production and operation. The Supervisory Committee was not aware of any action which would result in a breach of laws or regulations or the Articles of Association or would damage the interests of the Company and investors in the Company.

**2. Financial position of the Company**

During the Reporting Period, the Supervisory Committee further enhanced its internal control, especially the examination of the financial system. The Company has established a sound system on external investment, asset transfer and connected transactions, etc. In its operation, the Company observed the relevant laws and regulations of the PRC and the relevant provisions of the China Securities Regulatory Commission. On the control of the movement of funds and administrative expenses, the Company strictly controlled on each grade which ensured the normal operation of the Company and avoided financial risk.

The Supervisory Committee was of the view that the procedures adopted by the Board in preparing and considering the annual financial report of the Company are in compliance with the laws, administrative regulations and stipulations of the CSRC. The contents of the report gave a true, accurate and complete view of the actual situation of the listed company and do not contain false statements, misleading representations or material omissions.

**3. Use of raised proceeds during the year**

During the Reporting Period, the Company utilized and managed the proceeds in strict compliance with the requirements of the Management Measures for Proceeds by Companies Listed on the Shanghai Stock Exchange (2013 Revision) and the regulations for the management of proceeds of the Company without non-compliance in utilization of proceeds.

**4. Material related party transactions**

During the Reporting Period, the Company conducted connected transactions according to the principle of fairness and such transactions have been complying with laws and regulations. The Supervisory Committee was not aware of any action which would damage the interests of the Company and investors in the Company.

**5. The Supervisory Committee has no disagreement on the matters supervised during the Reporting Period.****III. WORKING PLAN FOR 2021**

In 2021, the Supervisory Committee responsibilities and rights will fully exercise its supervision and proposal according to the power and conferred by the Company Law and the Articles of Association, so as to effectively improve their ability to perform duties, ensure the compliance of the Company's operation with laws and regulations, such that the interests of the Company and Shareholders would not be prejudiced and the Company can continue to enjoy healthy development.

SUPERVISORY COMMITTEE  
JOINN LABORATORIES (CHINA) CO., LTD.  
March 29, 2021

## FINAL ACCOUNT REPORT FOR 2020

## FINALIZED FINANCIAL INFORMATION OF 2020

**I. Scope of financial reporting and the accounting system implemented**

1. Reporting scope: JOINN Laboratories (China) Co., Ltd.
2. The Company complies with the Accounting Standards for Business Enterprises and their application guidelines and adopts the calendar year as its fiscal year. The Group adopts the accrual basis as the basis of book-keeping, uses historical costs as its general measurement basis and the functional currency is RMB.

**II. Overall operation condition during the reporting period**

*Note:* The Company has adjusted the accounting treatment of biological assets from “accounted for under the cost method” to “accounted for under fair value” in 2020 and the data of 2019 were adjusted retrospectively. The following comparative information used to calculate growth rates are information after such retrospective adjustments. The new income standard applicable since 2020 has not made retrospective adjustment to the data of 2019.

In 2020, the Company achieved an operating income of RMB1,075.9049 million, the net profit attributable to the parent was RMB315.0139 million and the net profit excluding the impact of non-recurring gains and losses was RMB290.5352 million.

1. *Financial condition (before allocation)*

- (1). Total assets

As at the end of 2020, the total assets of the Company amounted to RMB2,107.8216 million, representing an increase of RMB663.8415 million or 45.97% as compared to RMB1,443.9801 million at the beginning of the year.

Of which, the current assets, fixed assets, intangible assets and other assets amounted to RMB1,182.9109 million, RMB445.5557 million, RMB123.6312 million and RMB355.6995 million, representing 56.12%, 21.14%, 5.87% and 16.88% of the total assets respectively.

- (2). Total liabilities

As at the end of 2020, the total liabilities of the Company amounted to RMB883.6575 million, representing an increase of RMB290.0704 million or 48.87% as compared to RMB593.5870 million at the beginning of the year.

Of which, current liabilities and non-current liabilities amounted to RMB760.0422 million (Nil for short-term borrowings) and RMB123.6153 million, representing 86.01% and 13.99% of the total liabilities respectively.

## (3) Shareholders' equity

As at the end of 2020, shareholders' equity of the Company amounted to RMB1,224.1642 million, representing an increase of RMB373.7711 million or 43.95% as compared to RMB850.3931 million at the beginning of the year.

Of which, share capital, capital reserve, surplus reserve and undistributed profit amounted to RMB227.4547 million, RMB249.8043 million, RMB59.2908 million and RMB669.2017 million, representing 18.58%, 20.41%, 4.84% and 54.67% of the shareholders' equity respectively.

## (4). Asset-liability ratio

At the end of 2020, the asset-liability ratio was 41.92%, representing an increase of 0.81 percentage points as compared to 41.11% at the beginning of the year.

## (5). The net increase of cash and cash equivalents for 2020 was RMB128.0861 million, of which:

- ① Cash inflows from operating activities were RMB1,356.0958 million and cash outflows were RMB927.7100 million, the net cash flows were RMB428.3857 million;
- ② Cash inflows from investing activities were RMB341.7211 million and cash outflows were RMB596.6237 million, which comprised of the purchase of fixed assets, intangible assets and other long-term assets as well as expenses for cash management, the net cash flows were -RMB254.9026 million;
- ③ Cash inflows from financing activities were RMB68.4940 million and cash outflows were RMB105.3679 million, which were mainly the amounts used to repay debts, pay cash dividends and the financial costs for listing, the net cash flows were -RMB36.8739 million.

2. *Operating performance*

In 2020, the Company achieved operating income, total profits and net profits of RMB1,075.9049 million, RMB360.5721 million and RMB313.6278 million, representing increases by 68.27%, 67.35% and 68.07% as compared to 2019 respectively. Main reasons: Due to the increase in investment in pharmaceutical of research and development in China and the continuous prosperity in the CRO industry, the orders undertaken by the Company enjoyed sustainable and stable

growth and the completion of orders in 2020 was satisfactory. At the same time, the Company has expanded its experimental facilities in Suzhou, which mitigated the insufficient production capacity to a certain extent and further enhanced our profitability.

3. *Major financial indicators for 2020*

Asset-liability ratio: 41.92%; Current ratio: 1.56; Quick ratio: 0.94,

Accounts receivables turnover (times/year): 10.80; Inventory turnover (times/year): 1.68;

Weighted average return on net assets: 30.78%;

Weighted average return on net assets after deducting non-recurring profit or loss: 28.52%;

Weighted average earning per Share: RMB1.40;

Weighted average earning per Share after deducting non-recurring profit or loss: RMB1.29;

Net assets per share: RMB5.39.

**III. Investments**

1. Increase in payments of fixed assets, intangible assets and other long-term assets of RMB148.9776 million, which is mainly used for trial investigations of cases.
2. As at the period end, the cash balance of investment expenses was RMB239 million, mainly representing the internal idle funds and idle proceeds from fund raising used in cash management, so as to increase our capital income.

**JOINN LABORATORIES (CHINA) CO., LTD.**

March 29, 2021



**JOINN LABORATORIES (CHINA) CO., LTD.**

**北京昭衍新藥研究中心股份有限公司**

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

**(Stock code: 6127)**

**NOTICE OF THE ANNUAL GENERAL MEETING OF 2020**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (the “AGM”) of JOINN Laboratories (China) Co., Ltd. (the “**Company**”) will be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Friday, June 18, 2021 at 2:00 p.m. for the following purposes of considering and, if deemed appropriate, approving the following resolutions.

**ORDINARY RESOLUTIONS**

To consider and approve:

1. The annual report and summary for 2020;
2. The work report of the Board of Directors for 2020;
3. The work report of the Supervisory Committee for 2020;
4. The final account report for 2020;
5. The re-appointment of the auditor for the financial report and the internal control auditor for 2021;
6. The proposed remuneration of Directors and senior management;
7. The proposed remuneration of Supervisors;
8. The authorization of financial derivatives investment of the Company;



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## NOTICE OF THE ANNUAL GENERAL MEETING OF 2020

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### SPECIAL RESOLUTIONS

9. The proposed 2020 Profit Distribution Plan;
10. The proposed change of the registered capital of the Company; and
11. The proposed amendments to the Articles of Association of the Company.

Details of the above resolutions proposed at the AGM are contained in the Circular, which is available on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.joinn-lab.com](http://www.joinn-lab.com)).

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

Hong Kong, May 18, 2021

*Notes:*

1. Unless the context otherwise stated, capitalized terms used in this notice shall have the meanings as those defined in the circular of the Company dated May 18, 2021.
2. For the purpose of holding the AGM, the register of members of the Company will be closed from Tuesday, May 18, 2021 to Friday, June 18, 2021 (both days inclusive), during which period no transfer of shares can be registered. In order for H Shareholders to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, May 17, 2021 for registration.
3. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H Shareholders of the Company, to the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time for holding the AGM or the adjourned meeting (as the case may be) (i.e. not later than 2:00 p.m. on Thursday, June 17, 2021 (Hong Kong time)). If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the AGM or any adjourned meetings should they so wish.

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## NOTICE OF THE ANNUAL GENERAL MEETING OF 2020

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6. Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the AGM. If corporate Shareholders appoint authorised representative to attend the AGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the AGM.
7. Shareholders attending the AGM shall be responsible for their own travel and accommodation expenses.
8. All resolutions at the AGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules.
9. References to time and dates in this notice are to Hong Kong time and dates.
10. For any matter relating to the Annual General Meeting, please contact Mr. Jia Fengsong (via email: [jiafengsong@joinn-lab.com](mailto:jiafengsong@joinn-lab.com) or telephone: +86 010 6786 9582).



**JOINN LABORATORIES (CHINA) CO., LTD.**

**北京昭衍新藥研究中心股份有限公司**

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

**(Stock code: 6127)**

**NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2021**

NOTICE IS HEREBY GIVEN that the first H Share Class Meeting of 2021 (the “**H Share Class Meeting**”) of JOINN Laboratories (China) Co., Ltd. (the “**Company**”) will be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Friday, June 18, 2021 at after the conclusion of the Annual General Meeting of 2020 and the A Share Class Meeting of 2021 and any adjournments thereof, for the following purposes of considering and, if deemed appropriate, approving the following resolutions.

**SPECIAL RESOLUTIONS**

To consider and approve:

1. The proposed 2020 Profit Distribution Plan.
2. The proposed change of the registered capital of the Company.

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

Hong Kong, May 18, 2021

*Notes:*

1. Unless the context otherwise stated, capitalized terms used in this notice shall have the meanings as those defined in the circular of the Company dated May 18, 2021.
2. For the purpose of holding the H Share Class Meeting, the register of members of the Company will be closed from Tuesday, May 18, 2021 to Friday, June 18, 2021 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the H Share Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, May 17, 2021 for registration. The Shareholders whose names appear on the register of members of the Company on Friday, June 18, 2021 are entitled to attend and vote at the H Share Class Meeting.

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## NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2021

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3. Shareholders who are entitled to attend and vote at the H Share Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H Shareholders of the Company, to the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time for holding the H Share Class Meeting or the adjourned meeting (as the case may be) (i.e. not later than 2:00 p.m. on Thursday, June 17, 2021 (Hong Kong time)). If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the H Share Class Meeting or any adjourned meetings should they so wish.
6. Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the H Share Class Meeting. If corporate Shareholders appoint authorised representative to attend the H Share Class Meeting, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the H Share Class Meeting.
7. Shareholders attending the H Share Class Meeting shall be responsible for their own travel and accommodation expenses.
8. All resolution(s) at the H Share Class Meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules..
9. References to time and dates in this notice are to Hong Kong time and dates.
10. For any matter relating to the H Share Class Meeting, please contact Mr. Jia Fengsong (via email: [jiafengsong@joinn-lab.com](mailto:jiafengsong@joinn-lab.com) or telephone: +86 010 6786 9582).