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JOINN LABORATORIES (CHINA) CO., LTD.

北京昭衍新藥研究中心股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6127)

CONNECTED TRANSACTION PURCHASE OF SERIES B+ PREFERRED SHARES IN THE TARGET COMPANY

PURCHASE OF SERIES B+ PREFERRED SHARES

The Board is pleased to announce that on December 10, 2021 (after trading hours), as part of the Series B+ financing of the Target Company, the Company, among other parties, entered into the Share Purchase Agreement with the Target Company, pursuant to which the Company has agreed to purchase, and the Target Company has agreed to issue and sell, 44,116,176 Series B+ Preferred Shares, which represents approximately 4.76% of the issued share capital of the Target Company on a fully-diluted and as-converted basis (based on the Assumptions) at the total consideration of US\$50 million. Other parties to the Share Purchase Agreement include the Target Subsidiaries, the Principals, the Holding Companies and the Angel Investor.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Ms. Feng, the chairperson of the Company and an executive Director, and Mr. Zhou, the spouse of Ms. Feng, are controlling shareholders of the Company entitled to exercise or control the exercise of an aggregate of approximately 36.22% of the voting rights at general meetings of the Company and thus each of Ms. Feng and Mr. Zhou is a connected person of the Company pursuant to the Listing Rules. Ms. Feng and Mr. Zhou indirectly hold more than an aggregate of 30% of the shareholding of the Target Company. Therefore, the Target Company is an associate of Ms. Feng and Mr. Zhou and thereby a connected person of the Company pursuant to the Listing Rules. Accordingly, the Purchase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Series B+ Preferred Share Purchase Agreement exceed 0.1% but are less than 5%, the Series B+ Preferred Share Purchase Agreement is subject to reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Nevertheless, given that the consideration for the Purchase exceeds RMB30 million and accounts for more than 5% of the absolute value of the Company's most recent audited net assets, pursuant to the articles of association of the Company, the Purchase is subject to the approval by the Shareholders at general meeting.

GENERAL INFORMATION

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Purchase and a notice of the EGM is expected to be circulated on or before 15 business days after the date of this announcement.

INTRODUCTION

The Board is pleased to announce that on December 10, 2021 (after trading hours), as part of the Series B+ financing of the Target Company, the Company, among other parties, entered into the Share Purchase Agreement with the Target Company, pursuant to which the Company has agreed to purchase, and the Target Company has agreed to issue and sell, 44,116,176 Series B+ Preferred Shares, which represents approximately 4.76% of the issued share capital of the Target Company on a fully-diluted and as-converted basis (based on the Assumptions) at the total consideration of US\$50 million. Other parties to the Share Purchase Agreement include the Target Subsidiaries, the Principals, the Holding Companies and the Angel Investor.

The Series B+ financing of the Target Company comprises (i) the Share Purchase Agreement; and (ii) the transfer of 8,823,235 JOINN Biologics Shares from JOINN Biologics Holdco to Huagai Healthcare Fund II LP.

THE SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are as follows:

Date December 10, 2021

Parties

- (1) the Company;
- (2) the Target Company;
- (3) the Target Subsidiaries;
- (4) the Principals;
- (5) the Holding Companies; and
- (6) the Angel Investor.

Conditions precedent *Conditions to the major obligations of the Company*

The performance of the obligations of the Company under the Share Purchase Agreement is subject to the satisfaction of, on or prior to the Closing, the following conditions:

- (i) the representations and warranties of the Warrantors have been true and complete when made and as of the Closing;
- (ii) due performance and compliance with all covenants, obligations and conditions contained in the Share Purchase Agreement that are required to be performed or complied with by the each Warrantor on or before the Closing;
- (iii) all consents of any competent governmental authority or of any other person that are required to be obtained by any Target Group Company or other Warrantor in connection with the consummation of the transactions contemplated by the transaction documents, including necessary board and/or stockholder approvals of the Target Group Companies and the Holding Companies, shall have been duly obtained and effective as of the Closing, and evidence thereof shall have been delivered to the Company;

- (iv) all corporate and other proceedings in connection with the transactions to be completed at the Closing and all documents incident thereto with respect to the Share Purchase Agreement and other transaction documents and the transactions contemplated hereby and thereby shall have been completed in form and substance reasonably satisfactory to the Company, and the Company shall have received all such counterpart copies;
- (v) due adoption of the revised memorandum of association and the Amended and Restated Articles of Association with no alternation or amendment as of the Closing;
- (vi) the Target Company shall have executed and delivered to the Company the Management Rights Letter;
- (vii) each of the parties (other than the Company) to the transaction documents for the Purchase shall have executed and delivered such transaction documents to the Company;
- (viii) there shall have been no material adverse effect since the date of the Share Purchase Agreement; and
- (ix) delivery of various closing deliverables and closing certificates.

All of the conditions to the major obligations of the Company could be waived by the Company.

Conditions to the major obligations of the Target Company

The performance of the obligations of the Target Company under the Share Purchase Agreement is subject to the satisfaction of, on or prior to the Closing, the following conditions:

- (i) the representations and warranties of the Company have been true and complete when made and as of the Closing;
- (ii) due performance and compliance with all covenants, obligations and conditions contained in the Share Purchase Agreement that are required to be performed or complied with by the Company on or before the Closing;
- (iii) each of the parties to the transaction documents, other than the Warrantors, shall have executed and delivered such transaction documents to the Target Company; and

- (iv) the Company shall have completed the ODI Filings or other necessary registrations and/or approvals in accordance with applicable laws and the Target Company's requirements for holding equity interests in it, provided, however, if the Company fails to complete the ODI Filings or other necessary registrations and/or approvals in accordance with applicable laws and the Target Company's requirements for holding equity interests in it within 120 days following the date of the Share Purchase Agreement, the Target Company shall have the right, but not the obligation, to require the Company to pay the full RMB amount equals to the total consideration to Beijing Joinn Biologics Co. Ltd. by means of convertible loan and issue and sell to the Company a corresponding warrant, pursuant to which the Company, when and if the ODI Filings or other necessary registrations and/or approvals in accordance with applicable laws and the Target Company's requirements for holding equity interests in the Target Company have been completed, shall be entitled to purchase 44,116,176 Series B+ Preferred Shares for a total exercise price equals to the total consideration.

All of the conditions to the major obligations of the Target Company could be waived by the Target Company.

**Sale and Issuance of
the Series B+
Preferred Shares**

The Target Company shall issue and sell to the Company 44,116,176 Series B+ Preferred Shares, which represents approximately 4.76% of the issued share capital of the Target Company on a fully-diluted and as-converted basis (based on the Assumptions).

**Consideration and
Purchase Price**

US\$50 million (equivalent to a price of US\$1.13 per Series B+ Preferred Share). For basis of the consideration, please refer to the section headed "**BASIS OF THE CONSIDERATION**" below.

The consideration is to be paid by the Company by wire transfer of immediately available funds in U.S. dollars within 30 business days following the Closing. The consideration will be funded by internal resources of the Group. The proceeds from the initial public offering of the Company will not be used to finance the Purchase.

Use of Proceeds	Business expansion, capital expenditures and other general working capital needs of the Target Group Companies.
Closing	The Closing shall take place within ten (10) business days (or such other time as mutually agreed by the Company and the Target Company) after all closing conditions have been waived or satisfied.
Termination	<p>The Share Purchase Agreement may be terminated before the Closing, as follows:</p> <ul style="list-style-type: none"> (i) at the election of the Company, if the Closing shall not have occurred on or before the day falling on the end of the six months after the date of the Share Purchase Agreement or other date extended by the mutual written consent of the Target Company and the Company; (ii) at the election of one party, if any inaccuracy in or breach of any representations or warranty, covenant or agreement made by the other party in the transaction documents occurs; (iii) at the election of one party, if any of other parties fails to perform any covenant, agreement or other provision to be performed or observed by it pursuant to the transaction documents and fails to make effective rectification with fifteen (15) business days after the notice given by the Company; (iv) at the election of the Target Company, if the Company fails to pay the purchase price within thirty (30) business days following the Closing Date and fails to remedy such delay within fifteen (15) business days thereafter, and the parties have failed to agree otherwise; under such circumstance, the Target Company may also claim any losses resulting therefrom; (v) by mutual written consent of the Target Company and the Company.

THE PRINCIPAL RIGHTS ATTACHED TO THE SERIES B+ PREFERRED SHARES

Pursuant to the Share Purchase Agreement, prior to the Closing, the Shareholders Agreement and the Management Rights Letter shall be executed, and the Amended and Restated Articles of Association shall be adopted.

According to the form of each of the Shareholders Agreement, the Management Rights Letter and the Amended and Restated Articles of Association (which are attached to the Share Purchase Agreement), the principal rights attached to the Series B+ Preferred Shares include the following:

Shareholders Agreement and Amended and Restated Articles of Association

Conversion Rights

The Preferred Shareholders shall have the right to convert the Preferred Shares at any time. The number of Ordinary Shares to which a holder shall be entitled upon conversion of each Preferred Share shall be the quotient of corresponding applicable investment price of the Preferred Share divided by the applicable conversion price then in effect.

Dividend

No dividend or distribution shall be paid except out of the realised or unrealised profits of the Target Company, or out of the share premium account or as otherwise permitted by applicable laws. If the Target Company decides to declare dividend, each of its shareholder shall be entitled to be paid dividend out of funds or assets when and as such funds or assets become legally available for distribution on a *pro rata* basis. In addition, the Target Company shall not declare dividend in excess of thirty percent (30%) of the distributable profits of the Target Company in each financial year except as approved otherwise as per the requirements under the approved by no less than two-thirds (2/3) of the JOINN Biologics Directors (including affirmative vote of each of the Series A1 Preferred Director and the Series B Preferred Director). No dividend or distribution shall bear interest against the Target Company.

Special Rights

All or any of the special rights for the time being attached to the JOINN Biologics Shares or any class of JOINN Biologics Shares may, unless otherwise provided by the terms of issue of the Shares of that class, from time to time (whether or not the Target Company is being wound up) be varied, modified or abrogated with the affirmative vote or written consent of the majority of holders of Series A1 Preferred Shares and the same of Series B Preferred Shares. The provisions of the Amended and Restated Articles of Association relating to general meetings shall, *mutatis mutandis*, apply to every class meeting of the holders of one class of JOINN Biologics Shares except that the necessary quorum shall be one or more person(s) holding or representing by proxy at least majority of the issued JOINN Biologics Shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll.

The rights conferred upon the holders of the JOINN Biologics Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further JOINN Biologics Shares ranking pari passu therewith.

Shareholders' Rights

1. **Registration Rights.** JOINN Biologics Shareholders shall be entitled the rights including but not limited to demanding registration, deferral of registration, piggyback registration, and distributing such Registrable Securities in an underwritten offering.
2. **Drag Along Rights.** In the event that the Key Principals and/or the Target Company fails to pay the Redemption Price of any Redeeming Shares in full held by a Preferred Shareholder within twelve (12) months after the Redemption Notice Date, then such Preferred Shareholder may, subject to the approval of the majority of holders of Series A1 Preferred Shares and the same of Series B Preferred Shares, require a proposed sale of 100% Equity Securities of the Target Company to a third party.
3. **Right of Participation.** Each Preferred Shareholder shall have the right to purchase its pro rata share of all or any part of any new securities that the Target Company may from time to time issue after the date of the Shareholders Agreement.
4. **Right of First Refusal.** Each non-selling Preferred Shareholder shall have the right for a period of twenty (20) days following the receipt of a transfer notice from an Ordinary Shareholder indicating its intention to transfer its Equity Securities to one or more third parties (the “**Transfer Notice**”), to elect to purchase its pro rata share of the offered shares at the same price and subject to the same material terms and conditions. In addition, in the event any Series A1 Preferred Shareholder other than Huagai proposes to transfer its Equity Securities to one or more third parties, each of the Special ROFR Holder shall have the special right of first refusal to elect to purchase its pro rata share (among all Ordinary Shares held by all Special ROFR Holders, calculated on a fully-diluted and as-converted basis) of the offered shares at the same price and subject to the same material terms and conditions.

5. **Co-Sale Right.** Any Preferred Shareholder who has not exercised its rights of first refusal with respect to the offered shares identified in the Transfer Notice shall have the right, but not the obligation, to require the transferor to require the prospective transferee in the proposed transfer to purchase from such Preferred Shareholder its applicable portion of the Equity Securities of the Target Company on the same terms and conditions as specified in the Transfer Notice (but in no event less favourable than the terms and conditions offered to the transferor).
6. **Voting Rights.** At all general meetings of the Target Company: (i) each Ordinary Share issued and outstanding shall carry one vote, (ii) each Preferred Share other than Warrant Share issued and outstanding shall carry such number of votes as equals the aggregate number of Ordinary Shares then issuable upon its conversion into Ordinary Shares immediately after the close of business on the record date of the determination of the Shareholders entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Shareholders is first solicited, (iii) each Series B Warrant issued and outstanding shall carry such number of votes as equals the aggregate number of Ordinary Shares then convertible from such Series B Warrant Shares then issuable upon the exercise of such Series B Warrant immediately after the close of business on the record date of the determination of the Shareholders entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Shareholders is first solicited.
7. **Redemption Rights.** Each Preferred Shareholder shall have the right, exercisable at its absolute discretion, by serving a written notice to the Target Company to require the Target Company to redeem all or a portion of the Preferred Shares then outstanding held by it upon the occurrence of certain events.

Management Rights Letter

Management Rights

The Company shall have the rights to certain non-public financial information of the Target Company, inspection rights and other rights specifically provided, and the contractual management rights provided under the Management Rights Letter, which include, among others, as below:

1. The right to select one representative to consult with and advise management of the Target Company on significant business issues;
2. The right for its representative to examine the books and records of the Target Company and inspect its facilities and may request information at reasonable times and intervals concerning the general status of the Target Company's financial condition and operations, and may conduct, either by itself or through any authorized representative or professional advisor, an audit of the financials of the Target Subsidiaries each fiscal year;
3. The right to send representative to attend all meetings of the board in a nonvoting observer capacity.

INFORMATION ON THE GROUP AND THE PARTIES TO THE SHARE PURCHASE AGREEMENT

Information on the Group

The Group is a leading non-clinical CRO focused on drug safety assessment. The Group is also in the process of expanding our offerings to an integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain. The Group's non-clinical studies refer to pharmaceutical R&D studies other than clinical trials conducted on human subjects. Such non-clinical studies encompass all major stages of the pharmaceutical R&D process, including discovery, pre-clinical and clinical trial stages.

Information on the Target Company

The Target Company is a company incorporated in the Cayman Islands. It is a full-service premier Contract Development & Manufacturing Organization (CDMO) which provides various clients with quality, value and speed to market from DNA to drug product. It offers a comprehensive range of services across all the phases of the drug life cycle, which includes cell line development and MCB manufacturing, process and analytical development, formulation development, drug substance manufacturing and drug product development, and commercialized manufacturing services, along with packaged services for material production and investigational new drug (IND) enabling PKPD TOX services, all under one quality system supported by global regulatory services. Its scientists and engineers bring over two decades of development experience across a broad spectrum of both platform and novel technologies.

Change in Shareholding Structure of the Target Company

Immediately following the Closing, the Group will be the holder of 44,116,176 JOINN Biologics Series B+ Preferred Shares. The shareholding structure of the Target Company on a fully-diluted and as-converted basis immediately before the Closing and immediately following the Closing (based on the Assumptions) is set out below:

Shareholder	Immediately before the Closing		Immediately following the Closing	
	Number of shares ⁽¹⁾	Approximate shareholding percentage	Number of shares ⁽¹⁾	Approximate shareholding percentage
JOINN Biologics Holdco	443,250,251	50.23%	434,427,016	46.89%
Huagai				
– Huagai Healthcare Growth Company Limited ⁽²⁾	125,000,000	14.17%	125,000,000	13.49%
– Huagai Healthcare Fund II LP	4,411,618	0.50%	13,234,853 ⁽³⁾	1.43% ⁽³⁾
CPE ⁽⁴⁾	70,585,882	8.00%	70,585,882	7.62%
The Angel Investor ⁽⁵⁾	52,800,000	5.98%	52,800,000	5.70%
The Company	–	–	44,116,176	4.76%
Other shareholders ⁽⁶⁾	186,275,781	21.12%	186,275,781	20.11%
TOTAL	882,323,532	100.00%	926,439,708	100.00%

Notes:

- (1) For a better illustration of the relative interests held by various JOINN Biologics shareholders, the shareholding structure of the Target Company in the above table is presented on a fully-diluted and as-converted basis. The percentage ratios referred to in the section headed “IMPLICATIONS UNDER THE LISTING RULES” below are also calculated on a fully-diluted and as-converted basis.
- (2) Huagai Healthcare Growth Company Limited is directly wholly owned by Beijing Huagai Xincheng Yuanhang Medical Industry Investment Partnership (L.P.)* 北京華蓋信誠遠航醫療產業投資合夥企業 (有限合夥) (“Beijing Huagai”), a limited liability partnership established under the laws of the PRC. The largest limited partner of Beijing Huagai is Beijing Technology Innovation Fund (Limited Partnership)* 北京市科技創新基金 (有限合夥), holding 13.04% of the interests thereof. No other partner holds more than 10% of the interests of Beijing Huagai. Beijing Technology Innovation Fund (Limited Partnership)* is a limited liability partnership established under the laws of the PRC, which is controlled by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality.
- (3) The 13,324,853 JOINN Biologics Shares include the 8,823,235 JOINN Biologics Shares to be transferred from JOINN Biologics Holdco to Huagai Healthcare Fund II LP as part of the Series B+ financing of the Target Company.
- (4) CPE is directly wholly owned by CPEChina Fund IV, L.P., a limited liability partnership with 65 limited partnership as at 31 October 2021.
- (5) Please refer to the section headed “Information on the Angel Investor” in relation to the shareholding of the Angel Investor.

- (6) It includes (i) other existing shareholders of the Target Company, all of which has a shareholding of less than 2% in the Target Company; and (ii) participants of the employee incentive schemes of the Target Company. At the Closing, 72,000,000 Ordinary Shares shall have been duly reserved for issuance pursuant to the employee incentive schemes of the Target Company. There are 68 participants of the aforesaid employee incentive schemes, among which two participants are entitled to approximately 1-3% of the shareholding of the Target Company under the aforesaid employee incentive schemes, while the entitlement of each of the remaining participants is below 1%.

Information on JOINN Biologics Holdco and the Holding Companies

JOINN Biologics Holdco is a company incorporated in the British Virgin Islands, which is primarily engaged in investment holding. It is the largest shareholder of the Target Company. JOINN Biologics Holdco is ultimately beneficially owned by the Principals, being ultimately beneficially held as to 55% by Mr. Zhou, 26% by Ms. Feng and 19% by Zhou Fengyuan and Zhou Fengyi collectively via other Holding Companies. Each of the Holding Companies is ultimately beneficially owned by the Principal(s).

Information on the Principals

The principals, namely Ms. Feng, Mr. Zhou, Zhou Fengyi and Zhou Fengyuan, are the shareholders of the Target Company. Zhou Fengyi and Zhou Fengyuan are the children of Ms. Feng and Mr. Zhou.

Information on the Angel Investor

The Angel Investor is a company incorporated in the British Virgin Islands, which is primarily engaged in investment holding. Ms. Lou Shengling is the ultimate beneficial owner of the Angel Investor, holding the entire issued share capital thereof.

Information on JOINN Biologics US Inc.

JOINN Biologics US Inc. is a company limited by shares incorporated and existing under the laws of the United States principally engaged in providing foreign customers with CDMO Services across all the phases of the drug life cycle. JOINN Biologics US Inc. is directly wholly owned by the Target Company. Please refer to the section headed “Information on the Target Company” in respect of the shareholding of the Target Company.

Information on JOINN Biologics (HK) Limited

JOINN Biologics (HK) Limited is a company limited by shares incorporated and existing under the laws of Hong Kong principally engaged in investment holding. JOINN Biologics (HK) Limited is directly wholly owned by the Target Company. Please refer to the section headed “Information on the Target Company” in respect of the shareholding of the Target Company.

Information on Beijing Joynn Biologics Co. Ltd.

Beijing Joynn Biologics Co. Ltd. is a limited liability company incorporated and existing under the laws of the PRC. Beijing Joynn Biologics Co. Ltd. is directly 91.0714% owned by the Target Company through JOINN Biologics (HK) Limited, while the remaining 8.9286% is held by the Company. Please refer to the section headed “Information on the Target Company” in respect of the shareholding of the Target Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY AND ITS SUBSIDIARIES

Set out below are certain unaudited consolidated financial information of the Target Company as at June 30, 2021 and for the financial year ended December 31, 2019 and December 31, 2020:

	For the year ended December 31, 2020 (unaudited) US\$	For the year ended December 31, 2019 (unaudited) US\$
Profit/(loss) before taxation	(13,768,646)	(4,665,645)
Profit/(loss) after taxation	(10,875,521)	(3,256,366)
		As at June 30, 2021 (unaudited) USD
Total Assets		159,517,393
Net Assets		92,760,550

There was no original acquisition cost incurred by connected persons of the Company for acquiring the Target Company since it was founded by the Principals.

BASIS OF THE CONSIDERATION

On August 3, 2021, the Target Company entered into the series B preferred share and warrant purchase agreement with CPE, the Principals, the Holding Companies, the Target Subsidiaries and other parties in relation to the Series B Financing. Pursuant to the Series B Financing, various investors, including CPE, were introduced as shareholders of the Target Company. The consideration under the Series B Financing was approximately US\$1.13 per Series B Preference Share, which was determined by the parties after arm’s length negotiation having taken into account of a wide range of factors in relation to the Target Company including the orders in hand, the expected growth of business performance, the market position and valuation among the industry. The consideration for the Purchase was determined with reference to and was identical to the consideration of the investment of Series B Financing. The consideration for the Purchase was determined with reference to and was identical to the

consideration of the investment of Series B Financing. Given that the consideration for the Purchase is identical to the consideration under the Series B Financing, which was determined by third party investors without the involvement of the Company, the consideration for the Purchase represented a fair price recognized by external investors.

REASONS FOR AND BENEFITS OF THE PURCHASE OF SERIES B+ PREFERRED SHARES

As discussed in the section headed “Management Discussion and Analysis” of the 2021 interim report published by the Company, the Group intends to selectively pursue acquisitions of businesses and assets that are complementary to its growth strategies, particularly those that can help us enrich its services offerings at a global scale. Accordingly, the Company proposed to enter into the transactions having taken into account its needs of developing a comprehensive range of services and assessment of the bright overall future development of the CDMO industry. The Company believes that in the long term, such transactions will benefit the Company in the future, fulfill its overall development strategy and facilitate further expansion of markets.

Integrated service capability is becoming more and more important to CRO’s development and forms part of the Company’s direction of further development. Integrated service is conducive to improving the efficiency of customer service, increasing the stickiness of customers, extending the service chain and improving the service experience for the same customer. Due to the Company’s business positioning, it has yet to be engaged in CDMO business and hence it may not be competitive enough to attract customers with integrated service needs when compared with other competitors. The investment in the Target Company will indirectly expand the Company’s footprint to CDMO business and the scope of the Target Company’s services could be mutually reinforced with the Company’s existing toxicological safety assessment business, clinical CRO business and pharmacovigilance PV services, etc. It could reach customers in advance and help lengthen the service cycle and extend the service chain. On the one hand, the Company could share customer resources and order flow with the Target Company; on the other hand, it could save customers’ time spent on R&D and improve the efficiency of new drug development.

The Target Company was established in 2018 and is currently at an initial business development stage. The CDMO industry in which the Target Company is operating is a heavy asset industry which requires substantial investment in fixed asset. In previous years due to the insufficiency of production capability and the relatively high fixed cost, the Target Company recorded net losses. Nevertheless, the Company is optimistic that the Target Company will benefit from the economies of scale and that the profitability of the Target Company will increase upon the completion of financing of the Target Company and the expansion of its facilities.

Upon the completion of the Purchase, the Target Company’s customers will prioritize placing safety assessment orders to the Company, as a result from which the Company is expected to benefit from the increase in potential customers and orders. In the long run, it is expected to increase the Company’s revenue. Meanwhile, the Target Company has also accumulated project experience in the field of biopharmaceutical CDMO. Through the cooperation of both sides, it is expected that synergy effect could be achieved which would improve the market competitiveness of the Company in the industry.

The terms of the Share Purchase Agreement as well as the transactions contemplated thereunder were agreed after arm's length negotiations among the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the Share Purchase Agreement as well as the transactions contemplated thereunder are, though not conducted in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Ms. Feng, the chairperson of the Company and an executive Director, and Mr. Zhou, the spouse of Ms. Feng, are controlling shareholders of the Company entitled to exercise or control the exercise an aggregate of approximately 36.22% of the voting rights at general meetings of the Company and thus each of Ms. Feng and Mr. Zhou is a connected person of the Company pursuant to the Listing Rules. Ms. Feng and Mr. Zhou indirectly hold more than an aggregate of 30% of the shareholding of the Target Company. Therefore, the Target Company is an associate of Ms. Feng and Mr. Zhou and thereby a connected person of the Company pursuant to the Listing Rules. Save for the connected parties disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the parties to the Sales Purchase Agreement and its ultimate beneficial owners is not otherwise connected to the Company. Accordingly, the Purchase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Series B+ Preferred Share Purchase Agreement exceed 0.1% but are less than 5%, the Series B+ Preferred Share Purchase Agreement is subject to reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Nevertheless, given that the consideration for the Purchase exceeds RMB30 million and accounts for more than 5% of the absolute value of the Company's most recent audited net assets, pursuant to the articles of association of the Company, the Purchase is subject to the approval by the Shareholders at general meeting.

By reason of the above, Ms. Feng has abstained from voting on the relevant Board resolution approving the Share Purchase Agreement and the Purchase (the "Resolution"). Both Mr. Yao Dalin and Mr. Gao Dapeng have also abstained from voting on the Resolution since both of them were directors of Beijing Joinn Biologics Co., Ltd. at the time of voting on the Resolution (albeit Mr. Gao Dapeng has resigned and ceased to be a director of Beijing Joinn Biologics Co., Ltd. subsequently), while Mr. Gu Xiaolei has abstained from voting on the Resolution as well since his associate is interested in the shares of the Target Company (albeit the shareholding in the Target Company held by Mr. Gu's associate is less than 30% and hence the Target Company is not an associate of Mr. Gu). Save as aforementioned, none of the other Directors has a material interest in the Share Purchase Agreement as well as the transactions contemplated thereunder. Therefore, no other Director should abstain from voting on such Board resolution.

GENERAL INFORMATION

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Purchase and a notice of the EGM is expected to be on or before 15 business days after the date of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires the following expressions have the following meanings:

“Amended and Restated Articles of Association”	the Fourth Amended and Restated Articles of Association of the Target Company, which is to be adopted prior to the Closing
“Angel Investor”	A&C Brothers Holdings Limited
“Assumptions”	comprising the following assumptions: (i) completion of the second closing of the Series B Financing; (ii) completion of the transfer of 8,823,235 JOINN Biologics Shares from JOINN Biologics Holdco to Huagai Healthcare Fund II LP as part of the Series B+ financing of the Target Company; (iii) the conversion of all preference shares and warrants into Ordinary Shares; and (iv) full issuance of Ordinary Shares pursuant to employee incentive schemes of the Target Company
“CDMO”	contract development and manufacturing organization
“Closing”	the consummation of the sale and issuance of the Series B+ Preferred Shares under the Share Purchase Agreement
“Closing Date”	the date on which the Closing takes place
“Company”	JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) which was incorporated in the PRC on February 14, 2008 and converted into a joint-stock company on December 26, 2012, the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 603127) and the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 6127)
“CPE”	CPE ZY Biologics Limited, a Series B investor of the Target Company

“CRO”	contract research organization
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, among other things, the Share Purchase Agreement and the transactions contemplated thereunder
“Equity Securities”	with respect to any person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing, or any contract providing for the acquisition of any of the foregoing
“Group”	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Holding Companies”	JOINN Biologics Holdco, Sologen Holdings Limited, Jousn Inc., LFY Inc., FY Zhou’s Holdings Inc., Jousn Holdings LLC, Lao Feng Biotech Holdings LLC, Arc Cheetah Holdings LLC, Ice Leopard LLC
“Huagai”	Huagai Healthcare Investment Company Limited, Huagai Healthcare Fund II LP and its related parties involving as Series A1 and Series B investors, and Series B+ investors of the Target Company
“JOINN Biologics Directors”	directors of the Target Company
“JOINN Biologics Holdco”	JOINN BIOLOGICS HOLDINGS LTD., a company incorporated in the British Virgin Islands and the largest shareholder of the Target Company
“JOINN Biologics Shares”	shares of the Target Company
“Key Principal(s)”	Ms. Feng and Mr. Zhou
“Management Rights Letter”	the management rights letter to be issued by the Target Company to the Company on or prior to Closing
“Mr. Zhou”	Mr. Zhou Zhiwen (周志文), a controlling shareholder of the Company and the spouse of Ms. Feng

“Ms. Feng”	Ms. Feng Yuxia (馮宇霞), a controlling shareholder, the chairperson of the Board and an executive Director of the Company, and the spouse of Mr. Zhou
“ODI Filings”	the acquisition of the relevant approvals, registration, filings, confirmation and/or certificate from the competent department of National Development and Reform Commission of the PRC, the Ministry of Commerce of the PRC, the SAFE and the related foreign exchange bank with respect to the investments of the Investors in the Company as contemplated in this Agreement
“Ordinary Share(s)”	the Target Company’s ordinary shares, par value US\$0.00001 per share, having the rights attached to it as set forth in the Amended and Restated Articles of Association
“Ordinary Shareholder(s)”	the Angel Investor, together with the Principals, Holding Companies, collectively, the Ordinary Shareholders and each an Ordinary Shareholder
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preferred Share(s)”	comprising the Series A1 Preferred Shares, the Series B Preferred Shares and the Series B+ Preferred Shares of the Target Company
“Preferred Shareholder(s)”	holder(s) of the Preferred Share(s)
“Principal(s)”	Ms. Feng, Mr. Zhou, Zhou Fengyi and Zhou Fengyuan
“Purchase”	the transaction contemplated under the Share Purchase Agreement
“Redeeming Holders”	each such other holder of the Preferred Shares electing to require a repurchase of its Preferred Shares within such period, together with the Preferred Shareholders that initiate the redemption right
“Redeeming Shares”	each Preferred Share being requested by the Redeeming Holders to be redeemed
“Redemption Notice Date”	the date of delivery of a written notice to the Target Company
“Redemption Price”	the price at which each Redeeming Share shall be redeemed

“Registrable Securities”	(i) the Ordinary Shares issuable or issued upon conversion of the Preferred Shares, excluding Shares sold by an Series A1 Preferred Shareholder in a transaction other than an assignment pursuant to the Shareholders Agreement and (ii) any other Ordinary Shares issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in (i)
“SAFE”	the State Administration of Foreign Exchange of the PRC
“Series B Financing”	the Series B financing of the Target Company, involving the issue and transfer of Series B Preferred Shares and Series B Warrant
“Series B Preferred Shares”	the Series B Preferred Shares of the Target Company
“Series B Warrant”	Series B Warrant of the Target Company
“Series B+ Preferred Shares”	the Series B+ Preferred Shares of the Target Company
“Share Purchase Agreement”	the Series B+ Preferred Share Purchase Agreement dated December 10, 2021 entered into by the Company, among others, with the Target Company
“Shareholders Agreement”	the Shareholders’ Agreement to be entered into by and among the parties named therein on or prior to the Closing
“Special ROFR Holders”	each of Huagai and CPE
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	JOINN Biologics Inc., an exempted company organized and existing under the Laws of Cayman Islands
“Target Group Companies”	each of the Target Company and the Target Subsidiaries, together with each subsidiary of any of the foregoing
“Target Subsidiaries”	comprising JOINN Biologics (HK) Limited, JOINN Biologics US Inc. and Beijing Joinn Biologics Co. Ltd., each a subsidiary of the Target Company

“US\$”, “U.S. dollar(s)” or “USD” United States dollar(s), the lawful currency of the United States

“Warrantor” the Target Group Companies, the Key Principals, and the Holding Companies

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

Hong Kong, December 10, 2021

* *For identification purpose only*

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 and Dr. Yao Dalin as executive Directors, Mr. Gu Xiaolei as a non-executive Director, and Mr. Sun Mingchen, Dr. Zhai Yonggong, Mr. Ou Xiaojie and Mr. Zhang Fan as independent non-executive Directors.