JOINN

北京昭衍新藥研究中心股份有限公司

JOINN LABORATORIES (CHINA) CO., LTD.

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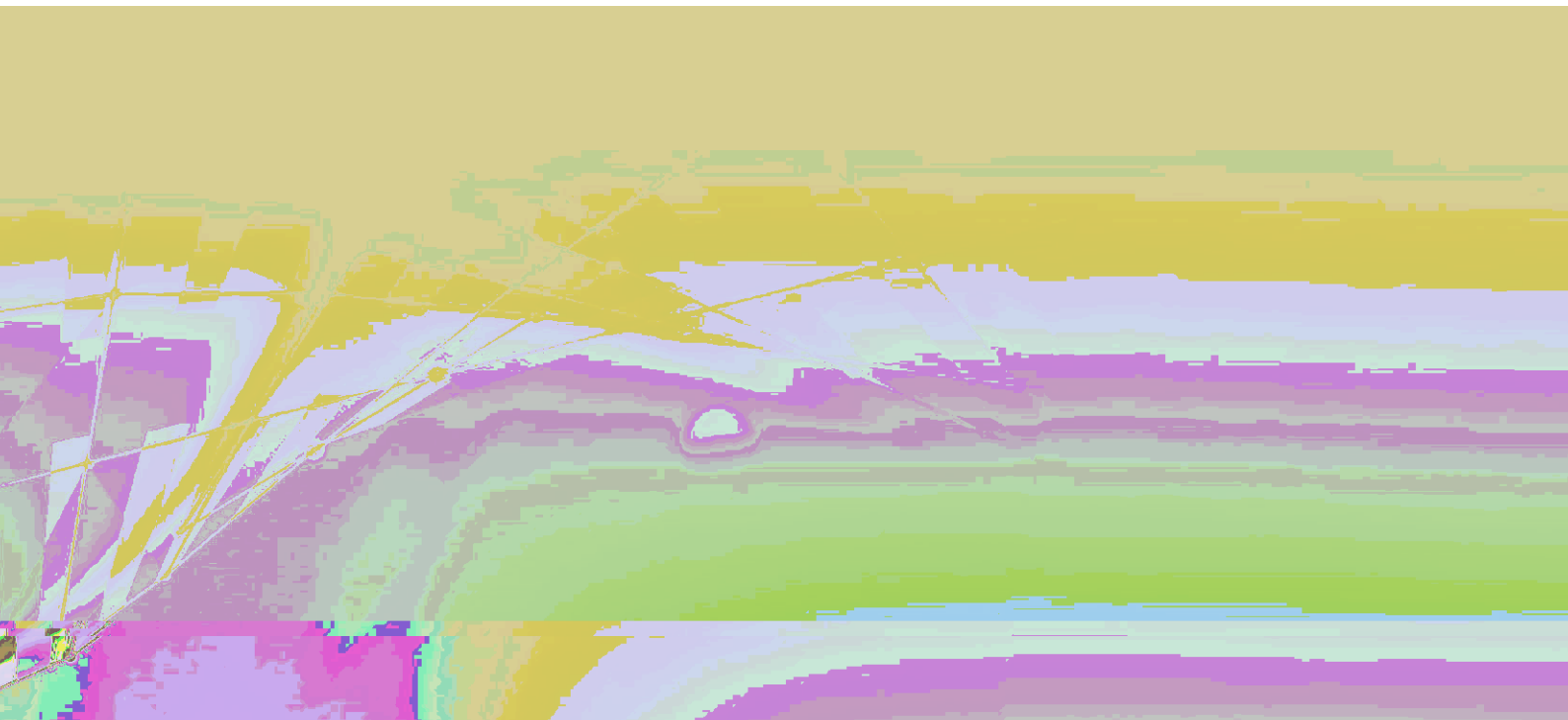
Definitions

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

"2018 Share Option and Restricted Share Award Scheme"	a share option and restricted share award scheme adopted and approved by the Company on 27 February 2018, the principal terms of which are set out in the Prospectus
"2019 Share Option and Restricted Share Award Scheme"	a share option and restricted share award scheme adopted and approved by the Company on 15 August 2019, the principal terms of which are set out in the Prospectus
"2020 Share Option Scheme"	a share option scheme adopted and approved by the Company on 15 July 2020, the principal terms of which are set out in the Prospectus
"2021 A Share Employee Stock Ownership Plan"	an employee share award scheme adopted and approved by the Company on 19 January 2022, the principal terms of which are set out in the circular dated 30 December 2021
"2021 Restricted A Share Incentive Scheme"	a restricted share award scheme adopted and approved by the Company on 19 January 2022, the principal terms of which are set out in the circular dated 30 December 2021
"2022 A Share Employee Stock Ownership Plan"	an employee share award scheme adopted and approved by the Company on 18 November 2022, the principal terms of which are set out in the circular dated 31 October 2022
"2022 H Shares Incentive Scheme"	a H Shares award scheme adopted and approved by the Company on 24 June 2022, the principal terms of which are set out in the circular dated 26 May 2022
"A Shareholders"	holders of the A Shares
"A Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are listed for trading on the Shanghai Stock Exchange
"AGM"	annual general meeting of the Company to be held on 24 June 2022
"Articles of Association" or "Articles"	articles of association of our Company adopted on 18 June 2021, as amended from time to time
"Associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Biomere"	Biomedical Research Models, Inc., a limited liability company incorporated in Massachusetts, the United States, on 11 December 1996 and acquired by our Company on 10 December 2019 to become a wholly-owned subsidiary of Joinn Laboratories (Delaware) Corporation, which is wholly-owned by our Company

Definitions

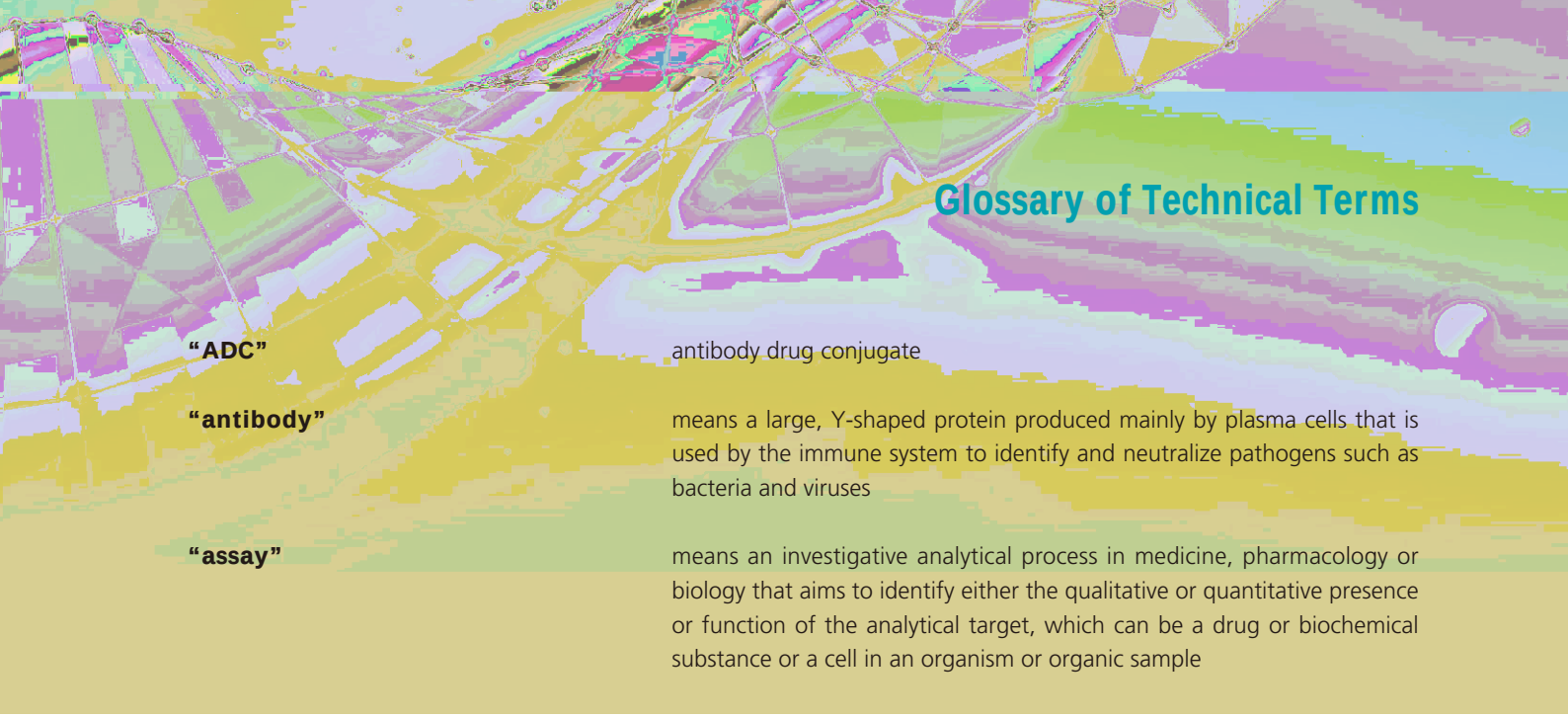
"Board"	the board of Directors of our Company
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code as contained in Part 2 of Appendix 14 of the Listing Rules
"Chief Executive Officer"	chief executive officer of our Company
"Chief Financial Officer"	chief financial officer of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Company", "Our Company" or "JOINN"	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 14 February 2008 and converted into a joint-stock company on 26 December 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)
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Ms. Feng and Mr. Zhou
"CSDC"	China Securities Depository and Clearing Company Limited
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the directors of the Company
"Employee Stock Ownership Plans"	the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"Group", "our Group", "our", "we" or "us"	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 our Company at the relevant time
"Guangxi Weimei"	Guangxi Weimei Bio-Tech Co., Ltd (廣西瑋美生物科技有限公司), a company established under the laws of the PRC with limited liability



"Prospectus"	the prospectus of the Company dated 16 February 2021
"Relevant Period"	the period from the Listing Date to the date of this report
"Reporting Period"	the year ended 31 December 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share awards granted pursuant to the Pre-IPO Share Option and Restricted Share Award Schemes and Post-IPO Restricted Award Scheme and ESOP
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	shares (including the A Shares and the H Shares) in the share capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of our Share(s)
"Staidson"	Staidson (Beijing) Biopharmaceuticals Co., Ltd. (舒泰神(北京)生物製藥股份有限公司), a joint stock limited company incorporated under the laws of the PRC on August 16, 2002 and whose shares are listed on the Shenzhen Stock Exchange (stock code: 300204), which is held as to approximately 33.94% in aggregate by Mr. Zhou and Ms. Feng, which includes approximately 36.30% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is held as to 85% in aggregate by Ms. Feng and Mr. Zhou), approximately 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管－招商銀行－華泰聚力16號集合資產管理計劃), and approximately 1.11% by Mr. Zhou directly. Mr. Zhou is also the chairperson of the board of directors and legal representative of Staidson
"Staidson Group"	Staidson and its subsidiaries
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of our supervisory committee
"Suzhou Qichen"	Aurora Bioscience Co., Ltd., a subsidiary of the Company

Definitions

"Trust"	the trust or any other entity(ies) established by the Trustee and constituted by the Trust Deed (if any) to service the 2022 H Shares Incentive Scheme
"Trust Deed"	the trust deed entered or to be entered into between the Company and the Trustee in the context of establishment of the Trust (as may be restated, supplemented and amended from time to time)
"Trustee"	Futu Trustee Limited, a professional trustee engaged by the 2022 H Shares Incentive Scheme. Futu Trustee Limited and its ultimate beneficial owners are independent third parties and not connected with the Company or any of its connected persons
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollar(s), the lawful currency of the United States
"Yunnan Yinmore"	Yunnan Yinmore Bio-Tech Co., Ltd (雲南英茂生物科技有限公司), a company established under the laws of the PRC with limited liability



Glossary of Technical Terms

"ADC"	antibody drug conjugate
"antibody"	means a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens such as bacteria and viruses
"assay"	means an investigative analytical process in medicine, pharmacology or biology that aims to identify either the qualitative or quantitative presence or function of the analytical target, which can be a drug or biochemical substance or a cell in an organism or organic sample
"CAR-T cell"	chimeric antigen receptor T cells, T cells that have been genetically engineered to produce an artificial T-cell receptor for use in immunotherapy
"CBA"	cell-based assay
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"CRO"	contract research organization, an entity that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"drug discovery"	means the process through which potential new medicines are identified and may involve a wide range of scientific disciplines, including biology, chemistry and pharmacology
"GLP"	good laboratory practice
"metabolism"	means the chemical processes that occur within a living organism in order to maintain life, comprising catabolism (breakdown of large molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)
"pharmacology"	means the branch of medicine concerned with the uses, effects, and modes of action of drugs
"R&D"	means research and development

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Feng Yuxia *(Chairperson of the Board)*
Mr. Zuo Conglin
Mr. Gao Dapeng
Ms. Sun Yunxia
Dr. Yao Dalin

Non-executive Director

Mr. Gu Xiaolei

Independent Non-executive Directors

Mr. Sun Mingcheng
Dr. Zhai Yonggong
Mr. Ou Xiaojie
Mr. Zhang Fan

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

A5 Rongjing East Street
Beijing Economic-Technological
Development Area
Beijing, 100176, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

REGISTERED OFFICE

A5 Rongjing East Street
Beijing Economic-Technological
Development Area
Beijing, 100176, China

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited
40/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Gao Dapeng
Mr. Ng Cheuk Ming (resigned on 28 April 2022)
Ms. Cheung Ka Lun Karen (appointed on 28 April 2022)

AUTHORIZED REPRESENTATIVES

Ms. Feng Yuxia
Mr. Ng Cheuk Ming (resigned on 28 April 2022)
Ms. Cheung Ka Lun Karen (appointed on 28 April 2022)

AUDIT COMMITTEE

Mr. Sun Mingcheng *(Chairperson)*
Dr. Zhai Yonggong
Mr. Zhang Fan

REMUNERATION AND EVALUATION COMMITTEE

Mr. Ou Xiaojie *(Chairperson)*
Mr. Sun Mingcheng
Mr. Zuo Conglin

NOMINATION COMMITTEE

Dr. Zhai Yonggong *(Chairperson)*
Mr. Ou Xiaojie
Ms. Feng Yuxia

STRATEGIC DEVELOPMENT COMMITTEE

Ms. Feng Yuxia *(Chairperson)*
Mr. Zuo Conglin
Mr. Gu Xiaolei
Ms. Sun Yunxia
Mr. Ou Xiaojie

STOCK CODE

Hong Kong Stock Exchange
(H Shares): 6127
Shanghai Stock Exchange
(A Shares): 603127

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8/F, Prince's Building
10 Chater Road
Central
Hong Kong

LEGAL ADVISOR TO OUR COMPANY

As to Hong Kong law
Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower, The Landmark
15 Queen's Road, Central
Hong Kong

As to PRC law
Tian Yuan Law Firm
Unit 509, Tower A, Corporation Square,
35 Financial Street, Xicheng District,
Beijing,100033 China

COMPANY'S WEBSITE

http://www.joinnlabs.com

Financial Summary

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**2,267,971**	1,516,680	1,075,905	639,379	408,798
Gross profit	**1,081,428**	735,678	550,625	328,786	208,659
Profit for the year	**1,073,200**	556,417	311,564	187,677	105,320
Profit for the year attributable to equity shareholders of the Company	**1,074,257**	557,460	312,950	187,838	105,471
Profitability					
Gross profit margin	**47.68%**	48.51%	51.18%	51.42%	51.04%
Profit margin for the year	**47.32%**	36.69%	28.96%	29.35%	25.76%
Earnings per share*					
Basic (RMB)	**2.01**	1.08	0.71	0.42	0.24
Diluted (RMB)	**2.00**	1.07	0.70	0.42	0.24

	At 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**10,364,216**	8,537,077	2,172,902	1,570,141	1,176,976
Total liabilities	**2,173,350**	1,392,641	951,093	720,196	509,556
Net assets	**8,190,866**	7,144,436	1,221,809	849,945	667,420
Equity attributable to the equity shareholders of the Company	**8,183,701**	7,136,214	1,222,544	849,200	667,219

* Earnings per share of prior years has been restated to reflect the impact of bonus issue.

Notes:

(1) This batch of outstanding options under the 2018 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 19 April 2019 and 18 April 2020; (ii) as to 30% of the aggregate number the options between 19 April 2020 and 18 April 2021; and (iii) as to 20% of the aggregate number of options between 19 April 2021 and 18 April 2022.

(2) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 14 October 2020 and 13 October 2021; (ii) as to 30% of the aggregate number of options between 14 October 2021 and 13 October 2022; and (iii) as to 20% of the aggregate number of options between 14 October 2022 and 13 October 2023.

(3) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 11 August 2021 and 10 August 2022; and (ii) as to 50% of the aggregate number of options between 11 August 2022 and 10 August 2023.

(4) This batch of outstanding options under the 2020 Share Option Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options on between 31 August 2021 and 30 August 2022; (ii) as to 30% of the aggregate number of options between 31 August 2022 and 30 August 2023; and (iii) as to 20% of the aggregate number of options between 31 August 2023 and 30 August 2024.

(5) The term of validity of outstanding options shall not exceed 48 months. And the exercise period of outstanding options shall commence from the date on which such options are no longer under any lock-ups and shall not exceed the validity period.

(6) Exercise prices of the outstanding options will be adjusted according to the resolution in respect of the Company's dividend distribution and transfer from share premium in capital reserve to share capital.

(7) The exercise prices of the options have been adjusted for the bonus Shares issued in August 2022. The Company has issued 4 bonus Shares for every 10 Shares held. For details, please refer to the announcement made by the Company on 2 August 2022.

(8) The number of outstanding options as at 1 January 2022 has not been adjusted for the bonus Shares issued in August 2022.

(9) The number of outstanding options as at 31 December 2022 has been adjusted in accordance with the bonus Shares issued in August 2022.

(10) The closing price of the Shares immediately before the date of grant of share options on 9 March 2018, 9 September 2019, 24 June 2020 and 17 July 2020 were RMB59.87, RMB62.81, RMB96.53 and RMB95.42, respectively. Details of the fair value of the options granted are disclosed in note 32 to the financial statements of this report.

(11) The options available for grant under the 2018 Share Option Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme as at 1 January 2022 were 29,001, 425,852 and 1,709,400, respectively.

(12) The options available for grant under the 2018 Share Option Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme as at 31 December 2022 were 29,001, 40,926 and 1,420,020, respectively.

(13) No options were exercised under the 2018 Share Option Restricted Share Award Scheme and the weighted average closing price of the Shares immediately before the dates which the options were exercised under the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme were RMB61.94 and RMB57.65, respectively.

The following table summarizes the number of underlying A Shares of the outstanding RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes as at the date of this report. For details of fair value and exercise price of outstanding restricted shares, please refer to note 32 to the financial statements of this report.

Name of Grantee	Position	Exercise Price (RMB/Share)[6]	Date of Grant	Outstanding as at 1 January 2022[7]	Granted during the year	Exercised during the year	Vesting Period	Canceled during the year	Lapsed during the year	Outstanding as at 31 December 2022[8]
Directors										
Zuo Conglin	Vice Chairperson of the Board, Executive Director	16.94/8.21	9 September 2019	11,760	0	16,464	(Note 2)	0	0	0
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	16.94/8.21	9 September 2019	11,760	0	16,464	(Note 2)	0	0	0
Sun Yunxia	Executive Director, Vice General Manager	16.94/8.21	9 September 2019	11,760	0	16,464	(Note 2)	0	0	0
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	16.94/8.21	9 September 2019	11,760	0	16,464	(Note 2)	0	0	0
Subtotal				**47,040**	**0**	**65,856**		**0**	**0**	**0**
Senior Management										
Gu Jingliang		16.94/8.21	9 September 2019	11,760	0	16,464	(Note 2)	0	0	0
		47.39/23.74	24 June 2020	10,500	0	14,700	(Note 3)	0	0	0
Yu Aishui	Chief Financial Officer	47.39/23.74	24 June 2020	2,800	0	3,920	(Note 3)	0	0	0
Subtotal				**25,060**	**0**	**35,084**		**0**	**0**	**0**
Other employees		9.81	9 March 2018	0	0	0	(Note 1)	35,725	0	0
		16.94/8.21	9 September 2019	86,632	0	117,991	(Note 2)	41,160	0	3,293
		47.39/23.74	24 June 2020	30,800	0	43,120	(Note 3)	0	0	0
Total				**189,532**	**0**	**262,051**	**0**	**76,885**	**0**	**3,293**

Notes:

(1) This batch of outstanding RSUs under the 2018 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 19 April 2019 and 18 April 2020; (ii) as to 30% of the aggregate number of RSUs between 19 April 2020 and 18 April 2021; and (iii) as to 20% of the aggregate number of RSUs between 19 April 2021 and 18 April 2022.

(2) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 14 October 2020 and 13 October 2021; (ii) as to 30% of the aggregate number of RSUs between 14 October 2021 and 13 October 2022; and (iii) as to 20% of the aggregate number of RSUs between 14 October 2022 and 13 October 2023.

(3) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 11 August 2021 and 10 August 2022; and (ii) as to 50% of the aggregate number of RSUs between 11 August 2022 and 10 August 2023.

(4) The term of validity of outstanding RSUs shall not exceed 48 months. And the exercise period of outstanding RSUs shall commence from the date on which such restricted shares are no longer under any lock-ups and shall not exceed the validity period.

(5) Exercise prices of the outstanding RSUs will be adjusted according to the resolution in respect of the Company's dividend distribution and transfer from share premium in capital reserve to share capital.

(6) The exercise prices of the RSUs have been adjusted for the bonus Shares issued in August 2022. The Company has issued 4 bonus Shares for every 10 Shares held. For details, please refer to the announcement made by the Company on 2 August 2022.

(7) The number of outstanding RSUs as at 1 January 2022 has not been adjusted for the bonus Shares issued in August 2022.

(8) The number of outstanding RSUs as at 31 December 2022 has been adjusted in accordance with the bonus Shares issued in August 2022.

(9) The closing price of the Shares immediately before the date of grant of RSUs on 9 March 2018, 9 September 2019, 24 June 2020 and 29 March 2022 were RMB59.87, RMB62.81, and RMB96.53, respectively. Details of the fair value of the RSUs granted are disclosed in note 32 to the financial statements of this report.

(10) The RSUs available for grant under the 2018 Share Option Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme as at 1 January 2022 were 35,725 and 230,692, respectively.

(11) The RSUs available for grant under the 2018 Share Option Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme as at 31 December 2022 were 0 and 3,293, respectively.

(12) No RSUs were exercised under the 2018 Share Option Restricted Share Award Scheme and the weighted average closing price of the Shares immediately before the dates which the RSUs were exercised under the 2019 Share Option and Restricted Share Award Scheme was RMB60.83.

POST-IPO RESTRICTED SHARE INCENTIVE SCHEME AND THE STOCK OWNERSHIP PLAN

The Company adopted the 2021 Restricted A Share Incentive Scheme and 2021 A Share Employee Stock Ownership Plan on 19 January 2022 and 2022 A Share Employee Stock Ownership Plan on 18 November 2022.

Summary of Terms

(a) Purpose

The purpose of the 2021 Restricted A Share Incentive Scheme is to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the Company's employees, ensure the realization of the Company's development strategy and business objectives, and promote the long-term development of the Company.

The purpose of the Employee Stock Ownership Plans are to establish and improve the benefit sharing mechanism for employees and shareholders, improve the corporate governance level, enhance the cohesion of employees and the competitiveness of the Company, mobilize the enthusiasm and creativity of employees, and promote the long-term, sustainable and healthy development of the Company.

(b) Types of Awards

The 2021 Restricted A Share Incentive Scheme provides for awards of Restricted Shares and the Employee Stock Ownership Plans provide the participants with the subscription of Shares.

(c) Administration

Given that the Restricted Shares are to be held by the grantees directly, upon the Restricted Shares being unlocked, the grantees could make their own decision in respect of their respective unlocked Restricted Shares under the 2021 Restricted A Share Incentive Scheme.

As to the Employee Stock Ownership Plans, the holder's meeting shall be the highest internal management authority of the Employee Stock Ownership Plans, and the management committee shall be established as the management body supervising the daily management of the Employee Stock Ownership Plans, and exercise the shareholders' rights attached to the underlying Shares.

(d) Scope of Participants

There are 505 Participants under the 2021 Restricted A Share Incentive Scheme, all of them are key technical (business) personnel. The participants under the 2021 Restricted A Share Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding 5% or more of the Shares of the Company or the de facto controllers and their spouses, parents or children.

As to the Employee Stock Ownership Plans, participants shall be supervisors, senior management or key technical (business) personnel of the Company. For the 2021 A Share Employee Stock Ownership Plan, the total number of participants shall not exceed 11, including 4 Supervisors and senior management personnel; for the 2022 A Share Employee Stock Ownership Plan, the total number of participants shall not exceed 20, including 4 Supervisors and senior management personnel.

(e) Source

The Restricted Shares under the 2021 Restricted A Share Incentive Scheme are new Shares to be issued and allotted by the Company. The underlying Shares for the Employee Stock Ownership Plans are existing Shares repurchased by the Company and held by the Company through its special securities account for share repurchase, which are to be transferred by the Company to the Employee Stock Ownership Plan at the transfer price.

(f) Maximum Number of Shares

675,400 Restricted Shares under the 2021 Restricted A Share Incentive Scheme was granted to the Participants, the underlying shares of which are RMB ordinary A Shares, representing approximately 0.13% of the total issued share capital of the Company as at the date of this report.

The total number of underlying shares involved in all the share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company as at the date of this report. The number of Restricted Shares to be granted to any particular participant under the 2021 Restricted A Share Incentive Scheme does not exceed 1% of the total share capital of the Company as at the date of this report.

The number of Shares to be subscribed for under the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan shall not exceed 32,600 Shares and 124,000 Shares respectively, representing approximately 0.006% and 0.023% of the current total share capital of the Company, respectively. The stake of each holder in the Employee Stock Ownership Plans shall be determined according to the actual payment made by the employees.

(g) Term of the Post-IPO Restricted Award Scheme and ESOP

Subject to the termination provisions under the Post-IPO Restricted Award Scheme and ESOP, the term of the 2021 Restricted A Share Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the participants are unlocked or repurchased and cancelled, and shall not exceed 48 months. The remaining life of the 2021 Restricted A Share Incentive Scheme is around 36 months.

The term of the Employee Stock Ownership Plans shall be 48 months, commencing from the date on which the Company announces the last transfer of the underlying shares to the Employee Stock Ownership Plans. As at the date of this report, no share has been transferred to the grantees.

(h) Date of Grant

The 2021 Restricted A Share Incentive Scheme was approved at the first Extraordinary General Meeting of 2022, the first A Share Class Meeting for 2022 and the first H Share Class Meeting for 2022. The date of grant was 28 January 2022. For the grant details, please refer to the Company's announcement on 28 January 2022.

(i) Lock-up Period and Vesting Period

The lock-up period of the Restricted Shares granted under the 2021 Restricted A Share Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares to the participants, respectively. The Restricted Shares granted to the participants under the 2021 Restricted A Share Incentive Scheme shall not be transferred, pledged or used for repayment of debts before the unlocking of which.

The vesting period for the outstanding RSUs under the 2021 Restricted A Share Incentive Schemes shall be vested in accordance with the vesting periods as follows: (i) 40% of the aggregate number of RSUs shall vest from the first trading day after expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant; (ii) 30% of the aggregate number of RSUs shall vest from the first trading day after expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant and (iii) as to 30% of the aggregate number of RSUs shall vest from the first trading day after expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant.

The vesting period for the shares under the 2021 A Share Employee Stock Ownership Plan shall be vested in accordance with the vesting periods as follows: (i) 40% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 12-month period from the date of announcement of the transfer of shares ; (ii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 24-month period from the date of announcement of the transfer of shares; and (iii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 36-month period from the date of announcement of the transfer of shares.

The vesting period for the shares under the 2022 A Share Employee Stock Ownership Plans shall be vested in accordance with the vesting periods as follows: (i) 50% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 12-month period from the date of announcement of the transfer of shares; (ii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 24-month period from the date of announcement of the transfer of shares; and (iii) 20% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 36-month period from the date of announcement of the transfer of shares.

(j) Grant and Exercise of Awards

On and subject to certain terms of the 2021 Restricted A Share Incentive Scheme, Awards can be granted to by any eligible employee, i.e., linking the grant of the Awards to the attainment or performance of milestones by the Company and the grantee. If the performance of the Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the Awards shall be repurchased or cancelled by the Company.

On and subject to certain terms of the Employee Stock Ownership Plans, the shares can be granted to any eligible participants subject to the consideration and approval at a general meeting of the Company. If the performance of the Company, the relevant participants and other conditions are not fulfilled in the stipulated period, the underlying shares and interests shall not be unlocked and shall be withdrawn by the management committee and the capital contribution shall be returned to the holders of the shares.

(k) Basis of Determining the Grant Price of the RSUs and Purchase Price of the Shares

The grant price of the RSUs under the 2021 Restricted A Share Incentive Schemes shall not be lower than the nominal value of the Shares and shall not be lower than the higher of the following: (i) 50% the average trading price of the A Shares for the last trading day preceding the date of the announcement of 2021 Restricted A Share Incentive Schemes (total trading amount for the last trading day/total trading volume for the last trading day); or (ii) 50% the average trading price of the A Shares for the last 20 trading days preceding the date of the announcement of 2021 Restricted A Share Incentive Schemes (total trading amount of the A Shares of for the last 20 trading days/total trading volume of the A Shares of for the last 20 trading days).

The purchase price of the shares under the Employee Stock Ownership Plans shall be 50% of the average trading price of the Shares on the trading day preceding the respective date of the announcement of the Employee Stock Ownership Plans. The purchase price of the shares under the Employee Stock Ownership Plans are determined by the Company with reference to relevant policies and other cases of listed companies, taking into account factors such as the implementation effect of the Company's historical share incentive scheme, the trend of the Company's share price in recent years and the actual situation of the Company. The purpose of the above pricing method is to ensure the effectiveness of the Employee Stock Ownership Plans, further stabilize and motivate the core team, and provide mechanism and talent guarantee for the long-term and stable development of the Company.

LIST OF GRANTEES UNDER THE POST-IPO SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

The following table summarizes the number of underlying A Shares of the outstanding Restricted Shares under the 2021 Restricted A Share Incentive Scheme as at 31 December 2022. For details of fair value and exercise price of outstanding restricted shares, please refer to note 32 to the financial statements of this report.

Name of Grantee	Exercise Price (RMB/Share)[3]	Date of Grant	Outstanding as at the adoption date (i.e. 19 January 2022)	Grant during the year[4]	Exercised during the year[2]	Vesting Period	Canceled during the year	Lapsed during the year	Outstanding as at 31 December 2022[5]
Key technical (business) personnel (297 persons)	83.97/59.72	28 January 2022	0	366,300	0	(Note 1)	0	0	512,820

Note:

(1) This batch of outstanding RSUs under the 2021 Restricted A Share Incentive Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 40% of the aggregate number of Restricted Shares between 29 March 2023 and 28 March 2024; (ii) as to 30% of the aggregate number of RSUs between 29 March 2024 and 28 March 2025; and (iii) as to 30% of the aggregate number of RSUs between 29 March 2025 and 28 March 2026.

(2) No RSUs were exercised during the reporting period.

(3) The exercise price of the RSUs havs been adjusted for the bonus share issued in August 2022. The Company has issued 4 bonus shares for every 10 shares held. For details, please refer to the announcement made by the Company on 2 August 2022.

(4) The number of RSUs granted during the reporting period has not been adjusted for the bonus share issued in August 2022.

(5) The number of outstanding RSUs as at 31 December 2022 has been adjusted in accordance with the bonus share issued in August 2022.

During the Reporting Period, the maximum number of Restricted Shares approved to be subscribed by the participants under both the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan have not been subscribed by the eligible participants, representing approximately 0.029% of the Company's issued share capital as at 31 December 2022.

The number of Shares that may be issued in respect of the options and RSUs granted under all schemes during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue for the Reporting Period were 1,516,647 and 262,051, respectively.

2022 H SHARES INCENTIVE SCHEME

The Company adopted the 2022 H Shares Incentive Scheme on 24 June 2022. The terms of the 2022 H Shares Incentive Scheme are subject to the disclosure requirement under Chapter 17 of the Listing Rules.

Summary of Terms

(a) Purpose of the Scheme

The purposes of the 2022 H Shares Incentive Scheme are (i) to attract and retain the core management team, to fully mobilize the enthusiasm of employees, and to promote sustainable business development; (ii) to align the interests of the employees and the Shareholders, and to strengthen the concept and corporate culture of the sustainable development of the Company and individuals; and (iii) to promote the further improvement of the Company's business performance and to jointly achieve the Company's strategic objectives.

(b) Type of Awards

The 2022 H Shares Incentive Scheme provides for awards of H Shares.

(c) Participants of the Scheme

The scope of eligible participants shall include any full-time employee (including Director, Supervisor, senior management, mid-level management, basic-level management, core technical personnel and other technical personnel) of any members of the Group, whether within PRC or not.

(d) Source

The source of 2022 H Shares Incentive Scheme shall be H Shares to be acquired by the Trustee. The Trustee may accept Shares transferred, gifted, assigned, or conveyed to the Trust from any party designated by the Company from time to time in such number as such party designated by the Company may at their sole discretion determine, which shall constitute part of the trust fund.

(e) Maximum Number of Shares

The maximum size of the 2022 H Shares Incentive Scheme shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than RMB600 million (the "**Scheme Limit**").

The Company shall not make any further grant of Award which will result in the aggregate number of H Shares underlying all grants made pursuant to the Share Incentive Scheme (excluding Award Shares that have been lapsed, cancelled, forfeited in accordance with the Share Incentive Scheme) to exceed the Scheme Limit without Shareholders' approval.

There is no maximum entitlement limit for each participant in the 2022 H Shares Incentive Scheme.

(f) Vesting Period

The Board or its delegate(s) may from time to time while the 2022 H Shares Incentive Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Vesting of an award shall be subject to fulfilment of each of the following conditions: (i) fulfilment of all of the vesting criteria and conditions as determined by the Board or its delegated authority at their absolute discretion; (ii) the selected participant shall remain an eligible participant as at the vesting date; and (iii) the selected participant has not been dismissed by any member of the Group, has not been adjudged bankrupt or insolvent, has not been convicted of any offences involving fraud, dishonesty or corruption, and has not been prosecuted or convicted of any offences under SFO or other rules or regulations of similar nature.

(g) Term

Subject to the termination provisions under the 2022 H Shares Incentive Scheme, the term of the 2022 H Shares Incentive Scheme shall be 10 years commencing on the date of adoption, 24 June 2022. The remaining life of the 2022 H Shares Incentive Scheme is around 9 years.

(h) Basis of Determining the Price of the H Shares

There is no purchase price of the H shares under the 2022 H Shares Incentive Scheme.

LIST OF GRANTEES UNDER THE 2022 H SHARES INCENTIVE SCHEME

During the Reporting Period, no H Shares have been awarded to the eligible participants under the 2022 H Shares Incentive Scheme. During the Reporting Period, the Company has repurchased 458,700 H Shares through the Trust at a total consideration of HK$16,235,000, representing 0.09% of the total issued share capital as at the date of this report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, interests or short positions of Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are registered in the register that the Company must keep in accordance with the section 352 of SFO; or which shall be separately notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), are as follows:

Interests in the Shares of the Company

Name of Director	Title	Nature of Interest	Class of Shares	Number of Underlying Shares held	Approximate percentage in the relevant class of Shares[3]	Approximate percentage in total Shares[3]
Ms. Feng[1]	Chairperson of the Board, Executive Director	Beneficial Owner	A Shares	119,400,452(L)[2]	26.49%	22.29%
		Interest of Spouse	A Shares	64,373,511(L)[2]	14.28%	12.02%
Mr. Gu Xiaolei	Non-executive Director	Beneficial Owner	A Shares	19,396,430(L)[2]	4.30%	3.62%
Mr. Zuo Conglin[4]	Executive Director	Beneficial Owner	A Shares	14,059,829(L)[2]	3.12%	2.62%
Ms. Sun Yunxia[5]	Executive Director	Beneficial Owner	A Shares	2,833,899(L)[2]	0.63%	0.53%
Mr. Gao Dapeng[6]	Executive Director, Secretary to the Board, Joint Company Secretary	Beneficial Owner	A Shares	303,504(L)[2]	0.07%	0.06%
Dr. Yao Dalin[7]	Executive Director	Beneficial Owner	A Shares	131,270(L)[2]	0.03%	0.02%

Notes:

(1) Mr. Zhou is the spouse of Ms. Feng. Under the SFO, each of Ms. Feng and Mr. Zhou is deemed to be interested in the A Shares that the other person is interested in. Ms. Feng held 119,400,452 of our A Shares, representing 22.29% of our total issued share capital as at the date of this report (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share

Save as disclosed above and in the section headed "Pre-IPO Share Option and Restricted Award Schemes", so far as the Directors are aware, as at the date of this report, none of our Directors, Supervisors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors or chief executive of the Company are aware, as at the 31 December 2022, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of Interest	Class of Shares	Number of Shares interested	Approximate percentage in the relevant class of Shares[2]	Approximate percentage in total Shares[2]
Mr. Zhou	Beneficial Owner	A Shares	64,373,511(L)[3]	14.28%	12.02%
	Interest of Spouse		119,400,452(L)[3]	26.49%	22.29%
UBS Group AG	Interest of corporation controlled	H Shares	10,147,473(L)	11.94%	1.89%
			951,311(S)	1.12%	0.18%
Aggregate of abrdn plc affiliated investment management entities	Investment manager	H Shares	6,831,000(L)	8.04%	1.28%
JPMorgan Chase & Co.	Interests of controlled corporation; Investment manager; Person having a security interest in shares and Approved lending agent	H Shares	4,763,489(L)	5.60%	0.89%
			3,241,504(S)	3.81%	0.61%
			360,077(P)	0.42%	0.07%

Notes:

(1) (L) – Long Position, (S) – Short Position, (P) – Lending Pool.

(2) As at 31 December 2022, the Company had 535,678,676 issued shares in total, comprised of 450,682,100 A Shares and 84,996,576 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

(3) Please refer to note (1) in the sub-section above.

Interests of Substantial Shareholders in Members of the Group (Excluding the Company)

Name of Subsidiaries	Authorized share capital/ Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Shikang Frontier Biotechnology Co., Ltd. (北京視康前沿技術有限公司)	RMB1,000,000	Yao Nin (姚寧)	35
Aurora Bioscience Co., Ltd. (蘇州啟辰生物科技有限公司)	RMB10,000,000	Huang Wenjuan (黃雯涓)	45
JOINN Laboratories (Wuxi) Co.,Ltd. (昭衍(無錫)新藥研究中心有限公司)			

- ***Key Contractual Terms of Customer Services Agreements for Non-Clinical Studies***

We generally enter into service agreements with our customers for our non-clinical studies. Our service agreements typically have a term of two years and set forth rights and obligations of the parties, the scope of services, with detailed terms and provisions governing the reporting and transferring of relevant data and project results, intellectual property rights, pricing and payment terms. Such project-based service agreements set forth project requirements, the project management regime, the project schedule, development steps, pricing and payment terms, intellectual property rights and termination rights, and are legally binding. Our customers typically retain ownership of all intellectual property they provide to us.

We typically bill our customers based on the payment schedule specified and the nature of the services provided in our service contracts and work orders.

We actively monitor the progress of each project and regularly communicate with our customers to mitigate risks of contractual disputes. Specifically, in case of a material cost overrun, we usually engage in good faith negotiations with our customers to increase our fees. During the Reporting Period, there were no material breaches of our service agreements, project-based service contracts or work orders either on our part or the part of our customers, and there was no termination of any material contract. During the Reporting Period, none of our service agreements with our customers was loss-making.

- ***Key Contractual Terms of Research Model Sales Contracts***

We had entered into research model sales contracts with our customers, including third-party academic and research institutions, for sales of our research models.

During the Reporting Period, there were no material breaches in our research model sales contracts either on our part or the part of our customers.

- ***Customer Support***

To facilitate project management and customer communication, we have designated a specific project manager to be in charge of the execution of each project. The project managers are responsible for internal coordination of the different departments involved on each project. They also interact with our customers on a regular basis to handle their inquiries and complaints. During the Reporting Period, we had not experienced any material customer complaints regarding our services or products.

Relationship with Our Suppliers

Our major suppliers are primarily located in China. We have established stable relationships with many of our key suppliers. In light of our comprehensive services offerings, we procure a wide variety of supplies such as general experimental consumables, equipment and research models, primarily rodents and non-human primates, mainly for our laboratories. The general experimental consumables, such as reagents, and equipment are available from various suppliers in quantities adequate to meet our needs. During the Reporting Period, we had not experienced any material difficulty in procuring a sufficient supply of general experimental consumables or equipment.

We procured the majority of our non-human primate research models from quality third-party suppliers during the Reporting Period. As we enter into long-term purchase contracts with some of our suppliers of non-human primate research models, coupled with our bargaining power arising from our large volume of purchase and our long-term relationships with such suppliers, we had been able to obtain a sufficient supply of non-human primate research models at reasonable prices and had not experienced any major shortages that materially and adversely affected our operations during the Reporting Period.

Substantially all of our other research models, primarily consisted of rodent research models, used in our non-clinical studies were purchased from third-party suppliers as required by some of our customers to meet their specifications, as well as to ensure the consistent quality and stable supply of a large amount of research models required for our non-clinical studies in a cost-effective manner. Those research models are generally readily available from various suppliers in China in varieties and quantities adequate to meet our needs for our non-clinical studies.

None of our Directors, their respective associates, or Shareholders who own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Reporting Period. During the Reporting Period, none of our major suppliers was also our customer.

We select our suppliers based on a variety of factors, including their qualification, reputation, pricing, and overall services. We perform thorough due diligence on our suppliers, regularly monitor and review their performance and conduct on-site inspections.

As at the date of this report, we did not have any material disputes with our suppliers or experience any material breach of our supply agreements. We had not experienced any material shortages of our supplies during the Reporting Period. To the best of our knowledge, as at the date of this report, there was no information or arrangement that would lead to termination of our relationships with any of our major suppliers.

Relationship with Our Employees

As at 31 December 2022, we had a total of 2,788 employees most of whom are based in our facilities in China. Our U.S. employees were primarily employed by Biomere which we acquired in late 2019.

In compliance with applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years. We also make contributions to social insurance funds for our Chinese employees in the PRC, including basic pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance funds, and housing provident fund.

We recruit, train and retain talented employees through our talent program which is designed to motivate highly qualified employees to build their own career within our company. We are committed to continuously enhancing our team's technical expertise, continuing education, project management capabilities and service quality with a comprehensive training system. We believe our dedicated and experienced management team and their industry networks along with a deep talent pool provide us with invaluable assets to our long-term success.

In support of our growth, we regularly review our capabilities and adjust our workforce to ensure we have the right mix of expertise to meet the demand for our services. We believe that our reputation, work environment, training system, remuneration package and employee share scheme help us attract qualified candidates. We have established a labor union that represents employees with respect to the promulgation of bylaws and internal protocols in China.

We require all of our employees to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks.

As at the date of this report, we did not experience any strikes, labor disputes or industrial action which had a material effect on our business, and we consider our relationships with our employees to be good.

Relationship with Our Shareholders

The Company recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Company believes communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, interim and annual reports and results announcements.

MAJOR SUPPLIERS AND CUSTOMERS

In the Reporting Period, the Group's largest customer accounted for 2.96% of the Group's total revenue. The Group's five largest customers accounted for 11.71% of the Group's total revenue.

In the Reporting Period, the Group's largest supplier accounted for 36.95% of the Group's total purchase. The Group's five largest suppliers accounted for 62.43% of the Group's total purchase.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any material interest in any of the Group's five largest suppliers.

During the Reporting Period, the Group did not experience any significant disputes with its customers or suppliers.

INFORMATION ON TAX REDUCTION AND EXEMPTION FOR HOLDERS OF H SHARES

Individual Investors

According to the Notice on the Management of Personal Income Tax Imposed after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the dividends and bonuses received by foreign resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld and paid on behalf of the shareholders by the withholding and payment agents. The foreign resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China and the tax arrangements between mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration management, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends and bonuses, generally withhold and pay individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements stipulating a tax rate of lower than 10%, the withholding and payment agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon review and approval by the tax authorities, the excess tax amounts withheld and paid will be refunded; (2) for citizens from countries which have entered into tax agreements stipulating a tax rate of higher than 10% but lower than 20%, the withholding and payment agents will withhold and pay the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding and payment agents will withhold and pay the individual income tax at a tax rate of 20% when distributing dividends and bonuses.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (Guo Shui Han [2006] No. 884) (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》(國稅函[2006]884號)) signed on 21 August 2006, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong residents, but the tax should not exceed 10% of the total dividend payable, if Hong Kong residents hold at least 25% equity interest in the Chinese company, the relevant tax shall not exceed 5% of the total dividend payable by the Chinese company.

Enterprises

According to the Enterprise Income Tax law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) effective on 1 January 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though they have established certain organizations and sites but the dividends and bonuses received have actually not correlated to the organizations and sites established, such enterprises shall pay the enterprise income tax at the rate of 10% of its income from the Chinese territory. Such withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

According to the Notice on the Withholding and Payment of Enterprise Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H Share non-resident enterprise shareholders, they shall withhold and pay on behalf of the shareholders the enterprise income tax at the unified rate of 10%. Such withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

Pursuant to the provisions in the Notice on Tax Policies Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends and bonuses obtained by mainland individual investors from investing in H Shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, such H Share companies shall withhold individual income tax at the tax rate of 20%. For the dividends and bonuses obtained by mainland securities investment funds from investing in shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends and bonuses obtained by mainland enterprise investors from investing in shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, such H Share companies shall not withhold any income taxes on the dividends and bonuses, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for the dividends and bonuses obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no taxes shall be paid for the dividends distributed by the Company.

The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax reduction and exemption pursuant to the above provisions.

EMPLOYEES

The Group had 2,788 employees as at 31 December 2022. Among the 2,788 employees, 2,597 employees are stationed in China and 191 employees are stationed overseas primarily in the U.S. The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination. Please refer to note 6(b) to the financial statements for details.

Remuneration of the Group's employees includes, bonus and allowance elements. The compensation programs are designed to remunerate the employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies. We provide periodic training to our employees in order to improve their quality, skills and knowledge, including introductory training for new employees, technical training, professional and management training and health and safety training, as well as extensive training to our sales and marketing team. The Group also has in place incentive schemes for its employees, the details of which are set out in the sections headed "Pre-IPO Share Option and Restricted Share Award Schemes" and "Post-IPO Restricted Share Incentive Scheme and the Stock Ownership Plan".

RETIREMENT CONTRIBUTION SCHEME

The pension schemes in China and the U.S. are defined contribution schemes.

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement contribution schemes to fund the benefits. The only obligation of the Group with respect to this retirement contribution schemes is to make the specified contributions.

The Group's contributions to the central pension scheme vested fully and immediately with the employees. Accordingly, (i) for the year ended 31 December 2022, there was no forfeiture of contributions under the central pension scheme; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the central pension scheme as at 31 December 2022. Please refer to note 6(b) to the financial statements.

For U.S. employees, Biomere ("**Employer**") is helping to make saving for retirement under our 401(k) Plan easier by offering an Employer safe harbor matching contribution. Employee's combined elective contributions and Roth 401(k) contributions are subject to a calendar year limit even though the Plan Year may not be the calendar year. Employer will be matching both employee's pre-tax and/or Roth elective contributions, dollar for dollar, up to 4% of employee's eligible pay. This contribution is called a safe harbor matching contribution. This contribution will be made on behalf of eligible employees. Employer may choose to revoke or suspend the safe harbor contribution during the year. If this occurs, employee will be given 30 days advance notice of the suspension and employee will be given an opportunity to change employee's elective contribution rate.

The Employer confirms that (i) for the year ended 31 December 2022, there was no forfeiture of contributions under the 401(k) plan; and (ii) there were no forfeited contributions available for the Employer to reduce its existing level of contributions to the plan as at 31 December 2022.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 39 to the consolidated financial statements contained herein.

We have entered into, and are expected to continue certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules. Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements as applicable in respect of those non-exempt continuing connected transactions which were entered into by the Group prior to the Listing, for the two years ending 31 December 2022.

Save as disclosed below, none of these related party transactions as set out in note 39 to the financial statements constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the years ended 31 December 2022 and 2021, the Group did not pay consideration to any third parties for making available directors' services.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

Purchase of Series B+ Preferred Shares in JOINN Biologics Inc.

On 10 December 2021, as part of the Series B+ financing of JOINN Biologics Inc., the Company, among other parties, entered into the share purchase agreement with JOINN Biologics Inc., pursuant to which the Company has agreed to purchase, and JOINN Biologics Inc. has agreed to issue and sell, 44,116,176 Series B+ Preferred Shares, which represents approximately 4.76% of its issued share capital on a fully-diluted and as-converted basis at the total consideration of US$50 million. Other parties to the share purchase agreement include JOINN Biologics Inc.'s subsidiaries, the principals (i.e. Ms. Feng, Mr. Zhou, Zhou Fengyi and Zhou Fengyuan), the holding companies (i.e. 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) and the angel investor (A&C Brothers Holdings Limited). The above transaction constituted connected transaction as defined in Chapter 14A of the Listing Rules and was subject to the reporting and announcement requirements but was exempted from the circular and independent Shareholders' approval requirements pursuant to 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 Company has paid the consideration in April 2022.

Further details are set out in the Company's announcement dated 10 December 2021 and note 26 to the financial statements of this report.

Continuing Connected Transactions

The following transactions constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this report in accordance with Rule 14A.71 of the Listing Rules. The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, as below.

1. Biorichland Lease Agreement

On 9 February 2021, JOINN Laboratories (CA), our wholly owned subsidiary entered into a lease agreement (the "**Biorichland Lease Agreement**") with Biorichland LLC ("**Biorichland**"), a limited liability company incorporated under the laws of California, the United States, and wholly-owned by Mr. Zhou Fengyuan, the son of Ms. Feng and Mr. Zhou, our Controlling Shareholders. The Biorichland Lease Agreement commenced on the Listing Date and ended on 31 December 2022.

JOINN Laboratories (CA) agreed to lease from Biorichland certain premises located in 2600 Hilltop Drive, Richmond, CA, the United States, including research model facilities, laboratories and office (the "**Leased Premises**") with expected gross floor area (GFA) of up to 4,500 sq.m. and 6,000 sq.m. respectively, together with all equipment to be used for research and development space (the "**Leased Equipment**", and together with the Leased Premises, the "**Leased Property**"), for our facilities in northern California.

JOINN Laboratories (CA) has been using the Leased Property since 1 January 2017. Our Directors consider the Biorichland Lease Agreement to be consistent with the business and commercial objectives of our Company and believe that it will enable our Company to sustain stable research and development at the specific location of the Leased Property without incurring additional costs and expenses in identifying and renovating alternative premises, and ensure that there will be no disruption to the ongoing operations of our Company at the Leased Property.

The rental payable for the Leased Property under the Biorichland Lease Agreement shall be determined by both parties through arm's length negotiations with reference to (i) the area leased, corollary equipment, geographic location and profile of the area surrounding the Leased Property; (ii) prevailing market rate in respect of the same or similar properties in the same area in which the Leased Property is located; and (iii) the expected increase in the market rate of the rent during the lease term. The terms and conditions on which the Leased Property is to be provided by Biorichland should be in line with the prevailing market terms and no less favorable to us than those offered by independent third parties customers.

Actual transaction amount for the year ended 31 December 2022 of the continuing connected transactions was RMB8.5 million. The annual cap for the year ending 31 December 2022 is RMB11.6 million.

The Biorichland Lease Agreement was renewed on 28 April 2022, with a three years lease term commencing from 1 January 2023. For details, please refer to the announcement made by the Company on 28 April 2022.

2. Staidson Sales Framework Agreement

On 9 February 2021, our Company entered into a sales framework agreement (the "**Staidson Sales Framework Agreement**") with Staidson, pursuant to which we agreed to sell research models to Staidson Group. Staidson is the parent company of the Staidson Group, a company held as to approximately 33.94% in aggregate by Mr. Zhou and Ms. Feng, which includes approximately 36.30% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is held as to 85% in aggregate by Ms. Feng and Mr. Zhou), approximately 1.97% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管一招商銀行一華泰聚力16號集合資產管理計劃), and approximately 1.11% by Mr. Zhou directly. The Staidson Sales Framework Agreement commenced on the Listing Date and ended on 31 December 2022.

Sales of the Research Models under the Staidson Sales Framework Agreement will be made pursuant to an individual sales agreement for each actual order specifying the types, purchase quantity, purchase price, delivery date and other details of the Research Models. Payments made by Staidson Group shall be subject to the individual service agreements entered into between the parties for each actual order, on the basis of the terms and conditions of the Staidson Sales Framework Agreement.

The sales prices of the Research Models shall be determined by the parties after arm's length negotiations with reference to (i) the costs incurred by our Group in connection with the Research Models to be provided, and (ii) the type, quality and specification of the Research Models to be provided. We will only enter into an individual sales agreement with Staidson Group when the sales prices are in line with the prevailing market price and not less favorable to us than what we can receive from other independent third party customers.

Actual transaction amount for the year ended 31 December 2022 of the continuing connected transactions was RMB0.7 million (only Sales of Research Models inclusive). The annual cap for the year ending 31 December 2022 is RMB1.5 million.

As at the date of this report, the Staidson Sales Framework Agreement has ended and has not been renewed.

3. Heyu Research and Development Service Framework Agreement

On 9 February 2021, our Company entered into a research and development service framework agreement (the "**Heyu Research and Development Service Framework Agreement**") with Beijing Heyu Pharmaceutical Technology Co., Ltd. ("**Heyu**"), pursuant to which we agreed to provide a comprehensive range of pharmaceutical R&D services covering pre-clinical and clinical trial stages, as well as pharmacovigilance services, to Heyu and its subsidiaries ("**Heyu Group**"). Heyu is a company held as to 55.00% by Mr. Zuo Wenjie, the son of Mr. Zuo Conglin, an executive Director of our Company. The Heyu Research and Development Service Framework Agreement commenced on the Listing Date and ended on 31 December 2022.

Service fees to be charged for the Heyu Services will be subject to the individual service agreements entered into by the parties for each actual transaction, on the basis of the terms and conditions of the Heyu Research and Development Service Framework Agreement.

Actual transaction amount for the year ended 31 December 2022 of the continuing connected transactions was RMB0.2 million. The annual cap for the year ending 31 December 2022 is RMB10.0 million and for the year ending 31 December 2023 will amount to RMB20.0 million.

The independent non-Executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions were:

- entered into in the ordinary and usual course of business of the Group;
- conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unmodified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor the Company's corporate governance code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 72 to 95 of this report.

DONATIONS

During the Reporting Period, the Company made donations of RMB0.04 million.

AUDITOR

The H Shares were listed on the Hong Kong Stock Exchange on 26 February 2021, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by KPMG, certified public accountants, who are proposed for reappointment at the forthcoming AGM of 2022.

On behalf of the Board
Ms. Feng Yuxia
Chairperson of the Board

Hong Kong, 30 March 2023

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

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

Saved as disclosed above, in the opinion of the Directors, throughout the year ended 31 December 2022, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry by the Company, all Directors, Supervisors and members of senior management of the Group have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess unpublished price-sensitive information in relation to the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Board Composition

The Board currently comprises 10 Directors, consisting of 5 executive Directors, 1 non-executive Director and 4 independent non-executive Directors as follows:

Corporate Governance Report

Executive Directors:

Ms. Feng Yuxia (馮宇霞) *(Chairperson of the Board)*
Mr. Zuo Conglin (左從林) *(Vice Chairperson of the Board)*
Mr. Gao Dapeng (高大鵬) *(General Manager, Secretary to the Board, Joint Company Secretary)*
Ms. Sun Yunxia (孫雲霞) *(Vice General Manager)*
Dr. Yao Dalin (姚大林) *(Senior Vice General Manager, Chief Scientific Officer)*

Non-executive Director:

Mr. Gu Xiaolei (顧曉磊)

Independent non-executive Directors:

Mr. Sun Mingcheng (孫明成)
Dr. Zhai Yonggong (翟永功)
Mr. Ou Xiaojie (歐小傑)
Mr. Zhang Fan (張帆)

The biographical information of the Directors is set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Except for the relationships between the Directors set out in the respective Director's biography under the section headed "Biographies of Directors, Supervisors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual.

The Chairperson of the Board is Ms. Feng Yuxia, who provides leadership and is responsible for the effective functioning and leadership of the Board. The Company does not maintain the office of chief executive officer. Instead, the general manager, Mr. Gao Dapeng, is responsible for the day-to-day management of the Company. The division of responsibilities between the Chairperson of the Board and the general manager has been clearly established.

Independent non-executive Directors

During the year ended 31 December 2022, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the Board) with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism during the year which sets forth the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, all Directors have completed the independence evaluation individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association.

According to the Articles of Association, Directors shall be elected or replaced at general meetings and their term of office shall be three years. Directors are eligible for re-election upon expiry of their term of office. Without violating the relevant laws, regulations and regulatory rules of the locality where the Company's shares are listed, a person newly appointed as director by the Board to fill a casual vacancy or as an addition to the existing Board shall serve until the first shareholders' general meeting of the Company after his/her appointment and the said person is eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Corporate Governance Report

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, 7 01d

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2022, the Company organized training sessions for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance, business and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates, seminar handouts have been provided to the Directors for their reference and studying.

The Directors are required to provide the Company with details of continuous professional development training undertaken by them from time to time and the training records are maintained by the Company Secretary. The training records of the Directors during the year ended 31 December 2022 are received and are summarized as follows:–

Directors	Type of Training[(Note)]
Executive Directors	
Ms. Feng Yuxia	A/B
Mr. Zuo Conglin	A/B
Mr. Gao Dapeng	A/B
Ms. Sun Yunxia	A/B
Dr. Yao Dalin	A/B
Non-executive Director	
Mr. Gu Xiaolei	A/B
Independent non-executive Directors	
Mr. Sun Mingcheng	A/B
Dr. Zhai Yonggong	A/B
Mr. Ou Xiaojie	A/B
Mr. Zhang Fan	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group throughout their tenure during the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public companies and major appointments as well as update the Company on any subsequent changes.

BOARD COMMITTEES

The Board has established 4 committees, namely, the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategic Development Committee, for overseeing particular aspects of the Company's affairs.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Sun Mingcheng, Dr. Zhai Yonggong and Mr. Zhang Fan. Mr. Sun Mingcheng is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Audit Committee include but are not limited to:

- supervising and evaluating the work of external auditors;
- guiding the internal audit work;
- reviewing and issuing opinions on the financial reports of the Company;
- evaluating the effectiveness of internal control;
- facilitating communications between the management, the internal audit department and relevant departments of the Company and external auditors;
- reviewing, monitoring, evaluating, managing and approving significant sustainability matters; and
- other matters authorized by the Board of Directors and other matters prescribed in relevant laws and regulations.

The Audit Committee held 4 meetings to review, in respect of the year ended 31 December 2022, the quarterly, interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members".

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of one executive Director, namely Mr. Zuo Conglin, and two independent non-executive Directors, namely Mr. Sun Mingcheng and Mr. Ou Xiaojie. Mr. Ou Xiaojie is the chairperson of the Remuneration and Evaluation Committee.

The terms of reference of the Remuneration and Evaluation Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Remuneration and Evaluation Committee include but are not limited to:

- formulating remuneration plans or schemes based on the main scope, responsibilities and importance of the management positions of the Directors and senior management, and the remuneration levels of similar positions in other enterprises; the remuneration plans or schemes mainly include but not limited to performance evaluation criteria and procedures, the main evaluation system, and the principal plan and system regarding incentive and penalty;
- reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board;
- making recommendations to the Board on the overall performance evaluation and remuneration policy and structure of the Company's Directors and senior management, and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determining, with delegated responsibility of the Board, the remuneration packages of individual executive Directors and senior management or making recommendations to the Board for the remuneration package of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- making recommendations to the Board on the remuneration of non-executive Directors;
- considering the remuneration package, time commitment, scope of responsibility of similar companies and other employment terms of other positions within the Group;
- reviewing and approving the compensation payable due to executive Directors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is fair, reasonable and not excessive;
- reviewing and approving compensation arrangements relating to the dismissal or removal of Directors for misconduct or the like, so as to ensure that such arrangements are consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is reasonable and appropriate;
- ensuring that no Director or any of his/her associates is involved in the determination of his/her remuneration;
- reviewing the performance of duties by the Directors (non-independent directors) and senior management of the Company and conducting the annual performance evaluation on them;

- supervising the implementation of the Company's remuneration and evaluation system;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules, including any grants of options or awards to directors or senior management, and to make disclosure and give explanation on the appropriateness to such material matters (if any) being approved in the corporate governance report; and
- other maters as authorized by the Board.

The Remuneration and Evaluation Committee held 3 meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters during the year ended 31 December 2022.

The attendance records of the Remuneration and Evaluation Committee are set out under "Attendance Records of Directors and Committee Members".

Details of the remuneration of the Directors and Supervisors are set out in note 8 and note 9 in the Notes to the Financial Statements for the year ended 31 December 2022.

Details of the remuneration of the senior management (who are not the Directors and Supervisors) by band during the year ended 31 December 2022 are set out in the Report of Directors on page 44.

Nomination Committee

The Nomination Committee consists of one executive Director, namely Ms. Feng Yuxia, and two independent non-executive Directors, namely Dr. Zhai Yonggong and Mr. Ou Xiaojie. Dr. Zhai Yonggong is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least once a year and making recommendations to the Board on the size and composition of the Board based on the Company's operating activities, asset size and equity structure; when considering the composition of the members of the Board, ensuring the balance between executive and non-executive Directors (including independent directors) and considering from multiple aspects of the diversity of the members of the Board, including but not limited to their gender, age, cultural and educational background and professional experience; and formulating and reviewing the Board diversity policy;
- studying the selection criteria and procedures for Directors and managers and making recommendations to the Board;
- extensively identifying candidates who are qualified to act as Directors and managers, and selecting and nominating relevant persons to act as Directors or offering advice to the Board;

- examining and making recommendations in relation to the candidates for the roles of Directors (including independent non-executive Directors) and managers;
- examining and making recommendations in relation to other senior management who shall be reported to the Board for appointment;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular, the chairman) and the general manager;
- evaluating the independence of the independent non-executive Directors; and
- other matters as authorized by the Board.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held 1 meeting during the year ended 31 December 2022 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for re-election at the second extraordinary general meeting of 2022 and to review the Board Diversity Policy and Nomination Policy. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity policy.

The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committee Members".

Corporate Governance Report

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee reviews regularly the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

An analysis of the Board's current composition is set out below:

Gender
Male: 8
Female: 2

Designation
Executive Directors: 5
Non-executive Directors: 1
Independent Non-executive Directors: 4

Nationality
Chinese: 9
American: 1

Age Group
31-40: 1
41-50: 4
51-60: 3
61-70: 1
71 or above: 1

Educational Background
Business Administration: 1
Account and Finance: 3
Other: 6

Business Experience
Accounting & Finance: 3
Business Administration: 2
Experience related to the Company's business: 5

The Nomination Committee and the Board considered that the current composition of the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	20% (2)	80% (8)
Senior Management	40% (2)	60% (3)
Other employees	66.32% (1,841)	33.68% (935)
Overall workforce	66.10% (1,844)	33.90% (944)

The Board had targeted to achieve and had achieved at least 1 female Director and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found on page 21 of the Environmental, Social and Governance Report.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 December 2022, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Strategic Development Committee

The Strategic Development Committee consists of three executive Directors, namely Ms. Feng Yuxia, Mr. Zuo Conglin and Ms. Sun Yunxia, one non-executive Director, namely Mr. Gu Xiaolei, and one independent non-executive Director, namely Mr. Ou Xiaojie. Ms Feng Yuxia is the chairperson of the Strategic Development Committee.

The terms of reference of the Strategic Development Committee are in compliance with the relevant laws and regulations of the PRC.

The main duties of the Strategic Development Committee include but are not limited to:

- researching and making recommendations on the long-term development strategic plans of the Company;
- researching and making recommendations on major investment and financing schemes which require the approval of the Board as stipulated in the Articles of Association or authorized at the general meeting;
- researching and making recommendations on major capital operations and asset operation projects which require the approval of the Board as stipulated in the Articles of Association or authorized at the general meeting;
- researching and making recommendations on other major issues affecting the development of the Company;
- checking the implementation of the above matters; and
- dealing with other matters authorized by the Board.

The Strategic Development Committee held 1 meeting to study and advise on the long-term strategy and major investments and financing plans of our Group during the year ended 31 December 2022.

The attendance records of the Strategic Development Committee are set out under "Attendance Record of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended 31 December 2022, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

Pursuant to code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Company had held seven Board meetings during the year ended 31 December 2022.

The attendance record of each Director during their tenure of office at the Board meetings, the Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

	Attendance/Number of Meetings						
Name of Directors	Board	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee	Strategic Development Committee	Annual General Meeting	Other General Meetings
Ms. Feng Yuxia	7/7	N/A	N/A	1/1	1/1	1/1	2/2
Mr. Zuo Conglin	7/7	N/A	3/3	N/A	1/1	1/1	2/2
Mr. Gao Dapeng	7/7	N/A	N/A	N/A	N/A	1/1	2/2
Ms. Sun Yunxia	7/7	N/A	N/A	N/A	1/1	1/1	2/2
Dr. Yao Dalin	7/7	N/A	N/A	N/A	N/A	1/1	2/2
Mr. Gu Xiaolei	7/7	N/A	N/A	N/A	1/1	1/1	2/2
Mr. Sun Mingcheng	7/7	4/4	3/3	N/A	N/A	1/1	2/2
Dr. Zhai Yonggong	7/7	4/4	N/A	1/1	N/A	1/1	2/2
Mr. Ou Xiaojie	7/7	N/A	3/3	1/1	1/1	1/1	2/2
Mr. Zhang Fan	7/7	4/4	N/A	N/A	N/A	1/1	2/2

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2022.

The independent non-executive Directors and non-executive Director have attended general meetings of the Company to gain and develop a balanced understanding of the view of the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

1. Risk Management

Details of the risk management of the Company are set out in "Management Discussion and Analysis – IV. Risk Management" of this annual report.

2. Establishment of the Internal Control System

The Board has established the internal control system, and monitored and reviewed on an annual basis in compliance with Paragraph D.2 of the Corporate Governance Code. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such system is designed to manage rather to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

3. Main Features of the Internal Control System and Process Used to Review the Effectiveness of the Internal Control System and Rectify Defects

Below is a summary of the internal control policies, measures and procedures our Company has implemented:

- Financial reporting risk management – the Company maintain a set of accounting policies in connection with its financial reporting risk management, such as financial reporting management policies, budget management policies, wealth management products investment policies, financial statements preparation policies and finance department and staff management policies. The Company has various procedures and IT systems to implement its accounting policies, and its finance department reviews its management accounts accordingly.

- Human resource risk management – the Company has set a number of standard operation procedures for human resource management in China and overseas, including the recruiting management policy, personnel records management policy, probation and employment policy, labor contract management policy, social insurance and housing provident fund management policy, training management policy, termination and resignation management policy, and attendance and vacation policy. These procedures aim to mitigate the Company's risks in insufficient recruitment, staff attrition, non-compliance with labor regulations, employee information management and others.

- The Board has delegated the Audit Committee chaired by Mr. Sun Mingcheng, with the responsibility to oversee the risk management and internal control systems of the Company on an on-going basis and to review the effectiveness of the systems annually in compliance with Paragraph D.2 of the CG Code. The review covers all material controls, including financial, operational and compliance controls. The duties of the Audit Committee shall include: (i) to supervise and evaluate the work of external auditors; (ii) to guide the internal audit work; (iii) to review and issue opinions on the financial reports of the Company; (iv) to evaluate the effectiveness of internal control; (v) to facilitate communications between the management, the internal audit department and relevant departments of the Company and external auditors; (vi) to review, monitor, evaluate, manage and approve significant sustainability matters and (vii) other matters authorized by the Board and other matters prescribed in relevant laws and regulations.

- Our Directors, who are responsible for monitoring the corporate governance of our Group, with assistance from our legal advisors, periodically reviews our compliance status with all relevant laws and regulations during the year ended 31 December 2022.

- The Company has engaged an internal control consultant to issue a long form report in connection with the internal control over financial reporting of the Company and its major operating subsidiaries and to report factual findings on the Company's entity-level controls and internal controls of various processes, including control environment, risk assessment, control activities, information and communication, monitoring activities, sales and receivables management, purchases and payment management, inventory management, production management, R&D management, human resources and remuneration management, treasury management, fix assets and intangible asset management, reporting and disclosure, tax, insurance, contract management and information system management.

- The Company has engaged Anglo Chinese Corporate Finance, Limited as its compliance adviser to provide advice to its Directors and management team regarding matters relating to the Listing Rules. The Company's compliance adviser is expected to ensure the use of funding complies with the disclosure in the prospectus, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- The Company will also consult its PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to increase compliance awareness and to keep it abreast of relevant regulatory developments.

- The Company has implemented a policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations.

- The Company has put a policy in place pursuant to which the Controlling Shareholders (i) shall support the Company's business and operations, and shall not compete with the Company in terms of business scope and nature, target customers and alternative products; (ii) shall support the Company's independent decision-making regarding its business and operations, internal management, outbound investment and external guarantees; and (iii) shall not take for themselves any business opportunity that could benefit the Company by leveraging their controlling position.

- Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Company's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements. During the year ended 31 December 2022, major works performed by the management in relation to risk management and internal control included the following:

    - each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Company's performance; assessing and evaluating the identified risks according their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;

    - the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;

- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;

- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. were in place.

4. Procedures and Internal Controls for Processing and Releasing Inside Information

With approval from the Board and pursuant to the requirements of domestic and foreign laws and regulations, Listing Rules and Articles of Association as well as the practical conditions of our Company, our Company has formulated a policy on information disclosure management to determine the division of duties and responsibilities on information disclosure, the procedures for processing and releasing inside information and other information required to be disclosed. Pursuant to this system, our Company must, as soon as any inside information comes to its knowledge or a false market may be established, disclose the information to the public to the reasonable and practicable extent.

During the year ended 31 December 2022, our Company has truthfully, accurately, legally and timely disclosed information in strict compliance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and the policy on information disclosure management of our Company without any false statements, misleading statements or material omissions, to ensure investors will be able to receive the disclosed information fairly, timely and effectively.

5. Appraisal of Internal Control

The Board and the management of our Company are jointly responsible for the establishment, the effective implementation and improvement of a sound internal control system. The objectives of internal control of our Company are: guaranteeing the legality of operations of our Company and the execution of internal regulatory system, protecting against operational risk and moral risk, securing the safety and completeness of the assets of the clients and our Company, ensuring the reliability, completeness and timeliness of the business records, financial information and other information of our Company and improving the operational efficiency and effectiveness of our Company.

As internal control has inherent restrictions, we can only reasonably guarantee that the above objectives may be achieved. Furthermore, the effectiveness of internal control may also change according to our Company's internal and external environment and operating conditions. Our Company has set up an inspection and supervision mechanism through which our Company can take measures to rectify deficiencies in the internal control once identified.

During the year ended 31 December 2022, the Group was not aware of any material defect in internal control of the Group. The Board is of the view that the Group has established an effective internal control system, which achieves our objectives of internal control and is free of material defect and significant defect.

6. Review of Risk Management and Internal Control System

During the year ended 31 December 2022, the Board conducted a comprehensive review of the Group's risk management and internal control systems through the Audit Committee. The period covers the fiscal year 2022 and covers the main business of the Company. The Board considers that the Group has complied with the risk management and internal control provisions set out in the Corporate Governance Code and considers that the risk management and internal control system are effective and adequate.

AUDITORS' REMUNERATION

KPMG (畢馬威會計師事務所) and KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合夥)) were engaged as the international financial report and PRC financial report auditors of the Company respectively for the year ended 31 December 2022.

Breakdown of the remuneration to the Company's external auditors for providing audit and non-audit services for the Reporting Period is as follows:

RMB2.7 million was charged for the audit of the Group's consolidated financial statements for the year ended 31 December 2022; an aggregate amount of RMB1.5 million was charged for the audit of the financial statements of acquisition targets and certain subsidiaries of the Group for the year ended 31 December 2022; and RMB0.2 million was charged for the rendering of non-assurance service including 2022 ESG services and tax service to the Group.

JOINT COMPANY SECRETARIES

Mr. Gao Dapeng, an executive Director, the general manager, the secretary to the Board and a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. NG Cheuk Ming tendered his resignation as the other joint company secretary of the Company with effect from 28 April 2022. Following the resignation of Mr. NG Cheuk Ming on the same day, the Company has engaged Ms. CHEUNG Ka Lun Karen, a manager of Tricor Services Limited (a company secretarial service provider), as the joint company secretary to assist Mr. Gao Dapeng to discharge his duties as company secretary of the Company, in order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws. Mr. Jia Fengsong, the Securities Affairs Representative, has been designated as the primary contact person at the Company which would work and communicate with Ms. CHEUNG Ka Lun Karen on the Company's corporate governance and secretarial and administrative matters. As the joint company secretaries of the Company, Mr. Gao Dapeng and Ms. CHEUNG Ka Lun Karen have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rule for the year ended 31 December 2022.

SHAREHOLDERS' RIGHTS

Convening Shareholders' General Meetings

A shareholders' annual general meeting is required to be held once every year within six months after the end of the previous fiscal year.

Pursuant to Article 72 of the Articles of Association, independent Directors have the right to propose to the Board to convene an extraordinary general meeting of Shareholders. Independent Directors shall obtain at least 1/2 of all independent Directors' consent when exercising the above-mentioned powers.

For independent Directors' proposal to convene an extraordinary general meeting, the Board shall, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of this Articles of Association, propose to agree or disagree to convene an extraordinary general meeting within 10 days after receiving the proposal in a written form.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the resolution of the Board is made; if the Board does not agree, it shall explain the reasons and make an announcement.

Pursuant to Article 73 of the Articles of Association, the board of Supervisors has the right to propose in writing to the Board to convene an extraordinary general meeting of Shareholders. The Board shall, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of this Articles of Association, provide written feedback on whether or not it agrees to convene an extraordinary general meeting within 10 days after receiving the proposal.

If the Board agrees to convene an extraordinary general meeting of Shareholders, a notice of convening the general meeting of Shareholders shall be issued within 5 days after the resolution of the Board is made. Any changes to the original proposal in the notice shall be approved by the board of Supervisors.

If the Board does not agree, or fails to provide feedback within 10 days after receiving the proposal, it is deemed that the Board cannot perform or fails to perform its duties of convening the general meeting of Shareholders, and the board of Supervisors may convene and preside over it by itself.

Pursuant to Article 74 of the Articles of Association, Shareholders who individually or collectively hold more than 10% of the voting Shares at the proposed meeting have the right to request in writing the Board to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting, in which they should also list the topic of the meeting. The Board shall, in accordance with the laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of this Articles of Association, provide written feedback on whether or not to agree to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting within 10 days after receiving the written request.

If the Board agrees to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting, it shall issue a notice of convening within 5 days after the resolution of the Board is made. Any changes to the original request in the notice shall obtain the approval of the relevant Shareholders.

If the Board does not agree, or fails to provide feedback within 10 days after receiving the request, Shareholders who individually or collectively hold more than 10% of the voting Shares at the proposed meeting shall have the right to propose to the board of Supervisors, in writing, to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting.

If the board of Supervisors agrees to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting, it shall issue a notice of convening within 5 days of receiving the request. Changes to the original proposal in the notice shall obtain the approval of the relevant Shareholders.

If the board of Supervisors fails to issue a notice of a general meeting of Shareholders or a class Shareholders meeting within the prescribed time limit, it shall be deemed that the board of Supervisors does not convene and preside over the general meeting of Shareholders or class Shareholders meeting, and Shareholders holding individually or collectively more than 10% of the Shares that have voting rights at the proposed meeting for more than 90 consecutive days can convene and preside over relevant general meetings by themselves.

Putting Forward Proposals at General Meetings

When the Company convenes a general meeting of shareholders, the Board, Supervisors and Shareholders who individually or collectively hold more than 3% of the Company's Shares have the right to make proposals to the Company.

Shareholders who individually or collectively hold more than 3% of the Company's Shares may submit an interim proposal 10 days before the general meeting of Shareholders to the convener in writing. The convener shall issue a supplementary notice of the general meeting of Shareholders within 2 days after receiving the proposal to announce the content of the temporary proposal. The content of the interim proposal should fall within the scope of the Shareholders' general meeting, and have clear topics and specific resolutions.

Except for the circumstances specified in the preceding paragraph, the convener may not modify the proposals listed in the notice of the Shareholders meeting or add new proposals after issuing the notice of the Shareholders meeting.

For proposals that are not listed in the notice of the general meeting of Shareholders or that do not meet the requirements of Article 78 of these Articles of Association, the general meeting of Shareholders shall not vote and make resolutions.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders can supervise the operations of the Company, and send written suggestions and enquiries accordingly.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No.5 Rongjingdong St. Beijing Economic and Development Area Beijing China, 100176
(For the attention of the Board of Directors/Company Secretary)
Fax: 010-67869582
Email: jiafengsong@joinn-lab.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) the quarterly report; (d) a notice of meeting; (e) a listing document; (f) a circular; and (g) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (https://www.joinnlabs.com). Other corporate information about the Company's up-to-date state business operation and development, financial information and corporate governance practices will also be available on the Company's website.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about H Shareholdings

H Shareholders should direct their enquiries about their shareholdings to the Company's H share registrar, Tricor Investor Services Limited, via its online holding enquiry service at http://www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Enquiries about A Shareholdings

A Shareholders should direct their enquiries about their shareholdings to the Company's headquarters in the PRC by email to jiafengsong@joinn-lab.com or by post to A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China.

Changes to the Articles of Association

During the year ended 31 December 2022, the Company has amended its Articles of Association. The amendments are in relation to the change of the registered capital of the Company. Details of the amendments are set out in the circular dated 26 May 2022 to the Shareholders.

The Articles of Association is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the earnings, cash flow, financial conditions, capital requirements, statutory fund reserve requirements of the Group and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by our Board, and will be subject to shareholders' approval.

As of the date of this annual report, there is no arrangement under which a Shareholder has waived or agreed to waive any dividend (including future dividends).

Independent Auditor's Report

Independent auditor's report to the shareholders of
JOINN Laboratories (China) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of JOINN Laboratories (China) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 204, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accounts (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition of non-clinical studies services

Please refer Note 4 to the consolidated financial statements and accounting policies in Note 2(w).

The key audit matter

The Group's revenue of approximately RMB2.27 billion in 2022 is mainly derived from the provision of non-clinical studies services.

The non-clinical studies service contracts entered by the Group may cover one or several experiment studies. The service contracts stipulated the scope of studies, the project schedule, pricing and closing report of the results of each study. The management of the Group evaluates whether each study is distinct performance obligation. Revenue is recognised upon the transfer of the control of service results to customers.

We identified recognition of revenue from non-clinical studies services as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures in relation to revenue recognition for non-clinical studies services included the following:

- Understanding and evaluating the design, implementation and operation effectiveness of the Group's key internal controls over revenue recognition of non-clinical studies services;
- Inspecting contracts, on a sample basis, to understand the terms of contracts and assessing the Group's revenue recognition policies of non-clinical studies services, including the identification of performance obligations, with reference to prevailing accounting standards;
- Obtaining the publicly available business registration information of selected customers, if available, to understand background of these selected customers, and compare the shareholders, directors and supervisors of these selected customers to the list of related parties provided by the management to identify any undisclosed related party relationship;
- Comparing, on a sample basis, revenue from non-clinical studies services during the financial year, to service contracts, closing reports and/or other underlying documents to evaluate whether the selected revenue transactions have been recognised in accordance with the Group's accounting policies;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition of non-clinical studies services (continued)

The key audit matter	How the matter was addressed in our audit
	Our audit procedures in relation to revenue recognition for non-clinical studies services included the following (continued):
	• Assessing, on a sample basis, whether revenue transactions from non-clinical studies services recorded around the financial year end have been recognised in the appropriate period by inspecting non-clinical studies service contracts, closing reports and/or other relevant underlying documents;
	• Obtaining confirmations of outstanding trade receivables at the end of the financial year from customers, on a sample basis; for unreturned confirmations, performing alternative procedures; and
	• Inspecting underlying documentation for journal entries related to revenue which met specific risk-based criteria.

KEY AUDIT MATTERS (CONTINUED)

Valuation of biological assets

Please refer to Note 18 to the consolidated financial statements and accounting policies in Note 2(i).

The key audit matter

The Group's biological assets mainly comprise non-human primate research models used for breeding and non-clinical studies. These biological assets are measured at fair value. The Group engaged an external valuer to assist in valuation of the biological assets.

The fair value measurement of the biological assets involves a significant degree of management judgements, including recent market prices, replacement cost of certain age groups and annual feeding cost.

We identified the valuation of biological assets as a key audit matter because the valuation involves significant judgement with uncertainty and is subject to potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of biological assets included the following:

- understanding and evaluating the design and implementation of the Group's key internal controls over the valuation of biological assets;
- evaluating the external valuers' competence and capabilities and considering their objectivity;
- involving our internal valuation specialist to assess the appropriateness of the valuation methodologies with reference to the requirements of the accounting standards;
- assessing the reasonableness of key parameters or assumptions (including recent market prices, replacement cost of certain age groups and annual feeding cost) by comparing with market data and/or other supporting documents;
- observing, the physical count of the Group's biological assets and comparing the quantity of biological assets to that in the valuation calculation; and
- evaluating the disclosures in the consolidated financial statements in respect of the valuation of biological assets with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Purchase price allocation

Please refer to Note 36 to the consolidated financial statements and accounting policies in Note 2(e).

The Key audit matter

On 15 May 2022, the Company completed acquiring 100% equity of Yunnan Yinmore Bio-Tech Co., Ltd ("Yunnan Yinmore", 雲南英茂生物科技有限公司) and Guangxi Weimei Bio-Tech Co., Ltd ("Guangxi Weimei", 廣西瑋美生物科技有限公司) at a consideration of RMB829 million and RMB975 million respectively, and the excess of the fair value of the net identifiable assets over the consideration is recorded in profit or loss. Upon completion of the acquisitions, Yunnan Yinmore and Guangxi Weimei became wholly-owned subsidiaries of the Company.

Management has identified the identifiable assets acquired and liabilities assumed, which mainly comprise biological assets, and determined the fair value of the identified assets and liabilities based on valuations performed by external valuers. Based on the valuation results, the purchase prices were allocated to the identifiable assets acquired and liabilities assumed.

The fair value measurement of the biological assets involves a significant degree of management judgements, including recent market prices, replacement cost of certain age groups and annual feeding cost.

How the matter was addressed in our audit

Our audit procedures related to purchase price allocation include the following:

- Understanding and evaluating the design and implementation of the Group's key internal controls over purchase price allocation;
- Obtaining the acquisition agreements and inspecting the terms of the agreements to understand the scope of the assets acquired and liabilities assumed and the determination of the consideration;
- Evaluating the process of identifying identifiable assets acquired and liabilities assumed adopted by the management with reference to the requirements of the prevailing accounting standards;
- Evaluating the external valuers' competence and capabilities and considering their objectivity;
- For biological assets acquired, involving our internal valuation specialist to assess the appropriateness of the valuation methodology with reference to the prevailing accounting standards and the reasonableness of key assumptions (including recent market prices, replacement cost of certain age groups and annual feeding cost) by comparing with market data and/or other supporting documents;