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 2023

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 2023 (the "**Reporting Period**"), together with comparative figures for the year ended 31 December 2022.

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 2023, the Group recorded the following audited results:

	Year ended 31 December 2023 *RMB'000*	Year ended 31 December 2022 *RMB'000*	Year-to-year change
Revenue	**2,376,487**	2,267,971	4.8%
Gross profit	**979,393**	1,081,428	-9.4%
Profit for the year	**391,553**	1,073,200	-63.5%
Profit for the year attributable to equity shareholders of the Company	**396,993**	1,074,257	-63.0%
Net assets attributable to equity shareholders of the Company	**8,279,316**	8,183,701	1.2%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	**2023** ***RMB'000*** **(Audited)**	2022 *RMB'000* (Audited)
Revenue	*3*	**2,376,487**	2,267,971
Cost of services		**(1,397,094)**	(1,186,543)
Gross profit	*3(b)*	**979,393**	1,081,428
Other gains and losses, net	*4*	**240,522**	227,639
(Losses)/gains arising from changes in fair value of biological assets		**(288,807)**	333,073
Selling and marketing expenses		**(24,615)**	(18,007)
General and administrative expenses		**(296,477)**	(299,873)
Research and development expenses		**(96,854)**	(77,985)
Profit from operations		**513,162**	1,246,275
Finance costs	*5(a)*	**(3,142)**	(3,582)
Share of losses of an associate		**(3,069)**	(2,691)
Profit before taxation	*5*	**506,951**	1,240,002
Income tax	*6*	**(115,398)**	(166,802)
Profit for the year		**391,553**	1,073,200
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)		**952**	45,100
Item that are or may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of foreign operations		**4,009**	23,714
		4,961	68,814
Total comprehensive income for the year		**396,514**	1,142,014

	Note	**2023**	2022
		RMB'000	*RMB'000*
		(Audited)	(Audited)
Profit for the year attributable to:			
Equity shareholders of the Company		**396,993**	1,074,257
Non-controlling interests		**(5,440)**	(1,057)
Profit for the year		**391,553**	1,073,200
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**401,954**	1,143,071
Non-controlling interests		**(5,440)**	(1,057)
Total comprehensive income for the year		**396,514**	1,142,014
Earnings per share	*7*		
Basic (RMB)		**0.53**	1.44
Diluted (RMB)		**0.53**	1.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023
(Expressed in RMB)

	Note	**2023** ***RMB'000*** **(Audited)**	2022 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,303,491**	1,234,691
Intangible assets		**47,800**	50,442
Interest in an associate		**19,529**	22,598
Goodwill		**136,007**	133,739
Biological assets		**558,874**	787,419
Financial assets at FVOCI		**159,840**	158,720
Financial assets at fair value through profit or loss ("**FVTPL**")	*9*	**587,784**	485,923
Certificates of deposits		**30,832**	1,478,774
Other non-current assets		**32,784**	50,891
Deferred tax assets		**28,251**	32,613
		2,905,192	4,435,810
Current assets			
Inventories		**184,593**	350,182
Contract costs		**772,739**	773,248
Biological assets		**905,749**	1,071,176
Contract assets		**127,172**	128,477
Trade and bills receivables	*10*	**212,888**	211,623
Prepayments and other receivables		**149,070**	68,381
Financial assets at FVTPL	*9*	**373,354**	408,471
Certificates of deposits		**1,533,490**	–
Cash at bank and on hand		**2,862,912**	2,916,848
		7,121,967	5,928,406
Current liabilities			
Interest-bearing borrowings		**–**	3,533
Trade payables	*11*	**43,323**	127,309
Contract liabilities		**1,151,974**	1,294,707
Other payables		**203,215**	335,504
Lease liabilities		**27,500**	24,006
Income tax payable		**41,353**	59,203
		1,467,365	1,844,262
Net current assets		**5,654,602**	4,084,144
Total assets less current liabilities		**8,559,794**	8,519,954

	Note	**2023** ***RMB'000*** **(Audited)**	2022 *RMB'000* (Audited)
Non-current liabilities			
Interest-bearing borrowings		**–**	3,281
Lease liabilities		**41,925**	56,887
Deferred tax liabilities		**162,341**	188,243
Deferred income		**74,487**	80,677
		278,753	329,088
NET ASSETS		**8,281,041**	8,190,866
CAPITAL AND RESERVES			
Share capital	*12*	**749,889**	535,679
Reserves		**7,529,427**	7,648,022
Total equity attributable to equity shareholders of the Company		**8,279,316**	8,183,701
Non-controlling interests		**1,725**	7,165
TOTAL EQUITY		**8,281,041**	8,190,866

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 MATERIAL 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 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 2023 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 the following new and amended IFRSs issued by the IASB to the consolidated financial statements for the current accounting period:

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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:

	2023	2022
	RMB'000	*RMB'000*
Rendering services:		
Non-clinical studies services	**2,308,999**	2,213,598
Clinical trial and related services	**63,424**	49,568
Sales of goods:		
Sales of research models	**4,064**	4,805
	2,376,487	2,267,971

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 2023, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied was approximately RMB3,300 million (2022: RMB4,400 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 segment.

- 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 (losses)/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.

	2023			
	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	**2,308,999**	**41,517**	**4,064**	**2,354,580**
Over time	**–**	**21,907**	**–**	**21,907**
Revenue from external customer	**2,308,999**	**63,424**	**4,064**	**2,376,487**
Inter-segment revenue	**4,161**	**225**	**142,287**	**146,673**
Reportable segment revenue	**2,313,160**	**63,649**	**146,351**	**2,523,160**
Reportable segment gross profit	**951,641**	**14,325**	**6,659**	**972,625**

	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

(ii) Reconciliations of reportable segment gross profit

	2023	2022
	RMB'000	*RMB'000*
Reportable segment gross profit	**972,625**	1,074,938
Elimination of inter-segment gross profit	**6,768**	6,490
Consolidated gross profit	**979,393**	1,081,428

(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:

	2023	2022
	RMB'000	*RMB'000*
The PRC	**1,797,730**	1,885,205
The USA	**566,271**	356,892
Other countries/regions	**12,486**	25,874
	2,376,487	2,267,971

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.

	2023	2022
	RMB'000	*RMB'000*
The PRC	**1,726,507**	1,880,102
The USA	**339,194**	348,787
	2,065,701	2,228,889

4 OTHER GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Government grants (including amortisation of deferred income)	**30,254**	22,644
Interest income	**142,503**	131,233
Net foreign exchange gain	**12,114**	27,401
Net loss on disposal of property, plant and equipment	**(251)**	(412)
Gain on financial assets at FVTPL	**12,697**	15,713
Change in fair value of financial assets at FVTPL	**43,165**	16,494
Negative goodwill	**–**	14,367
Others	**40**	199
	240,522	227,639

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2023	2022
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**86**	351
Interest on lease liabilities	**3,056**	3,231
	3,142	3,582

(b) Staff costs

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**574,996**	505,755
Contributions to defined contribution retirement scheme	**53,109**	43,322
Equity-settled share-based payment expenses	**6,028**	9,588
	634,133	558,665

(c) Other items

	2023 *RMB'000*	2022 *RMB'000*
Amortisation of intangible assets	**9,061**	15,608
Depreciation charge		
– Self-owned property, plant and equipment	**101,753**	86,094
– Right-of-use assets	**31,318**	28,014
Recognition of expected credit loss	**10,322**	5,797
Auditors' remuneration		
– audit services	**3,000**	2,700
– other assurance services	**51**	1,500
– non-assurance services	**256**	178
Cost of inventories	**774,938**	692,867

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

	2023 *RMB'000*	2022 *RMB'000*
Current tax		
Provision for the year	**137,259**	161,925
Deferred tax		
Origination and reversal of temporary differences	**(21,861)**	4,877
	115,398	166,802

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 RMB396,993,000 (2022: RMB1,074,257,000) and the weighted average number of ordinary shares calculated as below:

	2023	2022
Issued ordinary shares at 1 January	**535,678,676**	381,246,492
Issue of shares under bonus issue in 2023	**214,271,470**	213,443,889
Issue of shares under bonus issue in 2022	**–**	152,498,597
Effect of restricted shares	**(547,205)**	(357,548)
Effect of shares issued under share option schemes	**–**	222,182
Weighted average number of ordinary shares at 31 December	**749,402,941**	747,053,612

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 RMB396,993,000 (2022: RMB1,074,257,000), and the weighted average number of ordinary shares (diluted) calculated as below:

	2023	2022
Weighted average number of ordinary shares at 31 December	**749,402,941**	747,053,612
Effect of restricted shares outstanding	**30,741**	576,879
Effect of deemed issue of shares under share option schemes	**494,826**	3,858,901
Weighted average number of ordinary shares (diluted) at 31 December	**749,928,508**	751,489,392

8 DIVIDENDS

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

	2023	2022
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.16 per ordinary share (2022: RMB0.40 per ordinary share)	**119,977**	214,258

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

	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.40 per ordinary share (2022: RMB0.36 per ordinary share)	**214,244**	137,363

9 FINANCIAL ASSETS AT FVTPL

	2023	2022
	RMB'000	*RMB'000*
Non-Current assets		
Equity investment in an unlisted company *(i)*	**354,639**	317,749
Investments in unlisted funds *(ii)*	**233,145**	168,174
	587,784	485,923
Current assets		
RMB wealth management products *(iii)*	**373,354**	381,326
Equity investments in a listed company *(iv)*	**–**	27,145
	373,354	408,471
	961,138	894,394

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 and RMB25,000,000 in April 2023.

On 27 June 2023, the Company entered into a limited partnership agreement with Pablo Hill Capital Management, LLC and Vcanbio USA Healthcare Venture Fund, L.P. to subscribe for 40% of interest in Pablo Hill Venture Fund One, L.P. at a consideration of USD8,000,000. The Company paid USD5,300,000 in a total during the year of 2023.

(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. 807,214 shares and 392,786 shares have been disposed during 2022 and 2023, respectively.

10 TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**224,602**	207,998
Less: loss allowance	**(18,588)**	(8,561)
	206,014	199,437
Bills receivables	**6,874**	12,186
	212,888	211,623

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**160,784**	173,842
1 to 2 years	**42,891**	20,756
2 to 3 years	**2,278**	1,995
Over 3 years	**61**	2,844
	206,014	199,437

11 TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**43,323**	127,309

At 31 December 2023, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**42,778**	126,749
1 to 2 years	**545**	560
	43,323	127,309

As at 31 December 2023, 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

	2023		2022	
	No. of shares	**Amount *RMB'000***	No. of shares	Amount *RMB'000*
Ordinary shares, issued:				
At 1 January	**535,678,676**	**535,679**	381,246,492	381,246
Issue of restricted shares	**–**	**–**	366,300	366
Shares issued under share option scheme	**–**	**–**	1,516,647	1,517
Issue of shares under bonus issue	**214,244,424**	**214,244**	152,626,122	152,626
Cancellation of restricted shares	**(34,401)**	**(34)**	(76,885)	(76)
At 31 December	**749,888,699**	**749,889**	535,678,676	535,679

Pursuant to the written resolutions of the shareholders of the Company passed on 9 June 2023, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 214,244,424 shares were issued and approximately RMB214,244,000 was transferred from share premium in capital reserve to share capital.

Pursuant to the written resolutions of the shareholders of the Company passed on 24 June 2022, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 152,616,122 shares were issued and approximately RMB152,616,000 was transferred from share premium in capital reserve to share capital.

I. Management Discussion and Analysis

(I) Staff Building

In response to the evolving industry landscape, the Company has restructured its organizational framework and implemented the division-based management system. Based on the business division, the Company has revised several management systems to better support the implementation of the Company's strategy and the development needs of the business division, thereby providing clearer and more tailored support of the division-based management system in line with the business development needs. Meanwhile, the Company has attracted and introduced senior executives and experts to improve the Company's management level and professional skills to provide more efficient services to customers. In terms of talent cultivation, the Company has improved its training system by further divisionalizing the training system to ensure that the talents cultivated are more suitable for the development needs of each division, and has actively applied for various national and regional talent policies to ensure the long-term stability of the talent pool. As of 31 December 2023, the Company had a professional service team of 2,510 employees.

(II) Production Capacity Building

The construction of JOINN Suzhou's Phase II 20,000 square meter facilities has been topped out and the design and planning of such facilities fully combines the conditions of existing facilities and changes in demand for future development of the Company. This construction has more reasonable layout and better functions. The construction of the new facilities will further improve the Company's business throughput, which would safeguard future business execution and performance growth. Meanwhile, in order to better facilitate business development and provide a more comfortable living and working environment for employees, JOINN Suzhou commenced the construction of a 22,000 square meter ancillary facility, which would functionally support the operation needs in many aspects. It is expected to be completed and put into use in 2024.

In accordance with the strategic planning and business needs of the Company, the construction of JOINN's drug safety assessment center in Guangzhou is currently progressing in an orderly manner.

The construction of the Non-GLP laboratories of JOINN Express & Collabo Laboratories, a wholly-owned subsidiary focusing on new drug screening, has been completed and put into operation.

(III) Business Capacity Development

1. Drug Non-clinical Business

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, so as to maintain the Company's leading edge in the industry and meet continuously innovative and differentiated market demands.

1.1 Continuous Improvement of Quality System

In 2023, JOINN Suzhou successfully passed the OECD GLP periodic certification inspection, as well as the quality management system certification, environmental management system certification and occupational health and safety management system certification. Both JOINN Suzhou and JOINN Beijing have successfully passed the GLP re-inspection by the National Medical Products Administration of China (NMPA), the analysis review of biological samples for clinical trials by the NMPA, and the AAALAC re-inspection, further improving the laboratory quality system and animal welfare.

1.2 Further Enhancement of Business Capabilities

In terms of the evaluation of segments such as ophthalmic drugs, the Company further developed and optimized more ophthalmic disease models, including 11 models such as the benzalkonium chloride-induced mouse dry eye model, the silicone oil anterior chamber injection-induced mouse hypertension model, the sodium iodate-induced mouse retinal pigmentation model, the New Zealand rabbit corneal stromal clouding model, the Dl-a – AAA-induced monkey RNV model, the MNU-induced monkey retinopathy model, the laser photocoagulation-induced crab-eating macaque retinopathy atrophy model, and the spontaneous age-related crab-eating macaque eye disease model, and also established new evaluation indicators and examination methods of ophthalmic drugs, including the detection of complement activation-related indicators (q-PCR/ELISA/IHC) in animal eye tissues and quantitative analysis of OCTA images in non-human primates, etc.

For the animal behavioral evaluation of psychotropic drugs, in order to overcome the drawbacks of traditional behavioral evaluation methods, such as strong subjectivity, poor reproducibility, time-consuming and labor-intensive, the Company applied fully automated behavioral testing systems based on AI and behavioral genomics to the evaluation of a variety of CNS disease models such as Alzheimer's disease, Parkinson's disease and pains, which supported the non-clinical filing of a number of cutting-edge drugs, such as cell therapy and gene therapy drugs. At the innovation level of drug delivery technology, the use of MRI-guided brain stereotactic localization injection is more accurate than

traditional brain map-guided injections, achieved 100% accuracy, and greatly improved the efficiency of the test; Meanwhile, new evaluation models have been established, including the rat collagenase-induced cerebral hemorrhage model, the kain-ic acid-induced SD rat temporal lobe epilepsy model, and the MK801-induced schizophrenia model, etc., laying the foundation for a more comprehensive evaluation of diseases of the central nervous system.

In terms of the cardiovascular drug evaluation, the Company developed and established the myocardial infarction efficacy model for rodent research models based on the traditional myocardial infarction model of non-rodent research models; meanwhile, the Company established the model of pulmonary hypertension in rodent normobaric hypoxic chamber.

A steady progress has been made in the evaluation of otology drugs. Hearing impairment is one of the greatest challenges confronting the medical profession today, with the disease incidence increasing year by year, and the age of onset of the disease tending to be younger and younger, the current solution to the problem of deafness is mostly the use of hearing aids, vibrating sound bridges, and cochlear implants and other physical methods, with a lack of fundamental treatment, and so far, there is no globally approved treatment. In recent years, the Company has responded to market demand by conducting thorough research and making breakthrough progress in the safety evaluation of otology drugs, and has successfully established auditory electrophysiology test methods for research models related to otology drugs, and made a breakthrough in the development of round window inner ear dosage technology, surpassing the conventional outer and middle ear administration, which further enhanced and improved the evaluation methods and technology for otology drugs.

To meet the market demand of pharmaceutical research and development, the Company has established a specific in vitro drug metabolism evaluation system for oligonucleotide drugs and coupled drugs, based on the established in vitro metabolism platform for small molecule chemical drugs and focusing on the characteristics of oligonucleotide drugs and coupled drugs. Regarding large molecule drugs, the Company has also established multiple biological analysis and evaluation platforms, ranging from a single ELISA platform to various qPCR, ELISPOT, WB, Flow and other platforms nowadays, with comprehensive capabilities covering viral carriers, cells (PBMC, CAR-T, MSC, TCR-T, NK, TIL), nucleic acids (mRNA, siRNA, etc.), protein drugs (fusion proteins, monoclonal antibodies, double antibodies, ADCs, peptides, etc.), and other drugs. Numerous technical innovations have been made in analytical methods, such as the "Development of Methods for Anti-Stem Cell Antibodies and Multi-Antigen Antibodies Based on the MSD Platform", the "Detection and Application of Vertical Transmission in the Safety Evaluation of

Gene Therapy Products", the "Development of Highly Sensitive qPCR Detection Methods Based on the MGB Probe", and the "Analysis Methods for the Immunogenicity of siRNA Drugs Based on the ELISA Platform".

2. Aspects of drug clinical trial services:

2.1 Clinical CRO services

The Company's clinical service segment continued to strengthen its advantages in the field of phase I clinical, and constantly promoted its phase II and III clinical business. The Company broke through the pain points of the industry, built a high-quality service team, and ploughed deeply into the special areas of gene drugs, rare diseases, reproduction, gynaecology, pediatrics, nuclear drugs and so on. We provided one-stop clinical operation services covering registration application, medical writing, project management and pharmacovigilance. Through the seamless connection from non-clinical research to clinical research, the Company improved the one-time passing rate of review, saving a lot of time for project progress, reducing customers' R&D costs and management costs, and improving customer experience.

2.2 Clinical Testing Services

The Company's clinical sample testing segment achieved outstanding performance growth and continued to improve the variety of services, covering clinical sample analysis and drug metabolism studies of innovative gene and cell therapy drugs, preventive vaccines, oncology therapeutic vaccines, innovative bispecific/multispecific antibody drugs, innovative ADC drugs, innovative PROTAC drugs, monoclonal antibody drugs with innovative targets and innovative small molecule drugs, etc. The service capacity and quality was continuously improved and we successfully passed the CNAS 17025 supervisory review; passed a number of inter-room quality assessments by the National Centre for Clinical Laboratories, a number of proficiency validating projects of College of American Pathologists (CAP), and a number of proficiency validating projects of the China Academy of Food and Drug Administration; We assisted with the inclusion of the first mRNA vaccine for emergency use in China and the approval of being launched into the market and the submission of NDA applications for several projects; and assisted with the first patient drug delivery for a number of innovative gene therapy products; The Company established and validated cellular immunity solutions, which helped cellular immunity studies for a number of prophylactic biologics and therapeutic oncology vaccines (both non-individualized and individualized); and facilitating the biospecimen analysis of international multi-center clinical trials; added a new pathological testing platform to improve our biomarker testing capabilities. "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.

In addition, the Company set up a detection platform for drug transporters and metabolizing enzymes' endogenous substrates, which can be used for early clinical DDI risk assessment. The Company also established the ability to detect immunogenicity of cell-based products in the clinic, the related detection ability of AAV products, and the ability to freeze and separate PBMC samples in the clinical trials of gene therapy and vaccine products, which simplified the operation of the clinical trials and also reduced the error of the experimental results brought by the operation by mistakes.

3. Experimental Model Study:

In 2023, the Company created a variety of gene editing mouse models and cell models, and applied for two patents, including immunodeficiency models, tumor-bearing mouse models, humanized mouse models of immune system, which have been rolled out to the market to serve enterprises and universities in non-clinical research. In addition, we successfully established mitochondrial gene editing, artificial placenta (tetraploid compensation technology) and lone female/male mouse stem cell platforms, which can provide customers with a variety of mature models and model customization services. Combined with the above technologies, we were actively developing the nanobody mouse platform and obtained the first-generation Nanobody mice. In term of large animals, the Company completed the breeding of gene-edited dog strains and all the phenotyping work, all phenotypes met the application standards, established the standardized process of phenotyping, and entered into sales cooperation with customers to carried out the customization of large animal models and technical services.

In addition to gene editing models, the Company continued its endeavor to maintain high quality and high standards of existing key experimental models. In 2023, the overall stock of non-human primate experimental models maintained steady growth to continue to maintain a high level of breeding and management, and the main management indicators was further upgraded and optimised. At the same time, we carried out exploration work on the elderly experimental model, providing important data support for the subsequent development of related outsourcing services.

4. Drug quality research and testing business:

Primarily aimed at the quality research and testing of innovative drugs such as protein drugs, therapeutic vaccines, gene and cell therapy products, etc. at present, it set up a high-level technical team of more than 40 people, established in-vivo experimental animal laboratories and P2 clean laboratories in Suzhou, and bioassay and physicochemical analysis laboratories in Beijing. The Company also participated in a national key R&D programme project led by CIQ, and jointly undertook with CIQ the research task of CGT of Beijing Municipal Science and Technology Commission – "Construction of key technology and service platform for quality control of genetically modified immune cells and gene therapy drugs", and established a key technology platform for quality research of biotechnology drugs, and applied for and obtained 5 patents (of which 3 have been disclosed), and the major testing methods passed the CNAS certification. At present, the

Company had the ability to research and test the quality standard of biotechnology drugs, with the scope of business covering: cell bank toxicity library testing, virus removal and inactivation process verification, gene and cell therapy product testing, recombinant protein drugs and antibody drugs biological activity and structure characterization analysis, and the establishment of transgenic cell activity assay methods, etc.; We issued many test reports for CHO/3T3 cell banks, stem cell products, NK cell products, and Tenecteplase activity standards collaborative calibration and in-vivo animal test reports.

(IV) Implementation of Featured Experiments

In 2023, the Company was committed as usual to the quality of the experiments by strengthening the standardization of experimentation operation and ensuring the authenticity and accuracy of data. Based on the above, the Company optimised and integrated the technical staff, and deployed experienced professionals to control the quality of the experimental program design and report writing, so as to fully ensure the scientificity and unity of the projects. Meanwhile, the Company further optimized the project management process with an effort to ensure that all businesses are carried out in a more reasonable and orderly manner, and to improve customer' satisfaction. Starting from many aspects, such as management and technological innovation, the Company provided solid support for the increasing business demand. As of the end of the reporting period, the Company maintained a steady growth trend as to the numbers of ongoing projects. The overall orders on hand were approximately RMB3.3 billion, providing guarantee for future performance.

(V) Marketing

In 2023, the domestic pharmaceutical industry as a whole was in a downturn due to the combined effects from various factors. Against this backdrop, there were some fluctuations in the orders placed with the Group. However, the Company adjusted its marketing strategy in a timely manner and continued to strengthen its innovation in technology and business areas. During the Reporting Period, the Group's overall signed orders amounted to approximately RMB2.3 billion. The highlights of the Company's marketing efforts were manifested as follows:

1. Actively exploring customers, the number of new customers increased by approximately 30% year-on-year, and the number of orders from key customers maintained steady growth. Especially after entering into the fourth quarter, the Company maintained a recovery trend in the number of new projects signed on a month-on-month basis.

2. The number of new projects signed for inhalation, CNS platform (including migraine drugs), PROTAC/molecular gel, etc. remained stable, and the number of special tests for carcinogenicity, reproduction, dependence, etc. increased, which reflected the full recognition of customers for the Company's experience in difficult toxicity evaluations.

3. The Company continuously strengthened the systematic evaluation capacity of peptide drugs, and the number of GLP-1 single-target, double-target and triple-target glucose-lowering and weight-loss drugs and peptide drugs in the field of other disease increased significantly.

4. The number of newly undertaken monoclonal antibodies and multi-specific antibodies for innovative targets and antibody-coupled drugs for innovative toxins continued to increase.

5. Overseas subsidiaries maintained stable operation, with orders signed for 2023 amounting to approximately RMB340 million.

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 2023 was RMB2,376.5 million, representing an increase of 4.8% compared to RMB2,268.0 million for the year ended 31 December 2022. Our revenue remained relatively stable for the year ended 31 December 2023.

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

	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Non-clinical studies services	**2,308,999**	**97.1**	2,213,598	97.6
Clinical trial and related services	**63,424**	**2.7**	49,568	2.2
Sales of research models	**4,064**	**0.2**	4,805	0.2
Total Revenue	**2,376,487**	**100.0**	2,267,971	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 2023 was RMB1,397.1 million, representing an increase of 17.7% compared to RMB1,186.5 million for the year ended 31 December 2022, the increase was primarily due to the increase of labor costs.

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 2023, the gross profit and gross profit margin was RMB979.4 million and 41.2%, respectively, as compared to RMB1,081.4 million and 47.7%, respectively, for the year ended 31 December 2022. The decrease in gross profit was mainly driven by our decreased 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 decreased for the year ended 31 December 2023, primarily due to the intensifying competition in the market.

Other Gains and Losses, Net

For the year ended 31 December 2023, other gains and losses, net was RMB240.5 million, represent an increasing of 5.7% as compared to RMB227.6 million for the year ended 31 December 2022. Our other gains and losses, net remained relatively stable for the year ended 31 December 2023.

(Losses)/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 loss of RMB288.8 million arising from changes in fair value of biological assets for the year ended 31 December 2023, as compared to gains of RMB333.1 million for the year ended 31 December 2022. The loss was primarily due to the decrease in the unit fair value of biological assets, which is consistent with the decrease in the market value of the research model.

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 2023 was RMB24.6 million, representing an increase of 36.7% compared to RMB18.0 million for the year ended 31 December 2022. The increase was primarily due to the increase in participation in the exhibition, the increase in travel and business entertainment expenses.

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 2023 was RMB296.5 million, representing a decrease of 1.1% compared to RMB299.9 million for the year ended 31 December 2022. Our general and administrative expenses remained relatively stable for the year ended 31 December 2023.

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 2023 was RMB96.9 million, representing an increase of 24.2% compared to RMB78.0 million for the year ended 31 December 2022. The increase was primarily due to the increase in investment in research and development continuously.

Finance Costs

The Group's finance costs for the year ended 31 December 2023 was RMB3.1 million, representing a decrease of 12.3% compared to RMB3.6 million for the year ended 31 December 2022. Our finance costs remained relatively stable for the year ended 31 December 2023.

Income Tax Expense

The Group's income tax expense for the year ended 31 December 2023 was RMB115.4 million, representing a decrease of 30.8% compared to RMB166.8 million for the year ended 31 December 2022. The decrease was primarily due to the decreased profits.

The Group's effective tax rate for the year ended 31 December 2023 was 22.8% (for the year ended 31 December 2022: 13.5%). The increase was primarily due to the losses arising from negative changes in fair value of biological assets with relatively low tax rate.

Profit for the Year

As a result of the foregoing reasons, our profit for the year decreased by 63.5% from RMB1,073.2 million for the year ended 31 December 2022 to RMB391.6 million for the year ended 31 December 2023. Our net profit margin decreased from 47.3% for the year ended 31 December 2022 to 16.5% for the year ended 31 December 2023. The decrease in net profit was primarily due to reasons as follows:

- The gross profit decreased by 9.4% from RMB1,081.4 million for the year ended 31 December 2022 to RMB979.4 million for the year ended 31 December 2023. The decrease was primarily due to the intensifying competition in the market.

- The net loss arising from the changes in fair value of biological assets during the current period amounted to RMB267.1 million. The loss was primarily due to the decrease in the unit fair value of biological assets, which is consistent with the decrease in the market value of the research model.

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 2023 were RMB2,862.9 million, representing a decrease of 1.8% compared to RMB2,916.8 million for the year ended 31 December 2022. The Group's cash and cash equivalent remained relatively stable.

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 December 31, 2023, the gearing ratio, calculated as total liabilities over total assets, was 17.4%, as compared with 21.0% as at December 31, 2022. The decrease was primarily due to the decrease in contract liabilities which represent amounts received in advance from the customers and payment of consideration payable of the acquisition of Guangxi Weimei Bio-Tech Co., Ltd (廣西瑋美生物科技有限公司) ("**Guangxi Weimei**") and Yunnan Yinmore Bio-Tech Co., Ltd (雲南英茂生物科技有限公司) ("**Yunnan Yinmore**").

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 drugability 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; develop 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, optimising 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 2024, the Company will continue to improve its pharmacology and toxicology research and evaluation capabilities, enhance project management capabilities and operational efficiency, 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 will continuously enrich and improve the evaluation platform and technology system to meet the non-clinical evaluation needs of new targets and new technology drugs; enhance drug screening capabilities, offer comprehensive biological services and solutions, keep pace with domestic and international trends and hotspots in new drug development, provide high-throughput screening and customized services tailored to clients' needs, stay close with clients throughout their research and development process, and establish a rapid and efficient screening platform. For those 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) The Company will 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; increase investment in offshore outsourcing business so as to attract more overseas business and customers to enter China.

(4) A sufficient number of qualified technical and management teams are the foundation of the Company's operation. In 2024, 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 2024, 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.

(5) Construction plan to expand production capacity: JOINN Suzhou has completed the top-out of its facilities of 20,000 square metres, and the overall planning layout has been completed. In 2024, 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 construction of its Non-GLP laboratory, which mainly focuses on drug screening and pharmacodynamics experiments. It can further expand their business scope, meet the early testing needs of customers during research and development, and increase their business throughput.

In 2024, we will accelerate the construction of the JOINN (Guangzhou) New Drug Evaluation Centre in line with our development needs.

2. Clinical trial and related business

Leveraging the existing non-clinical business, customer resources and in-depth understanding of drug safety of the professional technical team of JOINN Laboratories and the full understanding of GLP and GCP, the Company will rapidly develop and construct the following:

(1) Strengthening the registration team and improving the international registration capability. 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) Expanding the laboratory scale and team size of clinical testing, broaden the scope of clinical testing business, increasing the capacity and qualification of medical testing laboratories, so as to better support the development of the overall clinical business; initiating the establishment of clinical testing laboratory capabilities in the United States to better serve the sample testing needs for clinical trials conducted in the country.

(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 confirmatory clinical trials.

3. Research Model Business

We will further optimize the non-human primate population structure to increase productivity; renovate and expand existing experimental facilities, implement scientific zoning and management; leverage the resource advantages of non-human primates to conduct screenings for drug efficacy testing models. Meanwhile, we will continue to improve the procedure-based 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. The Company supports BIOMERE in further expanding its experimental facilities 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 will be 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 will be 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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and has complied with the applicable code provisions throughout the year ended 31 December 2023.

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 2023.

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 C3 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 2023.

Use of Proceeds from the Global Offering

The H shares of the Company (the "**Shares**") 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 as stated in the announcement in the relation to proposed change in use of the Net Proceeds dated 28 April 2022, and (ii) the reasons stated in the announcement in the relation to proposed change in use of the Net Proceeds dated 30 August 2023, in order to better utilize the financial resources of the Group and to capture favorable investment opportunities, the Board has reviewed the utilization plan of the Net Proceeds and resolved to re-allocate part of the Net Proceeds.

For the period from the Listing Date up to 31 December 2023, the Company has used RMB2,612.4 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 utilized as at 31 December 2023 *(RMB million)*	Amount of net proceeds utilised during the Reporting Period *(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	–	–	–	–	

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 utilized as at 31 December 2023 *(RMB million)*	Amount of net proceeds utilised during the Reporting Period *(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
(B) Strengthen our U.S. operations to cater to the rising customer demand for services provided by Biomere	**10.0**	**528.5**	**751.7**	**236.5**	**191.1**	**515.2**	
(i) upgrading our existing facilities and service team in northern California	7.6	401.7	401.7	115.5	70.1	286.2	By the end of 2025
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	2.4	126.8	350.0	121.0	121.0	229.0	By the end of 2025
(C) Further expand our facility network and service capabilities in China	**39.0**	**2,061.3**	**1,662.8**	**192.8**	**45.1**	**1,470.0**	
(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	500.0	152.0	29.9	348.0	By the end of 2024
(ii) building the Phase I of our new laboratories, research model breeding facilities and clinical operations in Chongqing	17.0	898.5	898.5	11.5	0.7	887.0	By the end of 2025
(iii) enhancing our technical and scientific research capabilities at our Guangzhou and Chongqing facilities	2.6	137.4	137.4	29.3	14.5	108.1	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

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 utilized as at 31 December 2023 *(RMB million)*	Amount of net proceeds utilised during the Reporting Period *(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
(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**	**33.0**	**6.0**	**231.3**	
(i) hiring approximately 220 experienced clinical trial operation professionals who hold at least a bachelor's degree and who have at least two years of work experience in clinical operations, medicine, quality control, statistical analysis and analysis of clinical samples, with a focus on early-stage clinical trial projects	0.6	31.7	31.7	8.3	0.6	23.4	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
(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	24.7	5.4	186.7	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 utilized as at 31 December 2023 *(RMB million)*	Amount of net proceeds utilised during the Reporting Period *(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
(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	2,020.2	1,860.0	66.5	160.2	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, the Group did not have any significant investments, acquisitions or disposals.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Employee and Remuneration Policy

As at 31 December 2023, the Group had 2,510 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 RMB634.1 million (for the same period in 2022: RMB558.7 million).

Future Plans for Material Investments

The Group will continue to extensively identify potential strategic investment opportunities and seek to acquire potential high-quality targets that create synergies for the Group in relation to such aspects as product research and development, product portfolio, channel expansion or cost control.

Purchase, Sale or Redemption of Listed Securities

On 30 March 2023 and 27 April 2023, the second and third meetings of the fourth session of the Board of Directors of the Company were convened respectively, at which the Board of Directors resolved and approved the proposed partial repurchase and cancellation of 3,293 Restricted A Shares under the 2019 Incentive Plan and 31,108 Restricted A Shares under the 2021 Incentive Plan. The relevant repurchase and cancellation was completed on 6 July 2023 for an aggregate consideration of approximately RMB1,885,000. For details, please refer to the announcements of the Company dated 30 March 2023 and 27 April 2023 and the overseas regulatory announcement dated 3 July 2023.

On 30 October 2023, the fifth meeting of the fourth session of the Board of Directors of the Company was convened, at which the Board of Directors resolved and approved: (i) the proposed repurchase and cancellation of 411,365 Restricted A Shares under the 2021 Incentive Plan; and (ii) the proposed cancellation of the 2022 A Share Employee Stock Ownership Plan. For details, please refer to the overseas regulatory announcement of the Company dated 30 October 2023. As at 31 December 2023, the Company: (i) had not purchased any Restricted A Shares, for the aforesaid purpose; and (ii) had sold the underlying shares involved in the 2022 A Share Employee Stock Ownership Plan.

During the Reporting Period, the Company repurchased 6,573,240 H shares through trust for an aggregate consideration of HK$125,300,000 in accordance with the rules of the Share Incentive Scheme (H Shares).

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

Capital Expenditure and Commitments

The Group's capital expenditures in 2023 primarily related to purchase of property, plant and equipment in relation to the expansion and enhancement of our facilities. In 2023, the Group incurred RMB186.9 million in relation to capital expenditures as compared to RMB293.0 million in 2022.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2023.

Charges on Group Assets

As at 31 December 2023, 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 2023 ("**2023 Profit Distribution Plan**") as follows: a dividend of RMB0.16 (2022: RMB0.4) per ordinary share to shareholders on the record date for determining the shareholders' entitlement to the 2023 Profit Distribution Plan. Based on the total issued 749,888,699 Shares as at 31 December 2023, as 33,214 A shares were repurchased by the Company and were not eligible for the 2023 Profit Distribution Plan, 749,855,485 Shares are eligible for the 2022 Profit Distribution Plan, and the proposed final dividend in an aggregate amount was approximately RMB119,977,000 (2022: RMB214,244,000).

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 2023 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming annual general meeting ("**AGM**"). The aforesaid profit distribution is expected to be paid to the eligible Shareholders by no later than 30 August 2024.

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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 annual report of the Company containing all relevant information required under the Listing Rules will be published on the websites of the Company and the Hong Kong Stock Exchange in due course.

APPRECIATION

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

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

Hong Kong, Thursday, 28 March 2024

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, and Mr. Sun Mingcheng, Dr. Zhai Yonggong, Mr. Ou Xiaojie and Mr. Zhang Fan as independent non-executive Directors.