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 31 DECEMBER 2022

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 31 December 2022 (the "**Reporting Period**"), together with comparative figures for the year ended 31 December 2021.

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 amounts and percentage figures 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 31 December 2022, the Group recorded the following audited results:

	Year ended 31 December 2022 *RMB'000*	Year ended 31 December 2021 *RMB'000*	Year-to-year change
Revenue	**2,267,971**	1,516,680	49.5%
Gross profit	**1,081,428**	735,678	47.0%
Profit for the year	**1,073,200**	556,417	92.9%
Profit for the year attributable to equity shareholders of the Company	**1,074,257**	557,460	92.7%
Net assets attributable to equity shareholders of the Company	**8,183,701**	7,136,214	14.7%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022
(Expressed in RMB)

	Note	**2022** ***RMB'000*** **(Audited)**	2021 *RMB'000* (Audited)
Revenue	*3*	**2,267,971**	1,516,680
Cost of services		**(1,186,543)**	(781,002)
Gross profit	*3(b)*	**1,081,428**	735,678
Other gains and losses, net	*4*	**227,639**	113,441
Gains arising from changes in fair value of biological assets		**333,073**	125,323
Selling and marketing expenses		**(18,007)**	(15,973)
General and administrative expenses		**(299,873)**	(264,321)
Research and development expenses		**(77,985)**	(47,756)
Profit from operations		**1,246,275**	646,392
Finance costs	*5(a)*	**(3,582)**	(3,962)
Share of losses of an associate		**(2,691)**	(426)
Profit before taxation	*5*	**1,240,002**	642,004
Income tax	*6*	**(166,802)**	(85,587)
Profit for the year		**1,073,200**	556,417
Other comprehensive income for the year (after tax)			
Item 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)		**45,100**	2,734
Item that are or may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**23,714**	(5,212)
		68,814	(2,478)
Total comprehensive income for the year		**1,142,014**	553,939

	Note	**2022** ***RMB'000*** **(Audited)**	2021 *RMB'000* (Audited)
Profit for the year attributable to:			
Equity shareholders of the Company		**1,074,257**	557,460
Non-controlling interests		**(1,057)**	(1,043)
Profit for the year		**1,073,200**	556,417
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**1,143,071**	554,982
Non-controlling interests		**(1,057)**	(1,043)
Total comprehensive income for the year		**1,142,014**	553,939
Earnings per share	*7*		
Basic (RMB)		**2.01**	1.08
Diluted (RMB)		**2.00**	1.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022
(Expressed in RMB)

	Note	**2022** ***RMB'000*** **(Audited)**	2021 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,234,691**	814,728
Intangible assets		**50,442**	57,068
Interest in an associate		**22,598**	25,289
Goodwill		**133,739**	122,431
Biological assets		**787,419**	74,115
Financial assets at FVOCI		**158,720**	105,661
Financial assets at fair value through profit or loss ("**FVTPL**")	*9*	**485,923**	–
Certificates of deposits		**1,478,774**	1,405,323
Other non-current assets		**50,891**	74,124
Deferred tax assets		**32,613**	43,854
		4,435,810	2,722,593
Current assets			
Inventories		**350,182**	106,293
Contract costs		**773,248**	433,794
Biological assets		**1,071,176**	160,499
Contract assets		**128,477**	98,999
Trade and bills receivables	*10*	**211,623**	115,510
Prepayments and other receivables		**68,381**	64,312
Financial assets at FVTPL	*9*	**408,471**	680,978
Cash at bank and on hand		**2,916,848**	4,154,099
		5,928,406	5,814,484
Current liabilities			
Interest-bearing borrowings		**3,533**	4,544
Trade payables	*11*	**127,309**	53,644
Contract liabilities		**1,294,707**	972,213
Other payables		**335,504**	140,328
Lease liabilities		**24,006**	21,651
Income tax payable		**59,203**	21,862
		1,844,262	1,214,242
Net current assets		**4,084,144**	4,600,242
Total assets less current liabilities		**8,519,954**	7,322,835

	Note	**2022** ***RMB'000*** **(Audited)**	2021 *RMB'000* (Audited)
Non-current liabilities			
Interest-bearing borrowings		**3,281**	4,939
Lease liabilities		**56,887**	64,188
Deferred tax liabilities		**188,243**	48,428
Deferred income		**80,677**	60,844
		329,088	178,399
NET ASSETS		**8,190,866**	7,144,436
CAPITAL AND RESERVES			
Share capital	*12*	**535,679**	381,246
Reserves		**7,648,022**	6,754,968
Total equity attributable to equity shareholders of the Company		**8,183,701**	7,136,214
Non-controlling interests		**7,165**	8,222
TOTAL EQUITY		**8,190,866**	7,144,436

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 organisation ("**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

These 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. These 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 period reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for biological assets, equity investments in unlisted companies, equity investment in a listed company, investments in unlisted funds and RMB wealth management products that are measured 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 IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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:

	2022	2021
	RMB'000	*RMB'000*
Rendering services:		
Non-clinical studies services	**2,213,598**	1,482,615
Clinical trial and related services	**49,568**	30,514
Sales of goods:		
Sales of research models	**4,805**	3,551
	2,267,971	1,516,680

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 2022, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied was approximately RMB4,400 million (2021:RMB2,900 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, currently including non-human primates and rodents.

(i) Segment results

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

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

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

	2022			
	Non-clinical studies services *RMB'000*	**Clinical trial and related services** *RMB'000*	**Sales of research models** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	**2,213,598**	**33,371**	**4,805**	**2,251,774**
Over time	**–**	**16,197**	**–**	**16,197**
Revenue from external customer	**2,213,598**	**49,568**	**4,805**	**2,267,971**
Inter-segment revenue	**1,809**	**–**	**433,828**	**435,637**
Reportable segment revenue	**2,215,407**	**49,568**	**438,633**	**2,703,608**
Reportable segment gross profit	**1,040,179**	**15,390**	**19,369**	**1,074,938**

	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

(ii) Reconciliations of reportable segment gross profit

	2022	2021
	RMB'000	*RMB'000*
Reportable segment gross profit	**1,074,938**	749,555
Elimination of inter-segment gross loss/(profit)	**6,490**	(13,877)
Consolidated gross profit	**1,081,428**	735,678

(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:

	2022	2021
	RMB'000	*RMB'000*
The PRC	**1,885,205**	1,263,509
The USA	**356,892**	243,291
Other countries/regions	**25,874**	9,880
	2,267,971	1,516,680

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.

	2022	2021
	RMB'000	*RMB'000*
The PRC	**1,880,102**	794,585
The USA	**348,787**	299,046
	2,228,889	1,093,631

4 OTHER GAINS AND LOSSES, NET

	2022	2021
	RMB'000	*RMB'000*
Government grants (including amortisation of deferred income)	**22,644**	41,397
Interest income	**131,233**	83,724
Net foreign exchange gain/(loss)	**27,401**	(60,326)
Net loss on disposal of property, plant and equipment	**(412)**	(408)
Gains on financial assets at FVTPL (realised)	**15,713**	17,425
Change in fair value of financial assets at FVTPL	**16,494**	32,455
Negative goodwill	**14,367**	–
Others	**199**	(826)
	227,639	113,441

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2022	2021
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**351**	421
Interest on lease liabilities	**3,231**	3,541
	3,582	3,962

(b) Staff costs

	2022	2021
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**505,755**	377,618
Contributions to defined contribution retirement scheme	**43,322**	26,707
Equity-settled share-based payment expenses	**9,588**	23,513
	558,665	427,838

(c) Other items

	2022 *RMB'000*	2021 *RMB'000*
Amortisation of intangible assets	**15,608**	12,242
Depreciation charge		
– Owned property, plant and equipment	**86,094**	68,590
– Right-of-use assets	**28,014**	23,579
Recognition of expected credit loss	**5,797**	1,308
Auditors' remuneration		
– audit services	**2,700**	2,400
– other assurance services	**1,500**	–
– non-assurance services	**178**	–

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

	2022 *RMB'000*	2021 *RMB'000*
Current tax		
Provision for the year	**161,925**	79,412
Deferred tax		
Origination and reversal of temporary differences	**4,877**	6,175
	166,802	85,587

7 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 RMB1,074,257,000 (2021: RMB557,460,000) and the weighted average number of ordinary shares calculated as below:

	2022	2021
Issued ordinary shares at 1 January	**381,246,492**	227,454,729
Issue of shares under bonus issue in 2022	**152,498,597**	147,503,870
Issue of shares under bonus issue in 2021	**–**	105,435,732
H share initial public offering in February 2021	**–**	36,134,600
Effect of restricted shares	**(357,548)**	(571,957)
Effect of shares issued under share option schemes	**222,182**	306,573
Weighted average number of ordinary shares at 31 December	**533,609,723**	516,263,547

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

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,074,257,000 (2021: RMB557,460,000), and the weighted average number of ordinary shares (diluted) calculated as below:

	2022	2021
Weighted average number of ordinary shares at 31 December	**533,609,723**	516,263,547
Effect of restricted shares outstanding	**412,057**	678,710
Effect of deemed issue of shares under share option schemes	**2,756,358**	3,023,842
Weighted average number of ordinary shares (diluted) at 31 December	**536,778,138**	519,966,099

8 DIVIDENDS

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

	2022	2021
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.40 per ordinary share (2021: RMB0.36 per ordinary share)	**214,258**	137,248

In addition, on 30 March 2023, the directors of the Company proposed 4 new shares for every 10 existing shares (2021: 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. 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

	2022	2021
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.36 per ordinary share (2021: RMB0.35 per ordinary share)	**137,363**	94,850

9 FINANCIAL ASSETS AT FVTPL

	2022	2021
	RMB'000	*RMB'000*
Non-Current assets		
Equity investment in an unlisted company *(i)*	**317,749**	–
Investments in unlisted funds *(ii)*	**168,174**	–
	485,923	–
Current assets		
RMB wealth management products *(iii)*	**381,326**	605,534
Equity investments in a listed company *(iv)*	**27,145**	75,444
	408,471	680,978
	894,394	680,978

Notes:

(i) In December 2021, the Company entered into a share purchase agreement ("**SPA**") with JOINN Biologics Inc. ("**JOINN Cayman**") and other investors, to purchase 44,116,176 Series B+ Preferred Shares of JOINN Cayman at a consideration of USD50,000,000. JOINN Cayman, incorporated in Cayman Islands and controlled by Ms. Feng Yuxia, the Company's ultimate shareholder, is principally engaged in providing CDMO services. The consideration has been settled in April 2022.

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

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

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

(iv) On 21 June 2021, the Company participated in the strategic investor placement of Changchun BCHT Biotechnology Co., Ltd. ("**BCHT Biotechnology**")'s A-share IPO to purchase 1,200,000 shares at RMB43,620,000, which is subject to a lock-up period up to June 2022. Some of the shares have been disposed during the year.

10 TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**207,998**	112,967
Less: loss allowance	**(8,561)**	(5,361)
	199,437	107,606
Bills receivables	**12,186**	7,904
	211,623	115,510

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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**173,842**	89,926
1 to 2 years	**20,756**	10,657
2 to 3 years	**1,995**	6,728
Over 3 years	**2,844**	295
	199,437	107,606

11 TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**127,309**	53,644

At 31 December 2022, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**126,749**	53,285
1 to 2 years	**560**	359
	127,309	53,644

As at 31 December 2022, 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

	2022		2021	
	No. of shares	**Amount *RMB'000***	No. of shares	Amount *RMB'000*
Ordinary shares, issued:				
At 1 January	**381,246,492**	**381,246**	227,454,729	227,455
H share initial public offering	**–**	**–**	43,365,600	43,365
Issue of restricted shares	**366,300**	**366**	–	–
Shares issued under share option scheme	**1,516,647**	**1,517**	2,026,690	2,027
Issue of shares under bonus issue *(Note i)*	**152,626,122**	**152,626**	108,399,473	108,399
Cancellation of restricted shares	**(76,885)**	**(76)**	–	–
At 31 December	**535,678,676**	**535,679**	381,246,492	381,246

Note:

(i) Pursuant to the written resolutions of the shareholders of the Company passed on 24 June 2022, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders as bonus issue. As a result, 152,626,122 shares were issued and approximately RMB152,626,000 was transferred from share premium in capital reserve to share capital.

Pursuant to the written resolutions of the shareholders of the Company passed on 18 June 2021, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders as bonus issue. As a result, 108,399,473 shares were issued and approximately RMB108,399,000 was transferred from share premium in capital reserve to share capital.

I. Business Overview

(I) Talent Development

With the rapid development of the business of each subsidiary, the Company continuously optimised the organisational structure, management process and refined the job responsibilities, providing clear policy support for the orderly development of the business of each subsidiary in each business segment and the stability of the team. The Company continues to expand the size of its technical and management team to meet the needs of growing business volume. In 2022, the Company increased its recruitment efforts and introduced outstanding graduates from domestic and foreign universities and excellent technical personnel in the industry, so as to reserve sufficient professional and technical talents for the Company. As of 31 December 2022, the Company has a professional service team of more than 2,700 people, representing an increase of nearly 650 people compared with the end of 2021. The number of personnel in the non-clinical and clinical research service teams has increased rapidly and the technical capabilities have been further improved. The development and introduction of the training system has greatly improved the training efficiency of employees, and new employees have completed the improvement of technical capabilities in the shortest time, which has further improved the service efficiency and quality of the Company. The "Suzhou Biomedical Industry-Education Integration Consortium" and other talent projects participated by JOINN Suzhou have been approved, and the Company has obtained the opportunity of comprehensive and continuous cooperation in talent training, technological progress, industrial resource allocation and other aspects. The collaborative training mechanism and collaborative management system of each talent project are conducive to the Company to better introduce and cultivate outstanding talents.

(II) Production Capacity Expansion

In order to ensure the smooth delivery of orders, the Company has formulated and implemented a facility expansion plan. Over 8,000 square metres of facilities in JOINN Suzhou have been fully put into operation. In addition, the construction of approximately 20,000 square metres of facilities has been successfully completed and passed the main building completion acceptance. The planning for the use of new facilities has been basically completed, fully combining the conditions of existing facilities of the Company and the change in future development needs, making the layout more reasonable and functional. The construction of new facilities will further increase the Company's business throughput and provide guarantee for the future business execution and performance growth.

The construction of the JOINN's drug safety assessment center in Guangzhou is currently underway in an orderly manner and the infrastructure construction has been completed as at the end of the reporting period. In order to meet the needs of domestic radiopharmaceuticals research and development, the Company

and Jiangsu Sinotau Molecular Imaging Science & Technology Co., Ltd. jointly invested to build a leading domestic radiopharmaceuticals evaluation centre in Wuxi. During the reporting period, the project was in the process of renovating the interior for the laboratory. The construction project of the JOINN Yichuang Laboratories, a wholly-owned subsidiary focusing on new drug screening, is progressing normally and is expected to be put into use in the second half of 2023.

(III) Business Capacity Development

1. Drug Non-clinical Business:

In the field of non-clinical drug evaluation, the Company focused on and tracked the research and development needs of the industry, deployed professional research and development teams in advance and in a timely manner, and continued to improve the non-clinical evaluation capabilities. For example, we have conducted in-depth cooperation and research on the translational medicine and precision medicine of paediatric drugs with renowned paediatric hospitals in China; in order to further implement the 3R principle, the Company has also deployed organoids and organoids-on-a-chip models simulating humans and animals, and compared the results of pharmacology and toxicology research with the overall animal, hoping to become reliable models for replacing or partially replacing animals for non-clinical research in the future; under the general background of following the guidance principles of ICH S7/E14, the Company conducted research and exploration on the risk of cardiac toxicity of innovative small molecular compounds, combined with the K+ channel Herg and multi-ion channel, action radio station change and the discovery of overall animal electrocardiogram indicators, and discussed with clinical investigators to evaluate the risk of ventricular degenerative arrhythmia, and further enrich the experience in implementing the guidance principles of ICH S7/E14; radioactive diagnostic and therapeutic drugs (drug delivery) are new methods for clinical diagnosis and treatment. It is expected that more high-efficiency new molecular drugs will emerge in the future. The drug delivery research team of JOINN has started to conduct in-depth research on drug evaluation methods, such as various isotope production, labelling, in-facility drug delivery, imaging test and other aspects, laying a foundation for the evaluation of pharmacology, pharmacology and toxicology in the future system; In recent years, breakthroughs have been made in the research and development of cell and gene therapy (**CGT**) products in the industry, and innovative products have emerged continuously. For different types of innovative CGT products, the Company continuously explores research and practise in the fields of pharmacology, organisation distribution and biological analysis method development, and toxicology evaluation focus research, so as to provide comprehensive non-clinical evaluation services for innovative CGT products. In the laboratories that undertake non-clinical evaluation projects for CGT products in China, the Company maintains a leading position in the industry. In 2022, the CGT orders undertaken by the Company achieved a year-on-year increase of more than 50%.

In order to support the research and development of innovative drugs, the Company continued to build capabilities and improve technologies in various fields on the basis of the existing comprehensive non-clinical evaluation platform. In particular, the Company established evaluation capabilities for emerging hotspot research and development fields, such as gene editing products, nucleic acid drugs, cell secretion drugs, innovative delivery system drugs and other product pipelines. In terms of non-clinical evaluation, testing and diagnosis platforms, biological analysis capabilities, special drug delivery technologies, etc., the Company improved the system, enhanced capabilities, and maintained the leading position in the industry.

In the field of product segmentation, such as the evaluation of ophthalmic drugs, the Company developed and optimised more ophthalmic disease models, including dry eye model, near-vision eye model, retinal leakage model, uveitis model, rat refractive error model, etc. At the same time, the Company established technologies such as intravenous injection administration for non-rodent experimental model; For the evaluation of otomy drugs, the Company has established technical platforms including hearing test, ear inspection, pathological diagnosis and other technical platforms, and has established ear administration technology methods and disease models for various animals. For the evaluation of inhalation drugs, the Company optimised the aerosol occurrence and drug delivery systems of macromolecular inhalation drugs, nucleic acid inhalation drugs and traditional Chinese medicine inhalation drugs, and completed the non-clinical evaluation of large molecular inhalation drugs and small nucleic acid drugs in a number of major projects; for the evaluation of psychotropic drugs, the Company has established the intracranial management technology and the brain telemetry platform for long-term administration of the central nervous system, and has established self-administration and drug identification trials that meet the requirements of the relevant guidance principles of the U.S. Foods and Drugs Administration and National Medical Products Administration. At the same time, the Company has added the non-human primate epilepsy model and established a variety of technical methods for neuron structure and functional research, which are used in drug evaluation.

In addition, special drug delivery technologies and operational skills have been further expanded and strengthened, including ovarian administration, straight-intestine administration, lumbar bypass administration, venous vein administration, chest cavity administration, etc.

As an important member, the Company actively participated in the research and development of the national project "Research on the New DNA Vaccine Platform System". The project was approved by the Ministry of Science and Technology in the first half of 2022. This national key research and development plan will further enhance the Company's service capabilities in the field of new drugs, especially new DNA vaccines, and contribute to the country's "Research on pathogenesis and epidemic prevention technology system".

On the basis of the completion of the establishment of the "Document and Training Management System (**DMS & TMS**)", the Company has increased its investment in informatization and digital construction, and has started to implement and deploy computer systems such as Quality Management System (**QMS**), Enterprise Content Management (**ECM**) and Electronic Form System (**ELN**). It is expected to be fully launched in 2023, which will enhance JOINN's quality management and customer service capabilities and efficiency.

In 2022, JOINN Laboratories (Suzhou) Co., Ltd. passed the quality management system ISO 9001 certification, environmental management system ISO 14001 certification, occupational health and safety management system ISO 45001 certification, etc., which further improved the laboratory quality system.

2. Drug Clinical Trial Services:

During the year, JOINN Clinical Services Segment achieved significant year-on-year growth in both the value of new contracts and the revenue. The services covered all-round clinical operation services such as registration application, medical writing, project management and pharmacovigilance, involving IIT, early clinical and confirmatory clinical (phase I, phase II and phase III clinical trials), etc. The therapeutic area covers innovative genes and cell therapy drugs, tumours, metabolism, endocrine, neurology, rare diseases, etc. Most of the projects are directly transitioned from pre-clinical research to clinical research, truly achieving seamless connexion, improving the one-time pass rate of review, saving a lot of time for project progress, reducing customer research and development costs and management costs, and improving customer experience.

The value of new contracts and the revenue of JOINN Clinical Sample Testing Segment for the year increased significantly year-on-year, covering clinical sample analysis and drug metabolism studies of innovative gene and cell therapy drugs, preventive vaccines, oncology therapeutic vaccines, innovative bispecific/multi-specific antibody drugs, innovative ADC drugs, innovative PROTAC drugs, monoclonal antibody drugs with innovative targets and innovative small molecule drugs. During the reporting period, JOINN Medical Testing Laboratories (Beijing) Co., Ltd. passed a number of capabilities certifications: in August 2022, it officially obtained the CNAS-CL01 (ISO/IEC 17025) certification issued by the Certification and Accreditation Administration of the PRC; by the end of 2022, two National Institute for Food and Drug Control (**NIFDC**) competence verification projects were passed, covering biological analysis fields such as biological macromolecular and human papillomavirus (**HPV**) nucleic acid testing. After continuous capacity building, many pre-clinical customers have been transformed into clinical sample analysis customers, and the clinical sample testing business has entered a period of rapid growth. By the end of 2022, we successfully imported several batches of clinical trial samples from New Zealand to facilitate the analysis of biological samples from international

multi-centre clinical trials. "JOINN Clinical Testing" is committed to becoming a world-class clinical testing platform, providing one-stop clinical trial sample testing services for domestic and global innovative drug varieties.

3. Cell-based Assay (CBA) Services:

In order to accelerate the development of cell verification business, the Company further expanded the professional technical team and established a wholly-owned subsidiary, JOINN Drug Quality Research and Testing (Beijing) Co., Ltd., which is mainly positioned to conduct quality research and testing on innovative drugs such as protein drugs, vaccines, gene and cell therapy products. According to the requirements of quality assessment for innovative drugs declaration, the Company will establish new methods, new technologies and new standards to provide the society with research on innovative drug quality standards, establishment of verification methods, preparation and identification of standard substances, inspection and testing of cell bank, bacterial seed bank, drug substance and finished products, as well as related services for key steps of production process quality control such as virus inactivation and removal verification, so as to meet the needs of continuous emerging innovative drug quality research and inspection and testing, support and promote the development and industrialization of innovative drugs. The drug inspection business has started to take orders and completed the CNAS laboratory pre-certification in early 2023.

4. Research Model Study:

In 2022, the Company's subsidiary, Aurora Bioscience Co., Ltd., started to create disease animal models on a large scale on the basis of establishing and improving the animal gene editing technology platform. For big animals, the Group preliminarily completed the identification of surface-shaped dogs for the gene editors obtained. The surface-shaped dogs fully met the requirements of customers and started marketing and application. For small animals, in the first half of the year, more than 40 genetically edited cell and mouse models were created for the pre-clinical efficacy evaluation of rare diseases and anti-tumour drugs. In 2023, the scale of laboratory and production facilities will be expanded, the efficiency and throughput of model creation will be improved, and large-scale technical services will be carried out. The construction of the research model base in Wuzhou has been basically completed.

In order to strengthen the strategic reserve and cost control of key research models, reduce supply-side risks, better meet the expansion needs of the Company's main business scale, and ensure and improve the Company's continuous service capabilities, the Company fully acquired Guangxi Weimei Biological Technology Co., Ltd. ("**Guangxi Weimei**") and Yunnan Yinmore Biological Technology Co., Ltd. ("**Yunnan Yinmore**"), which provided a strong guarantee for the non-clinical safety evaluation business. At the same time, the Company continued to strive to maintain the high quality and high standards of the existing research models, and strive to maintain various management indicators at the forefront of the industry.

(IV) Implementation of Featured Experiments

Implementation of evaluation in featured areas: In 2022, in the context of repeated outbreaks of the pandemic and a shortage of experimental animal models, the Company's management and technical team gave full play to the sense of ownership, united as one, overcame difficulties, and used their own advantages to expand management ideas, innovate experimental technologies, expand resource reserves in advance, and finally completed the increasing market and customer needs on time and with quality and quantity, so that the Company's new completion and the number of projects under research maintained a good growth trend. As of the end of the reporting period, the Company's overall orders on hand were approximately RMB4.4 billion, providing guarantee for future performance.

(V) Marketing

The Company continued to strengthen innovation in technology and business fields, accelerated the construction and standardisation of innovative drug evaluation technology platform, and deeply cultivated business segments. As the research and development support for original innovation of innovative drugs and new technology platforms has been continuously strengthened in recent years, it has gained the trust of innovative research and development enterprises. In 2022, the Group's overall signed orders amounted to approximately RMB3.8 billion, representing a year-on-year increase of approximately 35%, which continued to maintain a steady growth. Adhering to the Company's existing strategic development direction, the Company's focus on marketing in 2022 is as follows:

1. Continue to maintain the Company's leading market position in the core business areas of non-clinical evaluation, actively expand customer base and increase the number of orders.

2. According to the development strategy of the Company, the Company will closely follow the new technologies, new targets, new preparations and new fields developed at home and abroad, especially in the fields of cell therapy (including stem cells, new targets, multi-target CAR-T, NK cells, neoantigen cells, gene editing cells, various cells induced by IPSC, etc.), gene therapy (oncolytic virus and other viral and non-viral vectors drugs, therapeutic vaccines, etc.), nucleotide drugs, innovative antibodies (monoclonal antibodies, bispecific antibodies, multi-target antibodies, etc.), innovative ADCs (including bispecific ADC, new targets, new molecules, etc.), innovative PDC drugs, nuclear drugs/RDC drugs, innovative technology route vaccines, innovative inhalation macromolecular drugs, central nervous system drugs, paediatric and reproductive development drugs, ENT drugs, etc. Among the project segments commenced, the order volume of reproductive toxicity, carcinogenicity test, ophthalmic test, inhalation test, central nervous system test, skin drug delivery test, etc. continued to maintain a leading growth. For original innovative enterprises, we provide early-stage regulatory assistance and technical support for the entire research and development

process, so that customers can fully understand the regulatory requirements of non-clinical drug evaluation. We provide constructive opinions for clients' drug research and development, and use the Company's comprehensive platform resources to help research and development enterprises complete evaluation in the shortest time and start clinical trials of their products.

3. Continue to increase marketing and promotion efforts in new business segments, including clinical trials, clinical testing and quality assurance. By integrating online and offline promotion resources, more potential customers are allowed to understand the business of JOINN.

4. Strengthening the linkage of existing business chains. By integrating the sales team and fully leveraging on the Company's advantages in non-clinical industry position and project resources, the Company will expand and strengthen the upstream and downstream segments of the business chain, and provide customers with high-quality one-stop services, including JOINN's macromolecule CDMO, non-clinical evaluation, biological product verification, clinical CRO, clinical testing and other segments. A number of projects have been completed, saving time and improving efficiency.

5. Continue to expand overseas business. Since the integration and operation of BIOMERE, the Company has continued to deepen and strengthen the synergy between the two parties based on their respective advantages, and achieved excellent results in overseas business expansion. In 2022, BIOMERE, an overseas subsidiary of the Company, maintained good operation and received orders of approximately RMB350 million, representing a year-on-year increase of approximately 25%. JOINN's China-based memebers achieved a significant breakthrough in undertaking overseas orders with a year-on-year increase of over 60%, which continued the good trend. More and more overseas customers began to understand and pay attention to JOINN.

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 31 December 2022 was RMB2,268.0 million, representing an increase of 49.5% compared to RMB1,516.7 million for the year ended 31 December 2021. 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 31 December			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Non-clinical studies services	**2,213,598**	**97.6**	1,482,615	97.8
Clinical trial and related services	**49,568**	**2.2**	30,514	2.0
Sales of research models	**4,805**	**0.2**	3,511	0.2
Total revenue	**2,267,971**	**100.0**	1,516,680	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 31 December 2022 was RMB1,186.5 million, representing an increase of 51.9% compared to RMB781.0 million for the year ended 31 December 2021, which was largely in line with our revenue growth and the increase of price of research models.

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 31 December 2022, the gross profit and gross profit margin was RMB1,081.4 million and 47.7%, respectively, as compared to RMB735.7 million and 48.5%, respectively, for the year ended 31 December 2021. 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 decrease for the year ended 31 December 2022, primarily due to the increase of cost of services discussed above.

Other Gains and Losses, Net

For the year ended 31 December 2022, other gains and losses, net was RMB227.6 million, represent an increasing of 100.7% as compared to RMB113.4 million for the year ended 31 December 2021. The increase in other gains and losses, net was primarily due to reasons as follows:

- For the year ended 31 December 2022, the net foreign exchange gain was RMB27.4 million, representing a large gain as compared to the foreign exchange loss of RMB60.3 million for the year ended 31 December 2021. The net foreign exchange gain was primarily due to exchange rate fluctuations.

- For the year ended 31 December 2022, the interest income was RMB131.2 million, representing an increase of 56.7% as compared to RMB83.7 million for the year ended 31 December 2021. The increase in 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 31 December 2022, the negative goodwill was RMB14.4 million, which is RMB Nil for the year ended 31 December 2021. This was primarily due to the acquisition of Guangxi Weimei and Yunnan Yinmore on 15 May 2022.

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 RMB333.1 million arising from changes in fair value of biological assets for the year ended 31 December 2022, representing an increase of 165.8% compared to RMB125.3 million for the year ended 31 December 2021. The increase of gains arising from changes in fair value of biological assets was mainly due to due to the increase in unit fair value of biological assets in line with the increasing market price of research models and the increasing number of research models from acquisition of Guangxi Weimei and Yunnan Yinmore.

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 31 December 2022 was RMB18.0 million, representing an increase of 12.7% compared to RMB16.0 million for the year ended 31 December 2021. Our selling and marketing expenses remained relatively stable for the year ended 31 December 2022.

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 31 December 2022 was RMB299.9 million, representing an increase of 13.5% compared to RMB264.3 million for the year ended 31 December 2021. Our general and administrative expenses remained relatively stable for the year ended 31 December 2022.

Research and Development Expenses

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

The Group's research and development expenses for the year ended 31 December 2022 was RMB78.0 million, representing an increase of 63.3% compared to RMB47.8 million for the year ended 31 December 2021. The increase was primarily due to the increase investment in research and development continuously.

Finance Costs

The Group's finance costs for the year ended 31 December 2022 was RMB3.6 million, representing a decrease of 9.6% compared to RMB4.0 million for the year ended 31 December 2021. Our finance costs remained relatively stable for the year ended 31 December 2022.

Income Tax Expense

The Group's income tax expense for the year ended 31 December 2022 was RMB166.8 million, representing an increase of 94.9% compared to RMB85.6 million for the year ended 31 December 2021. The increase was primarily due to the increased profits generated by the growth of our business.

The Group's effective tax rate for the year ended 31 December 2022 was 13.5% and remained relatively stable compared with 13.3% for the year ended 31 December 2021.

Profit for the Year

As a result of the foregoing reasons, our profit for the year increased by 92.9% from RMB556.4 million for the year ended 31 December 2021 to RMB1,073.2 million for the year ended 31 December 2022. Our net profit margin increased from 36.7% for the year ended 31 December 2021 to 47.3% for the year ended 31 December 2022, primarily due to the continuous improvement in our operating efficiency, 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 31 December 2022 were RMB2,916.8 million, representing a decrease of 29.8% compared to RMB4,154.1 million for the year ended 31 December 2021. The decrease was primarily attributable to acquisition of Guangxi Weimei and Yunnan Yinmore.

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.

Gearing ratio

As at 31 December 2022, the gearing ratio, calculated as total liabilities over total assets, was 21.0%, as compared with 16.3% as at 31 December 2021. The increase was primarily attributable to the increase in consideration received from the customers. The gearing ratio for the year ended 31 December 2021 presented herein has been calculated as total liabilities over total assets for comparison and reference purpose.

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. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(I) Development strategy of the Company

The overall development strategy of the Company is: the non-clinical pharmacology and toxicology evaluation business is the core business, and the Company will steadily increase its market share and overseas influence; focusing on its core business, the Group will actively expand its upstream and downstream business capabilities, including early-stage drug discovery business, drug screening and druggability evaluation business, cell verification business, clinical CRO business, clinical testing business, etc., expand the scale and production capacity of research model production, create a unique gold industry chain of non-clinical safety evaluation, clinical trial and related services and high-quality research model supply, and provide one-stop services; guided by the market demand, actively develop new technologies and new methods to meet the needs of innovative drugs, and form new service advantages; further enhance our international service capabilities and participate in global competition; build the Company into a comprehensive CRO with international competitiveness.

(II) Business Plan

1. Non-clinical CRO Business

(1) Relying on the Company's operation and management experience and professional and technical capabilities, giving full play to the existing competitive advantages, continuously establishing new technologies and new methods for improving service quality, continuously improving the internal management system for improving service efficiency, further expanding production capacity for improving performance goals, expanding personnel team, and continuously consolidating and improving the Company's market share and leading position in the field of non-clinical drug research services. In 2023, the Company will continue to improve its pharmacology and toxicology research and evaluation capabilities, ensure the smooth operation of new experimental facilities, continuously improve the GLP system, improve the compliance level of regulations, and ensure the smooth and compliant operation of various tasks.

(2) Based on the existing pharmacology and toxicology technology system, the Company continuously enriches and improves the evaluation platform and technology system to meet the non-clinical evaluation needs of new targets and new technology drugs. Establish good internal incentive policies to support the development of the Company's innovative business; for fields where the Company has insufficient accumulation and business capabilities that require urgent enhancement, the Company will rapidly establish research and development capabilities through mergers and acquisitions, equity participation, business cooperation and other methods, to occupy the market and form new profit growth points.

(3) Based on the existing drug evaluation platform, the Company will expand non-drug services, such as medical device evaluation, veterinary drug and food and animal supplies evaluation, to improve the Company's comprehensive service capabilities.

(4) Actively introduce more industry experts and technical personnel with overseas work experience to join the domestic team to improve the international business capabilities of the domestic team; expand the scale of the laboratory in the United States, broaden the scope of services, increase business throughput, and serve the research and development needs of more local research and development institutions; increasing investment in offshore outsourcing business so as to attract more overseas business and customers to enter China.

(5) A sufficient number of qualified technical and management teams are the foundation of the Company's operation. In 2023, the Company will continue to increase its investment in human resources, increase its efforts in recruitment, focus on the introduction and replenishment of talents for weak professions, and solve the problem of the impact of shortage of technical talents on the overall work. In addition, the Company will further improve the performance appraisal system, training system and salary and welfare system, improve the professional skills, subjective initiative and labour productivity of employees, and provide support for the Company to achieve its overall strategic goals. In 2023, the Company will continue to launch equity incentives when opportunities arise, expand the scope of equity incentives, and implement equity incentives properly to facilitate the development of the Company.

(6) Construction plan to expand production capacity: JOINN Suzhou has completed the construction of 20,000 square metres of facilities, and the overall planning layout for use has been completed. In 2023, it will be gradually put into use based on the conditions of existing facilities of the Company and the future development needs, providing a guarantee foundation for the increasing business order demand in the future; The Company's subsidiary JOINN Express & Collabo Laboratories (Suzhou) Co., Ltd. has completed the laboratory leasing of approximately 9,000 square metres and started interior decoration. It is expected to be put into use in the second half of 2023, mainly focusing on drug screening and pharmacodynamics experiments, which can further expand the business scope and increase the business throughput.

The radiopharmaceuticals evaluation base of JOINN (Wuxi) will carry out laboratory decoration and relevant qualification application, which is expected to be put into operation in mid-2023.

In 2023, we will continue to promote the construction of JOINN (Guangzhou) New Drug Evaluation Centre and JOINN (Chongqing) New Drug Evaluation Centre.

2. Clinical trial and related business

Fully leveraging on the Company's existing non-clinical business, customer resources and the high understanding of drug safety by the professional technical team of JOINN Laboratories and the full understanding of GLP and GCP, the Company will rapidly develop and construct the following aspects:

(1) Strengthening the registration team and improving the dual registration capability between China and the United States. We will expand the size of our registration team and increase business throughput to meet the growing registration needs. In order to meet the overseas application needs of customers, the Company strives to improve the dual registration ability between China and the United States, and helped more new drug R&D enterprises complete the product export programme.

(2) Expanding clinical operation team to ensure operational delivery capability. The Group will continue to expand the clinical operation team, improve the project management ability of the operation team, improve the quality of project operation and establish a guarantee mechanism for timely delivery through efficient management and internal training system.

(3) Expand the laboratory scale and team size of clinical testing, broaden the scope of clinical testing business, increase the capacity and qualification of medical testing laboratories, so as to better support the development of the overall clinical business.

(4) Brand building for early clinical trials of innovative drugs. Leveraging on the project resources of the Company's non-clinical business, the Company gives full play to the experience and advantages of the expert team, closely cooperates with more early-stage clinical bases, provides precise clinical development strategies and medical scheme design for early-stage clinical projects of innovative drugs, and helps research and development enterprises save research and development time through high-quality and efficient clinical operations, so as to facilitate the rapid entry of projects into clinical trials.

3. Research Model Business

Through hardware transformation, technology introduction, technology cooperation and other methods, the Company will develop new animal model production technology, and customised relevant animal models for innovative biological drugs.

Facility construction plan: expand and optimise the herd size of Guangxi Qianyan, Weimei Bio-Tech and Yinmore Bio-tech, and increase the output rate; Wuzhou JOINN Research Model Base plans to apply for relevant qualifications in 2023. At the same time, we will continue to improve the standardised and standardised quality assurance system for research models, strengthen talent training, and provide quality assurance and manpower support for the development of subsequent businesses.

4. Internationalisation strategy

Internationalisation is an important development strategy of the Company and also the support for the Company to maintain sustainable and rapid growth. The Company will promote its internationalisation strategy in the following aspects:

(1) BIOMERE's main business is to provide support services for early-stage drug research and development, with a good reputation and stable customer base in North America, and the major bottleneck of its development lies in the limitation of production capacity. In the post-pandemic era, the Company will accelerate the integration of BIOMERE and JOINN, make use of the production facilities of JOINN California to increase the service throughput of local business in the United States and serve more customers in the United States.

(2) Strengthen the business development team building in the United States. In both BIOMERE and JOINN California, the business development team building and marketing efforts were strengthened to leverage the brand and reputation of BIOMERE to enhance JOINN's presence in the United States and overseas.

(3) Open up upstream and downstream chains to provide customers with non-clinical one-stop services. The early-stage research and development and screening projects carried out in JOINN USA were diverted to the domestic safety evaluation (GLP business). Leveraging on the advantages of abundant domestic experimental resources, large-scale experimental platform, high-standard quality system and rapid and efficient experimental process management, the Company provides overseas drug research and development enterprises with one-stop services with better cost-effectiveness.

(4) The Company will make use of the Hong Kong stock market platform to further expand the Company's brand awareness overseas through the capital market.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). In the second extraordinary general meeting of 2022 and the third H share class meeting (the "**2nd EGM and 3rd H share class meeting**"), both held on 17 November, 2022, the shareholders have considered the resolution of adoption of 2022 Restricted A Share Incentive Scheme including the issuance of Restricted A Share under specific mandate. The grant of Restricted A Share to each of the connected participants and the other independent participants were interdependent and linked to each other to form the integral part of the 2022 Restricted A Share Incentive Scheme. As such no separate resolutions in relation to the grant to each connected participants was proposed in the 2nd EGM and 3rd H share class meeting.

Save as disclosed above, the Company has complied with the applicable code provisions throughout the year ended 31 December 2022.

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 31 December 2022.

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 31 December 2022.

Use of Proceeds from the Global Offering

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

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

For the period from the Listing Date up to 31 December 2022, the Company has used RMB2,303.7 million for the following purposes.

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the Proceeds *(RMB million)*	Amount of net proceeds utilised as at 31 December 2022 *(RMB million)*	Balance of the unutilized net proceeds after proposed re-allocation *(RMB million)*	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(A) Expand the capacity of our Suzhou facilities for non-clinical Studies	**16.0**	**845.6**	**57.7**	**57.7**	**–**	
(i) renovating our existing laboratory and research model facilities in Suzhou	7.9	417.5	16.0	16.0	–	
(ii) constructing the infrastructure of our new facilities in Suzhou	1.7	89.8	36.7	36.7	–	
(iii) procurement of cutting-edge equipment and laboratory technologies and investment in the research and development of novel, customized research models	5.5	290.7	5.0	5.0	–	
(iv) upgrading our technical and scientific research capabilities with international background at our Suzhou facilities	0.9	47.6	–	–	–	
(B) Strengthen our U.S. operations to cater to the rising customer demand for services provided by Biomere	**10.0**	**528.5**	**528.5**	**45.4**	**483.1**	
(i) upgrading our existing facilities and service team in northern California	7.6	401.7	401.7	45.4	356.3	By the end of 2023
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	2.4	126.8	126.8	–	126.8	By the end of 2023

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the Proceeds *(RMB million)*	Amount of net proceeds utilised as at 31 December 2022 *(RMB million)*	Balance of the unutilized net proceeds after proposed re-allocation *(RMB million)*	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(C) Further expand our facility network and service capabilities in China	**39.0**	**2,061.3**	**2,061.3**	**147.7**	**1,913.6**	
(i) building the Phase I of our new Guangzhou facilities with a focus on non-GLP and GLP-compliant non-clinical studies in Guangzhou	17.0	898.5	898.5	122.1	776.4	By the end of 2023
(ii) building the Phase I of our new laboratories, research model breeding facilities and clinical operations in Chongqing	17.0	898.5	898.5	10.8	887.7	By the end of 2023
(iii) enhancing our technical and scientific research capabilities at our Guangzhou and Chongqing facilities	2.6	137.4	137.4	14.8	122.6	By the end of 2026
(iv) developing cutting-edge laboratory and research model technologies	2.4	126.9	126.9	–	126.9	By the end of 2026
(D) Broaden and deepen our integrated CRO service offerings with a particular focus on further expanding our clinical trial and related services	**5.0**	**264.3**	**264.3**	**27.0**	**237.3**	
(i) hiring approximately 220 experienced clinical trial operation professionals who hold at least a bachelor's degree and who have at least two years of work experience in clinical operations, medicine, quality control, statistical analysis and analysis of clinical samples, with a focus on early-stage clinical trial projects	0.6	31.7	31.7	7.7	24.0	By the end of 2024
(ii) investing in business development efforts for our growing clinical trial business	0.4	21.2	21.2	–	21.2	By the end of 2024

Use of Proceeds	Approximate percentage of the total amount *(%)*	Original allocation of the Proceeds *(RMB million)*	New allocation of the Proceeds *(RMB million)*	Amount of net proceeds utilised as at 31 December 2022 *(RMB million)*	Balance of the unutilized net proceeds after proposed re-allocation *(RMB million)*	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(iii) procuring new equipment, technologies, systems, databases and infrastructure for use in clinical trials, as well as in the related services such as bioanalytical services, to strengthen our service quality and customer experience	4.0	211.4	211.4	19.3	192.1	By the end of 2024
(E) Fund potential acquisitions of suitable (i) CROs focused on non-clinical studies, (ii) CROs focused on clinical trials, and/or (iii) research model production facilities in both China and overseas	**20.0**	**1,057.0**	**1,844.9**	**1,793.5**	**51.4**	**By the end of 2024**
(F) Working capital and general corporate purposes	**10.0**	**528.5**	**528.5**	**232.4**	**296.1**	

Significant Investment Held

During the Reporting Period, except for the investment in Joinn Cayman, and investments in unlisted funds, the Group did not have any significant investments,acquisitions or disposals.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

On 15 May 2022, the Company entered into an agreement to acquire 100% equity interest of Guangxi Weimei for a cash consideration of RMB974,658,000. The main business of Guangxi Weimei are research models breeding, feeding and sales. For details, please refer to the announcements of the Company dated 28 April 2022 published on the website of the Hong Kong Stock Exchange.

On 15 May 2022, the Company entered into an agreement to acquire 100% equity interest of Yunnan Yinmore for a cash consideration of RMB829,307,000. The main business of Yunnan Yinmore are research models breeding, feeding and sales. For details, please refer to the announcements of the Company dated 28 April 2022 published on the website of the Hong Kong Stock Exchange.

Employee and Remuneration Policy

As at 31 December 2022, the Group had 2,788 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 RMB558.7 million (for the same period in 2021: RMB427.8 million).

Purchase, Sale or Redemption of Listed Securities

On 21 September 2021, the Company convened the 29th meeting of the third session of the Board, the Board resolved and approved of the proposed repurchase of A Shares for the use of share incentive schemes and employee shareholding schemes. On 1 September 2022, the Company completed the repurchase of 101,714 A Shares for a consideration of approximately RMB7,998,000. For details please refer to the announcement of the Company dated 1 September 2022 published on the website of the Hong Kong Stock Exchange.

On 30 March 2022, the Company convened the 32nd meeting of the third session of the Board, the Board resolved and approved of the proposed partial repurchase and cancellation of the restricted A Shares under the 2018 Incentive Scheme and the 2019 Incentive Scheme. On 20 July 2022, the Company completed the repurchase of 76,885 restricted A Shares under the 2018 Incentive Scheme and the 2019 Incentive Scheme for a total consideration of approximately RMB729,000. For details, please refer to the announcement of the Company dated 20 July 2022 published on the website of the Hong Kong Stock Exchange.

On 30 August 2022, the Company convened the 35th meeting of the third session of the Board, the Board resolved and approved of the proposed partial repurchase and cancellation of 21,868 A shares under the 2021 Incentive Scheme. As of the end of 2022, the Company had not purchased any restricted shares for the aforesaid purpose.

On 24 June 2022, the Company considered and approved the proposed adoption of the Share Incentive Scheme (H Shares) and the proposed authorization to the Board to deal with matters relating to the Share Incentive Scheme (H Shares) (collectively, the "**H Share Incentive Scheme**") at the 2021 annual general meeting of the Company. The term of the H Share Incentive Scheme is ten years. The Company established a trust for the H Share Incentive Scheme to use up to RMB 600,000,000 for repurchasing H Shares from the market and holding H Shares on trust. During the Reporting Period, the Company has repurchased 458,700 H Shares through the trust at a total consideration of HK$16,235,000.

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 2022 primarily related to purchase of property, plant and equipment in relation to the expansion and enhancement of our facilities. In 2022, the Group incurred RMB293.0 million in relation to capital expenditures as compared to RMB306.3 million in 2021.

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2022.

Charges on Group Assets

As of 31 December 2022, 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 2022 ("**2022 Profit Distribution Plan**") as follows: (1) a dividend of RMB0.40 (2021: RMB0.36) per ordinary share to shareholders on the record date for determining the shareholders' entitlement to the 2022 Profit Distribution Plan. Based on the total issued 535,678,676 shares of the Company as of 31 December 2022, 33,214 A shares were repurchased by the Company and were not eligible for the 2022 Profit Distribution Plan. Accordingly, 535,645,462 shares are eligible for the 2022 Profit Distribution Plan and the proposed final dividend in an aggregate amount was approximately RMB214,258,000 (2021: RMB137,248,000); and (2) 4 new shares for every 10 existing shares (2021: 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 2022 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 2022 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming annual general meeting ("**AGM**") and class meetings. The aforesaid profit distribution is expected to be paid to the eligible Shareholders by no later than 30 August 2023.

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 2022 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 31 December 2022 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 31 December 2022 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 2022 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

There are no material subsequent events from 31 December 2022 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 2022 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

Beijing, the PRC, 30 March 2023

As at the date of this announcement, the Board comprises Ms. FENG Yuxia as the Chairperson and executive Director, Mr. ZUO Conglin, Mr. GAO Dapeng, Ms. SUN Yunxia, 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.