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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the "**Board**") of directors (the "**Director(s)**") of JOINN Laboratories (China) Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "**Group", "we", "our", "us", "JOINN" or "JOINN Labs**") for the year ended December 31, 2021 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2020.

In this announcement, "we", "us" and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above). Certain amount and percentage figure included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2021, the Group recorded the following audited results:

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*	Year-to-year change
Revenue	**1,516,680**	1,075,905	41.0%
Gross profit	**735,678**	550,625	33.6%
Profit for the year	**556,417**	311,564	78.6%
Profit for the year attributable to equity shareholders of the Company	**557,460**	312,950	78.1%
Net assets attributable to equity shareholders of the Company	**7,136,214**	1,222,544	483.7%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in RMB)

	Note	**2021** ***RMB'000*** **(Audited)**	2020 *RMB'000* (Audited)
Revenue	*3*	**1,516,680**	1,075,905
Cost of services		**(781,002)**	(525,280)
Gross profit	*3(b)*	**735,678**	550,625
Other gains and losses, net	*4*	**113,441**	31,720
Gains arising from changes in fair value of biological assets	*5*	**125,323**	54,732
Selling and marketing expenses		**(15,973)**	(12,907)
General and administrative expenses		**(264,321)**	(211,482)
Research and development expenses		**(47,756)**	(50,659)
Profit from operations		**646,392**	362,029
Finance costs	*6(a)*	**(3,962)**	(3,521)
Share of losses of an associate		**(426)**	–
Profit before taxation	*6*	**642,004**	358,508
Income tax	*7*	**(85,587)**	(46,944)
Profit for the year		**556,417**	311,564
Other comprehensive income for the year (after tax)			
Items that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income ("**FVOCI**") – net movement in fair value reserve (non-recycling)		**2,734**	44,578
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**(5,212)**	(15,909)
		(2,478)	28,669
Total comprehensive income for the year		**553,939**	340,233

	Note	**2021**	2020
		RMB'000	*RMB'000*
		(Audited)	(Audited)
Profit for the year attributable to:			
Equity shareholders of the Company		**557,460**	312,950
Non-controlling interests		**(1,043)**	(1,386)
Profit for the year		**556,417**	311,564
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**554,982**	341,619
Non-controlling interests		**(1,043)**	(1,386)
Total comprehensive income for the year		**553,939**	340,233
Earnings per share	*8*		
Basic (RMB)		**1.51**	0.99
Diluted (RMB)		**1.50**	0.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021
(Expressed in RMB)

	Note	**2021** ***RMB'000*** **(Audited)**	2020 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**814,728**	645,871
Intangible assets		**57,068**	62,769
Interest in an associate		**25,289**	–
Goodwill		**122,431**	125,296
Biological assets		**74,115**	19,434
Financial assets at FVOCI		**105,661**	64,445
Certificates of deposits		**1,405,323**	–
Other non-current assets		**74,124**	37,139
Deferred tax assets		**43,854**	35,261
		2,722,593	990,215
Current assets			
Inventories		**106,293**	91,011
Contract costs		**433,794**	247,742
Biological assets		**160,499**	67,462
Contract assets		**98,999**	66,812
Trade and bills receivables	*10*	**115,510**	91,041
Prepayments and other receivables		**64,312**	71,026
Financial assets at fair value through profit or loss ("**FVTPL**")		**680,978**	238,903
Cash at bank and on hand		**4,154,099**	308,690
		5,814,484	1,182,687
Current liabilities			
Interest-bearing borrowings		**4,544**	3,081
Trade payables	*11*	**53,644**	60,286
Contract liabilities		**972,213**	583,537
Other payables		**140,328**	92,586
Lease liabilities		**21,651**	14,520
Income tax payable		**21,862**	20,297
		1,214,242	774,307
Net current assets		**4,600,242**	408,380
Total assets less current liabilities		**7,322,835**	1,398,595

	Note	**2021** ***RMB'000*** **(Audited)**	2020 *RMB'000* (Audited)
Non-current liabilities			
Interest-bearing borrowings		**4,939**	21,375
Lease liabilities		**64,188**	53,170
Deferred tax liabilities		**48,428**	35,200
Deferred income		**60,844**	67,041
		178,399	176,786
NET ASSETS		**7,144,436**	1,221,809
CAPITAL AND RESERVES			
Share capital	*12*	**381,246**	227,455
Reserves		**6,754,968**	995,089
Total equity attributable to equity shareholders of the Company		**7,136,214**	1,222,544
Non-controlling interests		**8,222**	(735)
TOTAL EQUITY		**7,144,436**	1,221,809

NOTES TO FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in the consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for biological assets, equity investments in an unlisted company, equity investment in a listed company and RMB wealth management products that are stated at fair values at the end of each reporting period.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied for the first time the following amendments to IFRSs issued by the IASB to the consolidated financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in providing non-clinical drug safety assessment services to pharmaceutical and biotechnology companies. Further details regarding the Group's principal activities are disclosed in Note 3(b). Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by major service lines is as follows:

	2021	2020
	RMB'000	*RMB'000*
Rendering services:		
Non-clinical studies services	**1,482,615**	1,052,760
Clinical trial and related services	**30,514**	20,976
Sales of goods:		
Sales of research models	**3,551**	2,169
	1,516,680	1,075,905

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

As at 31 December 2021, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied were RMB2,900 million (2020: RMB1,700 million). Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of reporting period will be recognised within 3 years from the end of the reporting period.

(b) Segment reporting

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

- Non-clinical studies services

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

- Clinical trial and related services

  These services include (i) clinical CRO services, (ii) co-managed phase I clinical research units, and (iii) bioanalytical services.

- Sales of research models

  The Group engages in the design, production, breeding and sales of research models.

(i) Segment results

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

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

The Group's other operating income and expenses, such as other gains and losses, net, gains arising from changes in fair value of biological assets and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

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

	2021			
	Non-clinical studies services *RMB'000*	**Clinical trial and related services** *RMB'000*	**Sales of research models** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	**1,482,615**	**20,102**	**3,551**	**1,506,268**
Over time	**–**	**10,412**	**–**	**10,412**
Revenue from external customer	**1,482,615**	**30,514**	**3,551**	**1,516,680**
Inter-segment revenue	**1,446**	**–**	**89,537**	**90,983**
Reportable segment revenue	**1,484,061**	**30,514**	**93,088**	**1,607,663**
Reportable segment gross profit	**713,503**	**10,462**	**25,590**	**749,555**

	2020			
	Non-clinical studies services *RMB'000*	Clinical trial and related services *RMB'000*	Sales of research models *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	1,052,760	1,835	2,169	1,056,764
Over time	–	19,141	–	19,141
Revenue from external customer	1,052,760	20,976	2,169	1,075,905
Inter-segment revenue	–	–	24,616	24,616
Reportable segment revenue	1,052,760	20,976	26,785	1,100,521
Reportable segment gross profit	539,137	9,702	10,469	559,308

(ii) Reconciliations of reportable segment gross profit

	2021	2020
	RMB'000	*RMB'000*
Reportable segment gross profit	**749,555**	559,308
Elimination of inter-segment gross profit	**(13,877)**	(8,683)
Consolidated gross profit	**735,678**	550,625

(iii) Geographic information

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

	2021	2020
	RMB'000	*RMB'000*
The PRC	**1,263,509**	853,220
The USA	**243,291**	215,486
Other countries/regions	**9,880**	7,199
	1,516,680	1,075,905

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

	2021	2020
	RMB'000	*RMB'000*
The PRC	**794,585**	588,220
The USA	**299,046**	265,150
	1,093,631	853,370

4 OTHER GAINS AND LOSSES, NET

	2021	2020
	RMB'000	*RMB'000*
Government grants	**41,397**	27,723
Interest income	**83,724**	2,076
Net foreign exchange loss	**(60,326)**	(3,377)
Net loss on disposal of property, plant and equipment	**(408)**	(314)
Change in fair value of RMB wealth management products	**18,056**	5,737
Change in fair value of equity investment in a listed company	**31,824**	–
Others	**(826)**	(125)
	113,441	31,720

5 GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

	2021	2020
	RMB'000	*RMB'000*
Unrealised gains	**86,950**	42,006
Realised gains	**38,373**	12,726
	125,323	54,732

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2021	2020
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**421**	837
Interest on lease liabilities	**3,541**	2,684
	3,962	3,521

(b) Staff costs

	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**377,618**	284,236
Contributions to defined contribution retirement schemes	**26,707**	15,920
Equity-settled share-based payment expenses	**23,513**	29,906
	427,838	330,062

(c) Other items

	2021	2020
	RMB'000	*RMB'000*
Amortisation of intangible assets	**12,242**	11,306
Depreciation charge		
– Owned property, plant and equipment	**68,590**	57,531
– Right-of-use assets	**23,579**	14,436
Recognition/(reversal) of expected credit loss	**1,308**	(2,730)

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

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**79,412**	44,981
Deferred tax		
Origination and reversal of temporary differences	**6,175**	1,963
	85,587	46,944

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB557,460,000 (2020: RMB312,950,000) and the weighted average number of ordinary shares calculated as below:

	2021	2020
Issued ordinary shares at 1 January	**227,454,729**	161,716,920
H share initial public offering in February 2021	**36,134,600**	–
Issue of shares under bonus issue in 2020	**–**	64,686,768
Issue of shares under bonus issue in 2021	**105,435,732**	90,561,475
Effect of restricted shares	**(571,957)**	(1,153,963)
Effect of shares issued under share option schemes	**306,573**	310,041
Weighted average number of ordinary shares at 31 December	**368,759,677**	316,121,241

The weighted average number of ordinary shares shown above for the purposes of calculating basic earnings per share have been retrospectively adjusted to reflect the effect of issuance of shares under bonus issue (Note 12).

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB557,460,000 (2020: RMB312,950,000), and the weighted average number of ordinary shares (diluted) calculated as below:

	2021	2020
Weighted average number of ordinary shares at 31 December	**368,759,677**	316,121,241
Effect of restricted shares outstanding	**484,793**	612,542
Effect of deemed issue of shares under share option schemes	**2,159,887**	1,009,846
Weighted average number of ordinary shares (diluted) at 31 December	**371,404,357**	317,743,629

9 DIVIDENDS

(a) Cash dividends payable to equity shareholders of the Company attributable to the year

	2021 *RMB'000*	2020 *RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.36 per ordinary share (2020: RMB0.35 per ordinary share)	**137,248**	94,850

In addition, on 30 March 2022, the directors of the Company proposed 4 new shares for every 10 existing shares (2020: 4 new shares for every 10 existing shares) of the Company to be issued out of reserve to all shareholders of the Company on the record date for determining the shareholders' entitlement to the profit distribution plan.

The profit distribution plan is subject to the approval of the equity shareholders at the forthcoming annual general meeting and application be made to and approved by the Stock Exchange for the listing of and permission to deal in the new H share (in respect of the bonus issue). The final dividend proposed after the end of the reporting period has not been recognised as a liability or transferred from reserve at the end of the reporting period.

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

	2021 *RMB'000*	2020 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.35 per ordinary share (2020: RMB0.34 per ordinary share)	**94,850**	55,051

10 TRADE AND BILLS RECEIVABLES

	2021 *RMB'000*	2020 *RMB'000*
Trade receivables	**112,967**	94,589
Less: loss allowance	**(5,361)**	(5,723)
	107,606	88,866
Bills receivables	**7,904**	2,175
	115,510	91,041

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

	2021 *RMB'000*	2020 *RMB'000*
Within 1 year	**89,926**	73,478
1 to 2 years	**10,657**	8,224
2 to 3 years	**6,728**	6,411
Over 3 years	**295**	753
	107,606	88,866

11 TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**53,644**	60,286

At 31 December 2021, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**53,285**	59,937
1 to 2 years	**359**	349
	53,644	60,286

As at 31 December 2021, all trade payables of the Group are expected to be settled within one year or are payable on demand.

12 SHARE CAPITAL

Issued share capital

	2021		2020	
	No. of shares	**Amount** ***RMB'000***	No. of shares	Amount *RMB'000*
Ordinary shares, issued:				
At 1 January	**227,454,729**	**227,455**	161,716,920	161,717
H share initial public offering *(Note i)*	**43,365,600**	**43,365**	–	–
Issue of restricted shares	**–**	**–**	63,000	63
Shares issued under share option scheme	**2,026,690**	**2,027**	908,544	909
Issue of shares under bonus issue *(Note ii)*	**108,399,473**	**108,399**	64,766,265	64,766
At 31 December	**381,246,492**	**381,246**	227,454,729	227,455

Notes:

(i) On 26 February 2021, 43,324,800 ordinary H shares of RMB1 each were issued and offered for subscription at a price of HKD151 each upon the listing of the shares in the Company on The Stock Exchange of Hong Kong Limited. On 19 March 2021, additional 40,800 H shares was issued at a price of HKD151 each under the over-allotment option. The proceeds equivalent to RMB43,365,000, representing the par value, were credited to the Company's share capital. The remaining proceeds deducting the share issuance expenses, equivalent to RMB5,241,856,000, were credited to the share premium account.

(ii) Pursuant to the written resolutions of the shareholders of the Company passed on 4 August 2021, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 108,399,473 shares were issued and approximately RMB108,399,000 was transferred from share premium to share capital.

Pursuant to the written resolutions of the shareholders of the Company passed on 12 May 2020, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 64,766,265 shares were issued and approximately RMB64,766,000 was transferred from share premium to share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Overview

(I) Talent Development

With the intention of adapting to the continuous growth of business and orders of the Company, we keep expanding our work force. As of December 31, 2021, we have a professional service team of 2,100-plus people. The number and technical capabilities of the non-clinical research service team have been further improved, whilst our clinical trial service team has also been further enriched. Meanwhile, as our branches and subsidiaries grow up, we continue to optimize the organizational structure as well, refine the job responsibilities and streamline the management processes. With an ever-growing team of technicians, we have built a robust technical training system, which has improved the efficiency and effectiveness of training by combining online learning and theoretical tests with offline technical tests. As a result, the technicians have sharpened their skills quickly. Meanwhile, the Company has further optimized the compensation system and widened the coverage of equity incentives. Motivated by competitive packages, the staff shows a significantly heightened sense of ownership. The talent pipeline has remained stable and continued growing, driven by the Company's people-oriented philosophy, and higher initiative and solidarity among the staff.

(II) Production Capacity Expansion

The Company has in place a full-fledged capacity supporting facility expansion plan. As per the plan, JOINN Laboratories (Suzhou), Co., Ltd. ("**JOINN Laboratories (Suzhou)**") started fitting up an approximately 7,500-square-meter animal breeding facility in 2021, and the facility was completed and put into use by the end of the year. Meanwhile, a 1,800-square-meter laboratory (P2) was fit up and granted Biosafety Level 2 (BSL-2) laboratory certification. In addition, JOINN Laboratories (Suzhou) commenced the Phase II expansion project on the existing land, in order to support continued fast business growth and the ever-increasing demand for laboratory experiments of the Company in the future. The additional designed gross floor area is approximately 20,000 square meters, mainly intended for animal breeding facilities, plus auxiliary facilities including a new power center and IT machine room. The structure was completed by the end of 2021 and is expected to be available for use in the second half of 2022. The new facility is expected to further scale up the Company's business throughput and lay a solid foundation for business execution and growth in the future. The Company partnered with Jiangsu Sinotau Molecular Imaging Technology Co., Ltd. on jointly investing in and building a state-of-the-art radiopharmaceutical evaluation center in Wuxi, to meet the demand for radiopharmaceutical research and development in China. The structure of the main building was completed during the Reporting Period and interior decoration of the laboratory is in progress. Construction of JOINN's drug safety assessment center in Guangzhou commenced in October 2021 and is progressing well currently.

To further develop overseas business and ease the tension in the facilities of the overseas subsidiary Biomedical Research Models, Inc. ("**Biomere**"), Joinn Laboratories, CA Inc. has newly fit up and put into use a laboratory facility of about 6,000 square meters in 2021.

(III) Business Capacity Development

1. Drug Non-clinical Business:

2021 marks the start of China's 14th Five-Year Plan ("**14th FYP**"). By capitalizing on the achievements in building major new drug creation platforms during the 13th FYP period, the Company has further extended the depth and in particular the breadth of innovative drug research and evaluation capabilities. In response to the requirements for new hot spots, new technologies, new targets and critical technologies coming with innovative drugs, the Company has carried out non-clinical evaluation of numerous original new drugs created in China, in a wide range of fields, including innovative cell therapy (including new targets, multi-target CAR-T), bispecific antibody and multi-target antibody, innovative ADC, gene therapy, nucleotide drugs, innovative technical route-based vaccines and innovative inhalational macromolecular drugs. Built on the existing integrated non-clinical evaluation platform, the Company has built up its capabilities and enhanced its technologies in varied technical fields, in support of innovative drug research and development. With respect to the capabilities of the pharmacology and pharmacodynamics platform, for example, more than 10 disease models have been created, tested and proven for the pharmacodynamic evaluation of a number of drugs of innovative targets and innovative mechanisms. In the area of ophthalmic drug evaluation, the ophthalmology team has been further beefed up, and practiced special administration routes of ophthalmic drugs and new ophthalmic disease models. In the area of inhalational drug evaluation, the Company's laboratory is furnished with inhalation exposure devices featuring the largest throughput in China and is the first in the country to perform the evaluation of innovative inhalational macromolecular drugs. Non-clinical evaluation of a variety of inhalants, including DPI, MDI and Nebulized, has been done. The assay of small nucleic acid-based drugs has been a technical challenge to the industry for many years. A general technical platform for in-vivo concentration assay of nucleotide drugs has been built to drive bioanalysis and bioassay of nucleic acid drugs. In addition, a professional team for pre-clinical evaluation of radiopharmaceuticals, made up of experts in molecular imaging, radiolabelling, experimental animals, pharmacology and toxicology, and assay and analysis, has been formed to meet the demand for non-clinical evaluation of radiopharmaceuticals in China.

The Company also attaches importance to information technology and automation capabilities. The Laboratory Information Management System (LIMS) has been upgraded with a new data acquisition module. At the same time, new document management and employee training systems have been implemented to realize online lifecycle management of quality documents, as well as efficient presentation of training programs and results. The said capabilities can serve to further improve service capabilities and better satisfy customer needs.

Both the Company and JOINN Laboratories (Suzhou), a subsidiary, passed a GLP inspection by Japan's PMDA in December 2021. It marked the first ever GLP inspection of non-clinical CRO in China by Japan's PMDA. The inspectors from the PMDA concluded that both the laboratory systems and data quality of the Company are GLP-compliant. By passing the inspection, the Company is in a better position to tap into foreign customers.

2. Drug Clinical Trial Services:

In spite of the impact of sporadic COVID-19 outbreaks from time to time, the Company has seen its clinical CRO business growing and its customer base expanding. By providing registration and filing services and discussing clinical solutions, the Company has built up its business from nothing and earned the trust of more and more customers.

The clinical sample trial segment has undertaken and performed clinical sample trials of numerous innovative drugs, covering the analysis of clinical samples of drugs in gene and cell therapies, bispecific antibody drugs, monoclonal antibody (mAb) drugs for innovative targets, preventive biological products, and small molecule drugs for innovative targets, as well as the study of metabolism of small molecule drugs. Most of the aforesaid projects commenced clinical sample trials upon completion of non-clinical evaluation by the Company. The transfer of methodologies related to these activities is completed by the Company internally, resulting in a much shorter lead time required by methodology development and validation, as well as significant time and energy savings for customers on coordinating the transfer of methodologies among different laboratories. In 2021, JOINN's clinical trial laboratory passed dozens of quality system and comprehensive competency audits by both Chinese and foreign customers, and fully demonstrated the capabilities of its platform. The Company passed the COVID-19 nucleic acid testing capability certification organized by the National Institute of Metrology, China in June 2021; obtained Zhongguancun High-tech Enterprise qualification from the Zhongguancun Science and Technology Park Management Committee in November 2021; and passed 14 external quality assessment (EQA) items by Beijing Center for Clinical Laboratory at the end of 2021, covering internal secretion, special proteins, tumor markers, hepatitis markers, and nucleic acid testing (virological and non-virological).

3. Cell-based Assay (CBA) Services:

To meet the demand for cell strain and cell bank quality testing in macromolecule production in China, the Company recruited technical resources of expertise and formed a CBA team in 2021. Built on the existing platforms in Beijing and Taicang, the Company has put in place a full-fledged CBA laboratory system, encompassing a wide range of assays including cell identification, bacteria and fungi assay, mycoplasma assay, intracellular and extracellular virus assay (in vitro/in vivo methods), and cell tumorigenic experiments. Validation has been completed. CBA business is expected to become a new growth pole in the future.

4. Research Model Study:

In 2021, Qichen (Suzhou) Biological Science and Technology Co., Ltd. ("**Suzhou Qichen**"), a subsidiary of the Company, produced the first group of somatic cell cloned Bama pigs and mice via its mammal somatic-cell cloning technology platform. Meanwhile, seeing the deficiency of disease models suited to the research and development of those drugs for treating rare diseases and those involving cutting-edge technologies, Suzhou Qichen has successfully created gene-edited cell lines, gene-edited mouse models and gene-edited dog models, among a collection of models, targeting different diseases, with its gene editing platform. These models have been applied to non-clinical evaluation of drugs and provided strong support to the research and development of innovative drugs. JOINN has surmounted numerous technical challenges by fully integrating Suzhou Qichen's capabilities in, for example, the molecular biology platform, the mammal gene editing platform and the cloning technology platform, and applying new technologies and approaches to the evaluation of innovative drugs. These efforts have not only advanced the Company's innovation capability, but also sharpened the comprehensive capacity and core competitive strength of its non-clinical evaluation platform, and offered more powerful technical support to pharmaceuticals research and development in China and even the world.

The construction of the Wuzhou base is progressing in an orderly manner. Main works of several buildings for production use, including a breeding facility, an office building in the factory and a feed room, have been completed, while decorations of the rest facilities are being wrapped up.

(IV) Implementation of Featured Experiments

Implementation of evaluation in featured areas: In 2021, against the backdrop of a shortage of research models, the Company took the number of newly launched, completed and in-progress projects to the next level, thanks to continued efforts on resource allocation, proper planning and integrated management. As of the end of the Reporting Period, the Company had orders in hand worth about RMB2.9 billion in total, offering guarantee to future business performance.

(V) Marketing

The Company is unswervingly committed to technical innovation and is the first in the industry to build and standardize a technical platform for innovative drug evaluation. By constantly stepping up support to the research and development of innovative drugs and original innovations in new technical platforms, the Company is highly trusted by innovation-driven R&D organizations. Orders awarded to the Group were worth more than RMB2.8 billion in total in 2021. Of the total, the value of orders undertaken by China-based companies was more than RMB2.55 billion, continuing to present an impressive 65% year-on-year growth; orders undertaken by Biomere, an overseas subsidiary, amounted to about RMB280 million, representing a remarkable year-on-year jump by about 75%. Marketing actions high on the agenda aligned with the Company's strategies in 2021 are detailed as follows:

1. Continue to maintain an unassailable lead in the core business line of non-clinical evaluation, broaden the customer base and pursue awareness of and trust in JOINN among all innovative pharmaceutical companies in China;

2. Have an insight into the latest developments in the research of the Company's core business lines, by keeping abreast with new technologies and new targets developed in China and elsewhere. In particular, legal aid and technical support throughout the R&D process should be provided, at the early stage, to original innovators in the fields of innovative cell therapy (including new targets, multi-target CAR-T), bispecific antibody and multi-target antibody, innovative ADC, cell therapy and gene therapy, nucleotide drugs, innovative technical route-based vaccines and innovative inhalational macromolecular drugs. In this way, the customers may have a full understanding of the legal and regulatory requirements for non-clinical drug evaluation. The Company can make use of the resources of its comprehensive platform to help R&D organizations complete evaluation in the shortest possible time and start clinical trials of their products;

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

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

5. Continually increase international orders. The early detection business of Biomere and the non-clinical evaluation business of JOINN in China constitute the upstream and downstream of the drug evaluation chain. Thanks to the good reputation and credit standing of Biomere in the US, combined with JOINN's large-sized laboratory and quality system compliant with global standards, it is possible to achieve synergy and mutual growth of business in both China and the US, and bring in more orders to Biomere and JOINN in the international market. In 2021, Biomere continued to deliver strong performance and improving gross margin. It received orders to the total amount of about RMB280 million in the year, marking a 75% year-on-year jump; while JOINN's China-based members received international orders worth about RMB160 million, surging more than 100% year on year, and showing a sustained strong uptrend.

(VI) Initial Public Offering of H Shares, a Spur to Internationalization

In light of its internationalization strategy, the Company went public on the main board of The Stock Exchange of Hong Kong Limited on February 26, 2021. Following the listing of its H shares, the Company will be able to make the most of the Hong Kong capital market as a platform and avail itself of the support from foreign investors, to broaden its global footprint, enhance its global pharmaceuticals R&D service capabilities and prop up new drug R&D efforts of its customers around the globe.

Impact of the COVID-19 Pandemic

An outbreak of COVID-19 was first reported in December 2019 and continues to expand globally. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. The Chinese government has again implemented significant regional travel restrictions in response to the outbreak of the Delta variant since July 2021 and the Omicron variant since November 2021.

Despite the foregoing, our revenue for the year ended December 31, 2021, being approximately RMB1,516.7 million, increased by 41.0% as compared to approximately RMB1,075.9 million for the year ended December 31, 2020. The pandemic did not have a material adverse effect on the Group's business operations for 2021. As the future impact of COVID-19 remains uncertain, we expect our business operations will continue to be subject to potential impact of the COVID-19 pandemic.

As at the date of this announcement, there has not been any cancellation of any of our ongoing projects, material issues with collection of customer receivables, or material disputes with any customers as a result of the COVID-19 outbreak. We will continue to implement our remedial measures and may implement additional measures as necessary to ease the impact of the COVID-19 outbreak on our operations. However, we cannot guarantee you that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial position or prospects.

II. Financial Review

Overview

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

Revenue

During the Reporting Period, revenue generated from our non-clinical studies services accounted for substantially all of our total revenue. The Group's revenue for the year ended December 31, 2021 was RMB1,516.7 million, representing an increase of 41.0% compared to RMB1,075.9 million for the year ended December 31, 2020. The increase was primarily attributable to the expansion of our business.

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

	For the year ended December 31,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Non-clinical studies services	**1,482,615**	**97.8**	1,052,760	97.8
Clinical trial and related services	**30,514**	**2.0**	20,976	2.0
Sales of research models	**3,551**	**0.2**	2,169	0.2
Total revenue	**1,516,680**	**100.0**	1,075,905	100.0

Cost of Services

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

The Groups' cost of services for the year ended December 31, 2021 was RMB781.0 million, representing an increase of 48.7% compared to RMB525.3 million for the year ended December 31, 2020, which was largely in line with our revenue growth and the increase of price of research models.

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

	For the year ended December 31,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Non-clinical studies services	**759,037**	**97.2**	512,454	97.6
Clinical trial and related services	**20,051**	**2.6**	11,275	2.1
Sales of research models	**1,914**	**0.2**	1,551	0.3
Total cost of services	**781,002**	**100.0**	525,280	100.0

Gross Profit and Gross Profit Margin

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

For the year ended December 31, 2021, the gross profit and gross profit margin was RMB735.7 million and 48.5%, respectively, as compared to RMB550.6 million and 51.2%, respectively, for the year ended December 31, 2020. The increase in gross profit was mainly driven by our increased gross profit of our non-clinical studies services, which accounted for substantially all of our total revenue during the Reporting Period. Our gross profit margin slightly decreased for the year ended December 31, 2021, primarily due to the increase of cost of services discussed above.

Other Gains and Losses, Net

For the year ended December 31, 2021, other gains and losses, net was RMB113.4 million, represent an increasing of 257.6% as compared to RMB31.7 million for the year ended December 31, 2020. The increase in other gains and losses, net was primarily due to reasons as follows:

- For the year ended December 31, 2021, the government grants was RMB41.4 million, representing an increase of 49.3% as compared to RMB27.7 million for the year ended December 31, 2020. The increase was primarily due to the exemption of PPP loan of the subsidiary.

- For the year ended December 31, 2021, the interest income was RMB83.7 million, representing an increase of 3,932.9% as compared to RMB2.1 million for the year ended December 31, 2020. The interest income was primarily due to the funds from the global offering of H shares of the Company and the continuous improvement of the ability of capital management.

- For the year ended December 31, 2021, the net foreign exchange loss was RMB60.3 million, representing a massive loss as compared to the foreign exchange loss of RMB3.4 million for the year ended December 31, 2020. The net foreign exchange loss was primarily due to the foreign exchange settlement of funds from the global offering of H Shares of the Company.

- For the year ended December 31, 2021, the change in fair value of financial assets at FVTPL was RMB49.9 million, representing an increase of 769.4% as compared to RMB5.7 million for the year ended December 31, 2020. The increase was primarily due to the fair value appreciation of the equity investment in Changchun BCHT Biotechnology Co..

Gains arising from changes in fair value of biological assets

For research models that remained as our biological assets at the end of the Reporting Period, we recognized gain of RMB125.3 million arising from changes in fair value of biological assets for the year ended December 31, 2021, representing an increase of 129.0% compared to RMB54.7 million for the year ended December 31, 2020. The increase of gains arising from changes in fair value of biological assets was mainly due to the increase in unit fair value of biological assets in line with the increasing market price of research models.

Selling and Marketing Expenses

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

The Group's selling and marketing expenses for the year ended December 31, 2021 was RMB16.0 million, representing an increase of 23.8% compared to RMB12.9 million for the year ended December 31, 2020. Our selling and marketing expenses remained relatively stable for the year ended December 31, 2021.

General and Administrative Expenses

Our general and administrative expenses primarily consist of staff costs relating to our administrative and management personnel, office expenses, depreciation and amortization expenses, expenses for research models, equity-settled share-based payment expenses, and others. The Group's general and administrative expenses for the year ended December 31, 2021 was RMB264.3 million, representing an increase of 25.0% compared to RMB211.5 million for the year ended December 31, 2020. Our general and administrative expenses remained relatively stable for the year ended December 31, 2021.

Research and Development Expenses

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

The Group's research and development expenses for the year ended December 31, 2021 was RMB47.8 million, representing a decrease of 5.7% compared to RMB50.7 million for the year ended December 31, 2020. Our research and development expenses remained relatively stable for the year ended December 31, 2021.

Finance Costs

The Group's finance costs for the year ended December 31, 2021 was RMB4.0 million, representing an increase of 12.5% compared to RMB3.5 million for the year ended December 31, 2020. Our finance costs remained relatively stable for the year ended December 31, 2021.

Income Tax Expense

The Group's income tax expense for the year ended December 31, 2021 was RMB85.6 million, representing an increase of 82.3% compared to RMB46.9 million for the year ended December 31, 2020. The increase was primarily due to the increased profit generated by the growth of our business.

The Group's effective tax rate for the year ended December 31, 2021 was 13.3% and remained relatively stable compared with 13.1% for the year ended December 31, 2020.

Profit for the Year

As a result of the foregoing reasons, our profit for the year increased by 78.6% from RMB311.6 million for the year ended December 31, 2020 to RMB556.4 million for the year ended December 31, 2021. Our net profit margin increased from 29.0% for the year ended December 31, 2020 to 36.7% for the year ended December 31, 2021, primarily due to the continuous improvement in our operating efficiency and increased other gains and losses, net and gains arising from changes in fair value of biological assets discussed above.

Capital Management

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

Liquidity and Financial Resources

The Group's cash and cash equivalent as at December 31, 2021 were RMB4,154.1 million, representing an increase of 1,245.7% compared to RMB308.7 million for the year ended December 31, 2020. The increase was primarily attributable to the funds from the global offering of H shares of the Company.

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary course of business, including payments received from our customers for our services in non-clinical studies and the global offering of H shares of the Company.

Gearing ratio

The gearing ratio (calculated by interest-bearing bank borrowings divided by total equity) of the Group as at December 31, 2021 was 0.1%, representing a decrease of 1.9% compared to 2.0% for the year ended December 31, 2020.

Foreign Exchange Exposure

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

III. Outlook and Prospects

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

Strengthen non-clinical service offerings and expanding facilities

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

We will also expand our service capacity by building new facilities and expanding, renovation and upgrading our existing facilities in view of rising customer demands. Specifically, we plan to build a drug safety assessment center for innovative drugs and a central laboratory with associated platforms for bioanalytical services in Guangzhou, as well as laboratories for GLP-compliant non-clinical studies, breeding facilities for research models and central laboratories for clinical studies in Chongqing. We expect the Phase I of both facilities to commence operation in 2023. We have also expanded the capacity of our Suzhou facilities by commence constructing an additional approximately 20,000 sq.m. of laboratories for our non-clinical studies and research model facilities in 2021.

Expand global footprint and enhance global service capabilities

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

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

Broaden service offerings with a focus on clinical trial services

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

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

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

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

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

Expand research model facilities to support our non-clinical studies

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

Pursue acquisition and strategic opportunities

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and has complied with the applicable code provisions during the period from the Listing Date to the date of this announcement.

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

Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2021.

Compliance with Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the year ended December 31, 2021.

Use of Proceeds from the Global Offering

The H shares of the Company were listed on the Stock Exchange on February 26, 2021 (the "**Listing Date**") and the over-allotment option described in the prospectus was partially exercised on March 19, 2021 in respect of an aggregate of 40,800 H Shares, issued and allotted by the Company at HK$151.00 per H Share on March 24, 2021. The Company obtained proceeds in connection with the exercise of the global offering and the exercise of the over-allotment option amounted to approximately HK$6,373.6 million (equivalent to approximately RMB5,285.2 million) (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the global offering and the over-allotment option) (the "**Net Proceeds**").

As disclosed in the Prospectus, the Net Proceeds would be applied to (i) expand the capacity of the Group's Suzhou facilities; (ii) strengthen the Group's U.S. operations to cater to the rising customer demand for services provided by Biomere; (iii) further expand the Group's facility network and service capabilities in China; (iv) broaden and deepen the Group's integrated CRO service offerings with a particular focus on further expanding the Group's clinical trial and related services; (v) fund potential acquisitions; and (vi) working capital and general corporate purposes. As at 31 December, 2021, the Group had used approximately RMB264.1 million, representing approximately 5.0% of the Net Proceeds, and the remaining balance of the Net Proceeds was approximately RMB5,021.1 million.

The Company used the Net Proceeds in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". For details of the breakdown of the use of the Net Proceeds and expected timeline for unutilized funds, please refer to the 2021 annual report of the Company to be published in due course.

Significant Investment Held

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Employee and Remuneration Policy

As at December 31, 2021, the Group had 2,140 employees, whose salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

During the Reporting Period, the total staff costs (including Director's emoluments) were approximately RMB427.8 million (for the same period in 2020: RMB330.1 million).

Purchase, Sale or Redemption of Listed Securities

On March 29, 2021, the Company convened the 26th meeting of the third session of the Board, the Board resolved and approved of the proposed partial repurchase and cancellation of the 2018 restricted A Shares. As of the end of 2021, the Company had not completed the repurchase of some restricted shares.

On August 30, 2021, the Company convened the 28th meeting of the third session of the Board, the Board resolved and approved of the proposed partial repurchase and cancellation of the 2018 restricted A shares and the 2019 restricted A shares. As of the end of 2021, the Company had not completed the repurchase and cancellation of some restricted shares.

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

Capital Expenditure and Commitments

The Group's capital expenditures in 2021 primarily related to purchase of property, plant and equipment in relation to the expansion and enhancement of our facilities. In 2021, the Group incurred RMB306.3 million in relation to capital expenditures as compared to RMB171.5 million in 2020.

Contingent Liabilities

The Group had no material contingent liabilities as of December 31, 2021.

Charges on Group Assets

As of December 31, 2021, the Group did not have any material charges over its assets.

FINAL DIVIDEND

The Board proposed a profit distribution plan for the year ended 31 December 2021 ("**2021 Profit Distribution Plan**") as follows: (1) a dividend of RMB0.36 (2020: RMB0.35) per ordinary share to shareholders on the record date for determining the shareholders' entitlement to the 2021 Profit Distribution Plan. Based on the total issued 381,246,492 shares of the Company as of December 31, 2021, the proposed final dividend in an aggregate amount was approximately RMB137,248,000 (2020: RMB94,850,000); and (2) 4 new shares for every 10 existing shares (2020: 4 new shares for every 10 existing shares) of the Company to be issued by way of capitalization of reserve to all shareholders of the Company on the record date for determining the shareholders' entitlement to the 2021 Profit Distribution Plan.

The final dividend proposed after the end of the reporting period has not been recognised as a liability or transferred from reserve at the end of the reporting period. The 2021 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming annual general meeting ("**AGM**") and class meetings of the Company, as well as the grant of a listing of and permission to deal in new H shares (by the Hong Kong Stock Exchange in respect of the capitalization issue). The aforesaid profit distribution is expected to be paid to the eligible Shareholders by no later than August 30, 2022.

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 AGM.

The Company will withhold and pay PRC enterprise income tax on behalf of 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.

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.

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.

Information regarding the book closure period and record date to determine the entitlement to the 2021 Profit Distribution Plan and the detailed tax arrangement will be announced in due course.

AGM AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Company will arrange the time of convening the forthcoming AGM as soon as practicable, a circular and notice of the AGM will be published and despatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Company's articles of association. Once the date of the AGM is finalized, the Company will publish the announcement in relation to the period of closure of register of members of H Shares of the Company in due course.

AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transaction (if any) and provide advice and comments to the Board. The Audit Committee comprises three members, namely Mr. SUN Mingcheng, Dr. ZHAI Yonggong, and Mr. ZHANG Fan, with Mr. SUN Mingcheng (being our independent non-executive Director with the appropriate professional qualifications) as chairperson of the Audit Committee.

The Audit Committee has considered and reviewed the audited consolidated annual results of the Group for the year ended December 31, 2021 and the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the audited consolidated annual results of the Group for the year ended December 31, 2021 are in compliance with the relevant accounting standards, laws and regulations.

SCOPE OF WORK OF THE AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditor on the preliminary announcement.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Grant of Restricted A Shares under the 2021 Restricted A Share Incentive Scheme

On January 28, 2022, an aggregate of 675,400 restricted A shares to 505 participants who have fulfilled the grant conditions stipulated under the 2021 Restricted A Share Incentive Scheme and none of them is a Director, chief executive or substantial shareholder of the Company or an associate of any of them with the grant price of RMB83.97 per A Share. For details, please refer to the announcement made by the Company on January 28, 2022.

Convening of the First Extraordinary General Meeting of 2022, the First A Share Class Meeting for 2022 and the First H Share Class Meeting for 2022

The first extraordinary general meeting of 2022, the first A Share class meeting for 2022 and the first H Share class meeting for 2022 was held on January 19, 2022 and all the proposed resolutions are approved in the respective meetings.

In the first extraordinary general meeting of 2022, the ordinary resolutions including (1) the adoption of the 2021 A Share Employee Stock Ownership Plan; (2) the proposed adoption of the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan; (3) the proposed authorization to the Board to deal with matters in relation to the 2021 A Share Employee Stock Ownership Plan; (4) the connected transaction in relation to purchase of Series B+ Preferred Shares in JOINN Biologics Inc.; (5) the proposed capital increase in relevant wholly-owned domestic subsidiaries by the Company; (6) the proposed capital increase in the wholly-owned subsidiary, JOINN Laboratories, CA Inc., by the Company; (7) the proposed establishment of a wholly-owned subsidiary, Biomere-Joinn (CA), Inc., by the Company; (8) the proposed investment in Jiangsu Sinotau Molecular Imaging Technology Co., Ltd. by the Company; and (9) the proposed establishment of a subsidiary, Wuxi JOINN Molecular Imaging Technology Co., Ltd., by the Company, and the special resolutions including (1) the adoption of the 2021 Restricted A Share Incentive Scheme including the issuance of Restricted A Shares under specific mandate; (2) the adoption of the Assessment Administrative Measures on the Implementation of the 2021 Restricted A Share Incentive Scheme; (3) to authorize the Board to deal with matters in relation to the 2021 Restricted A Share Incentive Scheme; and (4) to authorize the Board to repurchase A Shares and H Shares of the Company have been approved.

As to the content of the resolutions mentioned above, please refer to the circular of the Company dated December 30, 2021. As to the poll results, please refer to the announcement made by the Company on January 19, 2022.

Save as disclosed above, the Company is not aware of any material subsequent events from December 31, 2021 to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.joinn-lab.com) and the website of the Hong Kong Stock Exchange.

The 2021 annual report of the Company containing all relevant information required under the Listing Rules will be published on the aforementioned websites and dispatched to the shareholders of the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

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

Hong Kong, Wednesday, March 30, 2022

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