BASECARE
贝康医疗

蘇州貝康醫療股份有限公司
SUZHOU BASECARE MEDICAL CORPORATION LIMITED

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

Stock Code : 2170

ANNUAL REPORT 2020

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Note: The building shown on the cover and content page of this annual report is an artistic impression of the Company's headquarters which is still under construction.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LIANG Bo (梁波) *(Chairman and General Manager)*
Mr. KONG Lingyin (孔令印)
Mr. RUI Maoshe (芮茂社)

Non-executive Directors

Mr. XU Wenbo (徐文博)
Mr. ZHANG Jiecheng (張劼鋮)
Mr. WANG Weipeng (王偉鵬)

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)
Dr. HUANG Taosheng (黃濤生)
Mr. YU Kwok Kuen Harry (余國權)

AUDIT COMMITTEE

Mr. YU Kwok Kuen Harry *(Chairman)*
Dr. KANG Xixiong
Mr. WANG Weipeng

REMUNERATION AND APPRAISAL COMMITTEE

Dr. KANG Xixiong *(Chairman)*
Dr. LIANG Bo
Mr. YU Kwok Kuen Harry

NOMINATION COMMITTEE

Dr. LIANG Bo *(Chairman)*
Dr. KANG Xixiong
Mr. YU Kwok Kuen Harry

SUPERVISORS

Ms. HUANG Bing (黃冰) *(Chairwoman)*
Dr. LIN Yi (林藝)
Ms. ZHU Tingting (朱婷婷)

AUTHORISED REPRESENTATIVES

Dr. LIANG Bo
Mr. YIM Lok Kwan (嚴洛鈞)

JOINT COMPANY SECRETARIES

Ms. DAI Jing (戴靜)
Mr. YIM Lok Kwan *(Associate member of the Hong Kong, Institute of Chartered Secretaries and the Chartered Governance Institute)*

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

Unit 101, Building A3
BioBay, No. 218 Xinghu Street
Suzhou Industrial Park, Suzhou
Jiangsu Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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183 Queen's Road East, Wanchai
Hong Kong

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

PRC LEGAL ADVISER

Tian Yuan Law Firm
10/F, Tower B, China Pacific
Insurance Plaza
28 Fengsheng Hutong
Xicheng District
Beijing
PRC

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
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COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block,
Grand Millennium Plaza 181
Queen's Road Central
Hong Kong

STOCK CODE

2170

COMPANY WEBSITE

www.basecare.cn

PRINCIPAL BANK

Shanghai Pudong Development Bank, Suzhou Branch
No. 718, Zhongyuan Road
Suzhou Industrial Park, Suzhou
Jiangsu Province, PRC

Financial Summary

A summary of the results and of the assets and liabilities of the Group the last three* financial years, as extracted from the audited financial information and financial statements is set out below:

	Year ended December 31,		
	2020	2019	2018
	RMB'000	RMB'000	RMB'000
Revenue	**81,109**	55,685	32,609
Cost of sales	**(53,395)**	(29,432)	(24,472)
Gross profit	**27,714**	26,253	8,137
Loss from operations	**(53,468)**	(8,730)	(51,816)
Loss before taxation	**(881,518)**	(530,570)	(157,005)
Loss for the year	**(877,959)**	(533,997)	(157,700)

	Year ended December 31,		
	2020	2019	2018
	RMB'000	RMB'000	RMB'000
Financial Position			
Non-current assets	**39,905**	36,187	39,984
Current assets	**310,393**	114,941	108,274
Non-current liabilities	**781**	1,044,863	505,857
Current liabilities	**68,182**	52,161	54,300
Net assets/(liabilities)	**281,335**	(945,896)	(411,899)
Total equity attributable to			
Equity shareholders of the Company	**281,335**	(938,853)	(407,517)
Non-controlling interests	**–**	(7,043)	(4,382)

* The H Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on February 8, 2021.

Dear Shareholders,

Thank you for keeping your interest in us and your support to us since Basecare successfully conducted its IPO in February 2021. After growing over a period of 11 years, Basecare is officially listed on Hong Kong's Main Board as a listed company. We will devote ourselves to scientific discovery and technological innovation, and take up more social responsibilities.

As a founder of the Company, I am very excited to share with you our entrepreneurial history and future development direction at such a moment.

11 years ago, I was an entrepreneur returning from abroad with a passion for serving China with science and technology amid a vigorous wave of startups. At that time, genetic technology was evolving so quickly that it was constantly refreshing our knowledge in the field of science. People were talking about the arrival of an "era of having a genetic test for just one thousand dollars" which would change the methods for the treatment of human diseases as well as the patterns of reproduction and inheritance. We hope to form an innovation-driven genetic technology company to help tens of millions of infertile couples in China so that they "can give birth" to "eugenic" and healthy babies.

NGS technology allows us to access all the genetic information in 3 billion base sequences for the first time. This genetic information is called DNA sequencing. The smallest constituent in DNA sequencing is a base (BASE). These BASES are the life codes that determine the diversity of DNA. That means our company name BASECARE is vested with our expectations: starting from the BASES, the Company loves and cares lives, so that every life can go on better at the genetic level.

Five years ago, we, with great courage, started to register medical devices for the world's first third-generation in-vitro-fertilization (IVF) genetic testing kits, making us the first enterprise in the field of assisted reproduction in China to enter the "green passage" of national innovative medical devices. We know that this is a long and thorny path, but it is our unswerving business philosophy to make "compliant products" as only registered products that comply with national laws and regulations can be industrialized on a large scale.

Although we knew the difficulty of clinical trials, we underestimated the unprecedented challenge of completing clinical trials in a brand-new sector. Without tenacious will and rich experience, it would be unimaginable to complete the recruitment of 3,362 families in more than four years. Whenever we see a couple who has multiple failed pregnancies and miscarriages eventually give birth to a healthy baby, we feel that everything we do is worth it. This is the mission that supports us to move forward bravely: Help more families have healthy babies, and make it not difficult to bear children in China.

Chairman's Statement

As the poem says, it takes ten years to sharpen a sword. This year, our third-generation IVF genetic testing kit received the NMPA Class III medical device registration certificate, which means that China's third-generation IVF technology in the field of assisted reproduction has officially entered the "certified" era. As the third-generation IVF technology enables us to screen embryos at the genetic level, many things that were unimaginable before have been realized. For example, a patient with hereditary breast cancer can screen an embryo that does not carry the disease-causing genes, so that she can have normal children. We firmly believe that our products will lead the transformation and innovation of China's three-generation IVF technologies. In the next decade, we will continue to focus on the field of fertility and strive to become a world-leading gene technology company, with a view to making our lives better and our future generations healthier.

Our original aspiration has never changed since the Company went public and launched its first product to the market. We will work against the clock, practice the spirit of going all out, and implement our perfection-oriented standards to promote the research & development, registration and certification of other products covering the whole fertility cycle, so as to build a certified supply chain platform. We remain rational and optimistic about ourselves and China's assisted reproduction industry, while being aware of the pain points of the industry and customers. With your support, we will work hard to fulfil our mission and enable more families to give birth to healthy babies by promoting the development of China's third-generation IVF technology, in an attempt to contribute to national eugenics.

Thanks again to the friends who accompanied us all along and gave us help and support. It was your encouragement that got us here today. We are very lucky to be engaged in a career that can help people give birth to new life. We are honored to work with like-minded partners around the globe to continue this wonderful and challenging journey of life exploration and to feel the joy of science and the greatness of life together.

Bo Liang
Chairman and General Manager

OVERVIEW

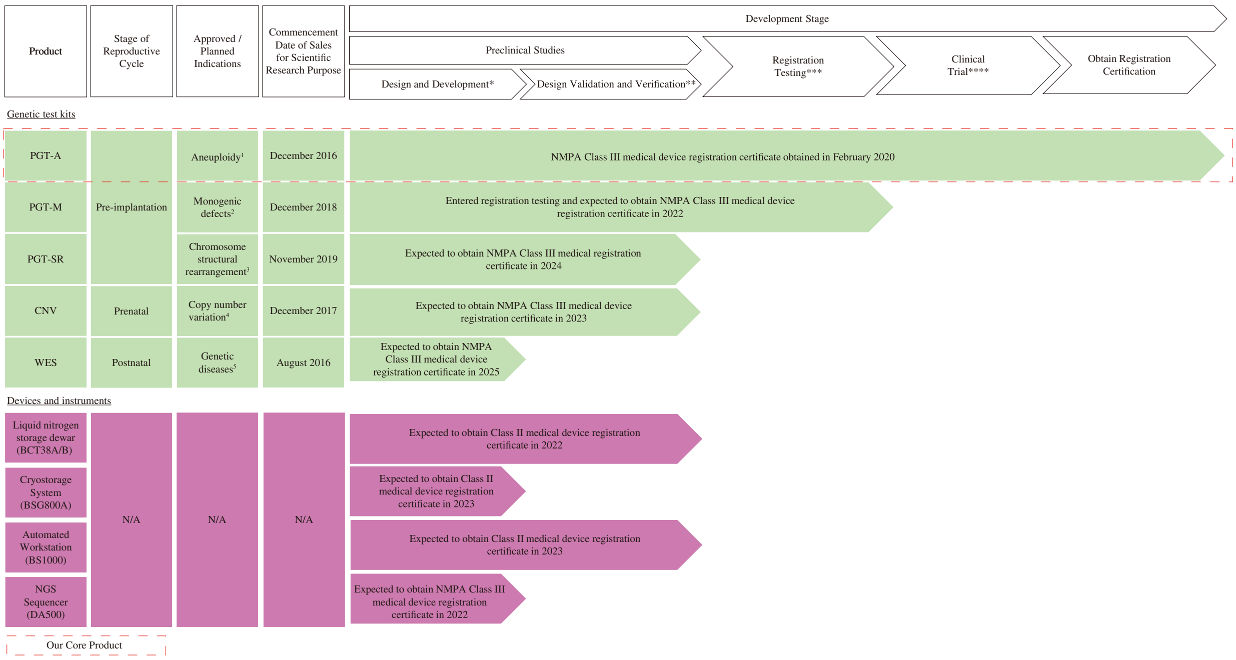
We are an innovative platform of genetic testing solutions for assisted reproduction in China. Our mission is to help more families have healthy babies. Our vision is becoming a global genetic technology company.

Our PGT-A kit, which screens for aneuploidy, a chromosomal disorder frequently associated with implantation failure in in vitro fertilization, or IVF, in embryos prior to implantation, is the first and only third-generation IVF genetic test kit which has been approved by the NMPA, compare to other PGT-A products based on fluorescence in situ hybridization (FISH) and quantitative polymerase chain reaction (qPCR) technologies. The NMPA registration of our PGT-A kit, in February 2020, as a Class III "innovative medical device," marked the birth of a regulated third-generation IVF market in China in which we are, to date, the only approved kit maker. There are other PGT-A kits in China that are applying for the NMPA registration certificate and sold for limited scientific research purposes.

We are developing two other pre-implantation genetic testing, or PGT, products, namely, PGT-M and PGT-SR kits, which, together with our PGT-A kit, would form a complete test kit lineup to occupy the PGT field, all based on next-generation sequencing, or NGS, technologies. PGT-M looks for single-gene, or monogenic, defects in pre-implantation IVF embryos. We have developed a PGT-M kit with improved sensitivity and specificity. It eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time from approximately two months to around two weeks, thereby reducing testing costs for patients as well. To date our PGT-M kit is the first and only product of its kind that has completed the registration testing in China. PGT-SR looks for chromosomal structural rearrangements, including deletions, duplications, inversions and translocations, in pre-implantation IVF embryos. There have been no effective clinical solutions for this test due to the many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests, making mass clinical application difficult. Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. Our PGTSR kit has high mass-market potential, offering one test with broad disease detectability and eliminating the need for patient-specific pre-exam validation, which translates to faster result turnaround time from three to six months to just two weeks and significantly lower costs for patients. We expect to obtain NMPA registration approval for PGT-M and PGT-SR kits in 2022 and 2024, respectively, which we anticipate would further our dominance in the third-generation IVF genetic test kit market in China, well ahead of potential competition.

Leveraging our core strength in PGT, we have positioned ourselves to become an innovative platform in China's broader reproductive genetics market. We have extended our reach beyond the pre-implantation stage to the prenatal and postnatal stages, and are developing one kit in each stage, which makes us a company in China with a genetic test kit pipeline that covers the full reproductive cycle, according to Frost & Sullivan. Beyond test kits, we have developed a number of innovative devices and instruments that can improve work flow in molecular genetic laboratories using our kits.

The following diagram sets forth key details of our product portfolio as of the date of this annual report:



* Includes principal raw material selection, manufacturing process validation and reaction system development

** Includes analytical performance evaluations and stability study

*** Refers to tests conducted by NMPA-recognized institutions to evaluate the performance of a medical device candidate. Passing the tests is a prerequisite to commencing the clinical trial

**** Unlike drugs, only one clinical trial is required for a medical device candidate, without phasing

1. For women undergoing IVF treatment who are 35 years old or older, couples who have experienced three or more IVF failures, couples who have experienced three or more spontaneous miscarriages or abnormal pregnancies, couples who have previously given birth to a child with chromosomal abnormalities or couples with chromosomal numerical alternations

2. For carriers of thalassemia

3. For carriers of chromosomal reciprocal translocation, Robertsonian translocation or inversion

4. For patients who have experienced miscarriage

5. For carriers of over 200 genetic diseases

BUSINESS REVIEW

Products Portfolio and Product Candidates Pipeline

We are the only company in our field in China to have a product portfolio that covers all key stages of the reproductive cycle, according to Frost & Sullivan. The initial focus of our product portfolio was to help couples address infertility problems and increase their chances of having a healthy baby through IVF procedures. To that end, we developed genetic test kits for pre-implantation embryos, namely, our PGT-A, PGT-M and PGT-SR products.

- **PGT-A kit**

  Our PGT-A kit is designed to detect aneuploidy, i.e., an abnormal number of chromosomes, in pre-implantation embryos created in the IVF process. Aneuploidy is a chromosomal disorder frequently associated with implantation failure. By identifying and choosing to avoid aneuploid embryos, clinicians can effectively increase chances for a successful pregnancy. Our product is the only NMPA-approved product for aneuploidy in China, with comprehensive chromosome screening, or CCS, capabilities, as compared with conventional technologies, which can only screen a portion of chromosomes at a time. We have developed a proprietary SDWGA technology to lower amplification bias, a major clinical challenge, enabling our PGT-A kit to demonstrate 100% sensitivity and specificity in its registration clinical trial. With the help of our PGT-A kit, pregnancy and miscarriage rates from our clinical trial were 72.0% and 6.9%, respectively. By reference, pregnancy and miscarriage rates in IVF without aneuploidy screening were 45.0% and 32.0%, respectively, according to various unrelated studies (Schoolcraft et al. 2010; Wang et al. 2010). Further, due to our technological superiority, our PGT-A kit can generate results within one day, shortening the results turnaround time from the two weeks required by conventional technologies.

- **PGT-M kit**

  Our PGT-M kit is designed to detect single-gene, or monogenic, defects in pre-implantation embryos, with the potential to cover over 1,000 common genetic-related disorders, including thalassemia, deafness and hereditary cancers. By identifying and choosing to avoid embryos with certain monogenic defects, clinicians can not only help reduce chances for the baby to be born with or develop the relevant hereditary diseases, but also effectively stop the traits from being passed down to future generations in the patient family, which can be highly significant and encouraging for the patient. A major challenge in PGT-M is the ability to accurately flag disease-causing genetic mutations with a limited amount of DNA samples. Under conventional methods, pre-exam validation must be conducted to analyze the DNA of parents or other family members in order to select suitable single nucleotide polymorphisms, or SNPs, for different genetic disorders, before patient embryos can be tested. The SNPs selected may fail pre-exam validation, requiring re-selection and re-testing that take as long as two to three months and making standardized, mass clinical application difficult. We have developed a PGT-M kit that leverages highly informative SNPs we have identified through extensive studies and adopts a cutting-edge multiplex PCR sequencing library by capture, or MSLCap, technology that can comprehensively detect the relevant SNPs in one test with improved sensitivity and specificity. Leveraging this technology, our PGT-M kit eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time from approximately two months to less than two weeks and reducing testing costs for patients by about 60%. To date, our PGT-M kit is the first and only PGT product for monogenic diseases that has completed NMPA registration testing in China. We expect to obtain registration approval from the NMPA in 2022.

- **PGT-SR kit**

  Our PGT-SR kit is designed to detect chromosome structural rearrangements, which are common causes of recurrent miscarriage. By identifying and choosing to avoid embryos with chromosomal structural re-arrangement, clinicians can, similar to the PGT-M scenario, not only help the patient avoid miscarriage and give birth successfully, but also stop this hereditary trait from running in the same family in future generations. However, there have been no effective clinical solutions for testing of this kind due to the many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests, making mass clinical application difficult. Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. Our PGT-SR kit adopts a proprietary ReTSeq technology that utilizes target capture technologies to focus on sequencing key genomic regions and conduct a haplotype linkage analysis to determine the parent-of-origin of a chromosome and detect carriers of chromosomal translocations. Our PGT-SR kit has high mass market potential, offering one test with broad disease detectability and eliminating the need for patient-specific pre-exam validation, which translates to faster result turnaround time, from three to six months to just two weeks, and significantly lower costs for patients. We plan to enter NMPA registration testing in late 2021 and obtain NMPA approval in 2024.

- **CNV kit**

  To lower the rate of recurrent miscarriage during pregnancies, we are developing a reagent kit to test abortive tissues for a comprehensive panel of copy number variations, or CNVs, commonly associated with miscarriage, with the ability to analyze the risk of miscarriage and lower miscarriage rates. Leveraging our proprietary EDCBS algorithm and data library, our CNV kit is designed to overcome long-standing challenges faced by prevailing technologies, including low sensitivity and accuracy.

- **WES kit**

  In order to improve the low genetic disease diagnosis rates in infants, we are developing a whole exome sequencing, or WES, kit with potentially the widest genetic disease coverage, according to Frost & Sullivan. This is in part due to our ability to detect genetic disorders caused by sequence variations not only in the exome, but also in introns and mitochondrial DNA, which many prevailing technologies have been unable to achieve due to potential amplification biases among these three regions.

THE GROUP'S FACILITIES

We are headquartered in Suzhou, Jiangsu province. As of the date of this annual report, we owned a land use right with a total site area of 21,626.14 square meters, which was intended to be used for the construction of the headquarters of the Company, and leased properties with an aggregate gross floor area of 4,757 square meters from Independent Third Parties in China.

We manufacture and assemble all of our in-house developed products in our 1,364 square-meter manufacturing facility in Suzhou. Our manufacturing facility is designed in compliance with GMP requirements of China with an annual production capacity of 400,000 reactions. We are accredited in accordance with ISO13485:2016 quality standard, an international quality control standard for the medical device industry. We have two ISO Class 7 cleaning rooms that are in compliance with ISO14644–1 cleaning grades standard, an international cleaning grades classification standard. We have commenced optimizing our production process to prepare us for commercial-scale manufacturing of our PGT-A kits after we had obtained a Class III medical device registration certificate from the NMPA. Our production lines are designed to be highly automated.

Commercialization

We sold a significant portion of products directly to hospitals and reproductive clinics. To a lesser extent, we also sold our genetic test kits to distributors, who in turn sold our products to hospitals and reproductive clinics. We maintain a small and dedicated in-house sales and marketing team with a focus on serving key customers, such as third-generation IVF licensed hospitals and reproductive clinics, which are a major component of our customer base. Our in-house sales and marketing team is also responsible for the promotion of our products to hospitals and reproductive clinics through academic marketing activities, to interact with KOLs as well as other industry professionals. As of the date of this annual report, more than 45 reproductive centers obtained price code of PGT-A kit, and we entered into cooperation agreements with 42 hospitals for our PGT-A kit.

With the first and only NMPA-approved PGT kit in China, we believe that we enjoy firstmover advantages in building and solidifying our sales channels and customer base. We plan to focus our commercialization strategy on key hospitals and reproductive clinics. We will leverage the relationships we have built with these hospitals and clinics for PGT-A to extend the breadth and depth of our coverage. We aim to increase our coverage and penetration of hospitals and reproductive clinics licensed to conduct PGT, and develop stronger relationships with them to enhance customer stickiness and lay the foundation to offer other products to them in the future. We plan to work toward full coverage of licensed hospitals and reproductive clinics in China. Moreover, we plan to expand our share of wallet in these hospitals and clinics by offering comprehensive solutions, with new products that target other medical specialties, such as the neonatal and pediatrics units, in these institutions. We also plan to partner with licensed third-party medical testing laboratories to extend our ability to reach a larger patient base in China.

Employees and Remuneration Policies

As of December 31, 2020, the Group had 192 employees. The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The total remuneration cost incurred by the Group for the year ended December 31, 2020 was RMB34.8 million, as compared to RMB25.0 million for the year ended December 31, 2019.

During the year ended December 31, 2020, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

We recruit our personnel primarily through recruiting websites, recruiters and job fairs. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, we invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The employees of the Group based in mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

Intellectual Property

We recognize the importance of intellectual property rights to our business and are committed to the development and protection of our intellectual property rights. As of December 31, 2020, we had registered 18 patents, 97 trademarks, 24 software copyrights and seven domain names in China. As of the same date, we had filed 48 patent applications and 14 trademark applications in China. We had also filed three trademark applications in Hong Kong.

Management Discussion and Analysis

Impact of the Covid-19 Outbreak

In December 2019, a respiratory illness known as COVID-19 caused by a novel strain of coronavirus emerged and has spread globally since then. We have employed various measures to mitigate any impact the COVID-19 outbreak may have on our operations in China or the development of our products, including offering personal protection equipment such as masks to our employees, regularly checking the body temperature of our employees and closely monitoring their health conditions.

As of the date of this annual report, the COVID-19 outbreak did not have a material and adverse impact on our business, financial condition and results of operations. Moreover, we currently do not expect the COVID-19 outbreak to have any material long-term impact on our operations or cause us to deviate from our overall development plans, based on the following:

- *Production and supply chain*. As of the date of this annual report, we did not experience any material production suspension, decrease in production volume of our manufacturing facility in Suzhou or disruption of our supply chain due to the COVID-19 outbreak. We experienced some delays in our production plan as the lead times for raw materials from our overseas suppliers increased from approximately 1.5 months to three months. However, we have adjusted for such lengthened lead times and currently do not expect our supply chain to be materially and negatively impacted by the COVID-19 outbreak.

- *Research and development*. We did not have any ongoing clinical trials in the first half of 2020. Our in-house R&D team has resumed working and our R&D activities have generally progressed as planned.

- *Product registration*. To the knowledge of our Directors, since the COVID-19 outbreak and up to April 2020, the NMPA had allocated a significant portion of its resources to evaluate and register products that may benefit the prevention and treatment of COVID-19, and the evaluation process for other drug and medical device candidates had been delayed. To the knowledge of our Directors, the NMPA resumed normal review of other drug and medical device candidates in April 2020. We had not planned to submit any applications for NMPA approval in the first half of 2020, so we do not expect the delay in review by the NMPA would have a material adverse impact on our product registration efforts.

- *Sales and marketing*. Starting in January 2020, in response to the COVID-19 outbreak in China, the PRC government has introduced a series of measures, such as extending the Chinese New Year holiday to early February and encouraging residents to work from home, in efforts to contain the outbreak. Prior to February 2020, our sales and marketing efforts, including our pre-approval sales of in-house developed genetic test kits for limited scientific research purposes, had not been materially affected by the COVID-19 outbreak, as we prearranged and completed our sales and marketing activities before the Chinese New Year holiday and did not arranged any sales plan during the holiday. To the knowledge of our Directors, since the COVID-19 outbreak and up to April 2020, most hospitals in China had allocated its resources to the prevention and treatment of COVID-19 and the tendering processes of hospitals for reproductive genetic medical devices had been delayed. Our sales and marketing efforts were temporarily affected from February 2020 to April 2020 because (i) our employees were unable to go on business trips or to communicate with physicians face to face due to travel restrictions and other disease containment measures in China; and (ii) the tendering processes of hospitals for reproductive genetic medical devices had been delayed. As of the date of this annual report, all of our employees had returned to work and we had resumed normal operations in China. Therefore, the outbreak of COVID-19 did not have a material impact on our sales and marketing.

- *Financial outlook*. Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents of RMB192.3 million as of December 31, 2020, available financing facilities and the 10% of our total net proceeds from the Global Offering for working capital and general corporate purposes, we have sufficient working capital to remain financially viable.

It is uncertain when and whether COVID-19 could be contained globally. We cannot guarantee you, however, that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations, financial position or prospects.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Since February 8, 2021 when the Company was successfully listed on the Main Board of the Stock Exchange, the Company has been making significant progress with respect to business operations, including the following milestones and achievements:

In February 2021, a self-developed patent relating to the PGT-SR kit, a nucleic acid library preparation method and its application in the analysis of pre-implantation embryonic chromosomal structure abnormalities (一種核酸文庫構建方法及其在植入前胚胎染色體結構異常分析中的應用), was registered with China National Intellectual Property Administration.

On March 4, 2021, the Company entered into a confirmation letter with the Suzhou Industrial Park Planning and Construction Committee, pursuant to which the Suzhou Industrial Park Planning and Construction Committee has confirmed, and the Company has acknowledged, that the Company has won the bid for the land use right of a piece of land of a total site area of 21,626.14 sq.m. for industrial purpose located to the east of Xingtang Street and north of Jiangyun Road, Suzhou Industrial Park, Jiangsu, PRC at a total consideration of RMB7,960,000.

Management Discussion and Analysis

On March 6, 2021, the Company entered into a research results transformation collaboration agreement (研究成果轉化合作協議, the "Collaboration Agreement") with Suzhou BioX Life Intelligence Industry Research Institute (蘇州超雲生命智能產業研究院有限公司) ("Suzhou BioX"). According to the Collaboration Agreement, Suzhou BioX agreed to provide academic research services in relation to the application of AI technologies in genetic disease diagnosis and genetic counseling and the Company agreed to leverage our extensive industry experience to provide services for developing products based on the academic research results and intellectual properties of Suzhou BioX.

On March 8, 2021, the Company successfully issued and allotted additional 6,859,000 H Shares of the Company pursuant to the over-allotment option, at the offer price of HK$27.36 per H Share.

For details of any of the foregoing, please refer to the Company's prior announcements published on the websites of the Stock Exchange and the Company.

Save as disclosed above, there are no important events occurred after the end of Reporting Period and up to the date of this annual report.

FUTURE AND OUTLOOK

According to Frost & Sullivan, the total size of China's market of reproductive genetics medical devices increased from RMB1.3 billion in 2015 to RMB4.3 billion in 2020, and is expected to reach RMB11.2 billion in 2024. Our mission is to develop and launch innovative genetic testing solutions that are specifically designed for the Chinese population and that address unmet clinical needs in China. Our vision is to help more families have healthy babies. Our vision is becoming a global genetic technology company.

To accomplish that vision, we intend to implement the following business strategies: (i) continue to capture and solidify sales channels and customer base for PGT-A; (ii) rapidly commercialize product portfolio to occupy full reproductive cycle; (iii) develop next generation automated and intelligent hardware to upgrade industry infrastructure; and (iv) maintain technological leadership by leveraging advancements of global leaders.

Cautionary Statement required under Rule 18A.08(3) of the Listing Rules: We cannot guarantee that we will ultimately develop or market our Core Product successfully.

FINANCIAL REVIEW

Revenue

During the Reporting Period, we generated revenue from the provision of genetic testing solutions and sales of genetic testing devices and instruments.

Our revenue increased by 45.7% from RMB55.7 million for the year ended December 31, 2019 to RMB81.1 million for the year ended December 31, 2020. This increase was primarily driven by the increase in revenue from our genetic testing solutions and, to a lesser extent, by the revenue we generated from sales of testing devices and instruments.

Cost of Sales

Our cost of sales consists of (i) material costs, representing purchase costs of the distributed products and raw material cost for our self-developed products, (ii) staff costs, (iii) depreciation expenses, which primarily include depreciation of property, plant and equipment and right-of-use assets, (iv) testing service fees, which primarily include outsourcing service fees we paid to third-party medical laboratories for certain sequencing services, and (v) others, which primarily include insurance premiums for policies we purchased to insure subjects who were tested by our PGT-A kit, logistics expenses and equipment maintenance expenses.

Our cost of sales increased by 81.4% from RMB29.4 million for the year ended December 31, 2019 to RMB53.4 million for the year ended December 31, 2020, primarily due to an increase in material costs as a result of our increased purchase costs of NIPT and MGD kits, which were in line with our increased sales and distribution of NIPT and MGD kits.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased from RMB26.3 million for the year ended December 31, 2019 to RMB27.7 million for the year ended December 31, 2020. Gross profit margin is calculated as gross profit divided by revenue. The overall gross profit margin of the Group decreased from 47.1% for the year ended December 31, 2019 to 34.2% for the year ended December 31, 2020, primarily due to increased sales of NIPT and MGD kits we distributed in the latter period, which had lower gross profit margins compared to our self-developed test kits.

Other Income

Our other income decreased by 29.5% from RMB4.0 million for the year ended December 31, 2019 to RMB2.8 million for the year ended December 31, 2020, primarily due to a decrease in government grants we received.

Distribution Costs

Our distribution costs increased by 50.9% from RMB11.0 million for the year ended December 31, 2019 to RMB16.6 million for the year ended December 31, 2020, primarily due to an RMB2.6 million increase in our marketing expenses because we began to engage an Independent Third Party to provide marketing services in the year of 2020 and the amount incurred for such marketing services also increased compared to that in the year of 2019.

Administrative Expenses

Our administrative expenses increased significantly from RMB8.0 million for the year ended December 31, 2019 to RMB25.2 million for the year ended December 31, 2020, primarily due to an RMB7.4 million increase in our staff costs as a result of increased headcount and discretionary bonus we paid to our management team and the listing expenses of RMB8.4 million incurred in connection with the Listing.

Management Discussion and Analysis

Research and Development Expenses

The following table sets forth the components of our research and development expenses for the year indicated.

	For the year ended December 31,			
	2020		2019	
	RMB'000		RMB'000	
Staff costs	**12,730**	**15.7%**	9,062	16.3%
Clinical trial expenses	**8,032**	**9.9%**	3,047	5.5%
Technical service fees	**4,877**	**6.0%**	2,469	4.4%
Consumables expenses	**6,237**	**7.7%**	2,254	4.0%
Depreciation expenses	**1,911**	**2.4%**	2,153	3.9%
Others	**694**	**0.8%**	900	1.6%
Total	**34,481**	**42.5%**	19,885	35.7%

Our research and development expenses increased by 73.4% from RMB19.9 million for the year ended December 31, 2019 to RMB34.5 million for the year ended December 31, 2020, primarily due to (i) an RMB5.0 million increase in service fees we paid to technical service suppliers mainly for the preclinical verification fees for our PGT-M kits, (ii) an RMB3.7 million increase in our staff costs as a result of increased headcount for our research and development personnel, and (iii) an RMB4.0 million increase in consumables expenses for development and registration testing of our PGT-SR, WES, PGT-M and CNV kits.

Finance Costs

Our financial costs consist of (i) interest on interest-bearing bank loans, and (ii) interest on lease liabilities. We recorded finance costs of RMB1.3 million and RMB1.5 million for the years ended December 31, 2019 and 2020, respectively.

Carrying Amount of Financial Instruments Issued to Investors

We issued shares to a group of Pre-IPO Investors in relation to our Series A, Series B and Series C Investments, which were recognized as financial liabilities because these financial instruments did not meet the definition of equity for the Company. The aggregate carrying amount of these financial instruments as of December 31, 2019 and 2020 was RMB1,043.7 million and nil, respectively. Changes in the carrying amount of these financial instruments amounted to RMB520.4 million and RMB826.8 million for the years ended December 31, 2019 and 2020, respectively. On July 23, 2020, we entered into supplementary investment agreements with the Pre-IPO Investors, pursuant to which the Pre-IPO Investors waived certain priority rights. These agreements enabled these financial instruments to be classified into our equity on July 23, 2020, after which we no longer recognized these financial instruments as financial liabilities or any changes in the carrying amount of such financial liabilities in our statements of profit or loss.

Income Tax

We recorded income tax credit of RMB2.3 million and RMB7.4 million for the years ended December 31, 2019 and 2020, respectively.

Discontinued Operations

In the first half of 2020, we disposed of Suzhou Medical Laboratory, Shandong Medical Laboratory and Benxi Medical Laboratory, together with their operations, respectively, to Suzhou Double Helix. We decided to discontinue these operations as part of our efforts to focus on our positioning as a R&D-focused provider of genetic testing solutions, rather than a provider of testing services. In June 2020, we disposed of Suzhou Laman Medical Equipment Co., Ltd. (蘇州拉曼醫療器械有限公司), which did not carry on any business since its incorporation, to an Independent Third Party. In July 2020, we disposed of Fanghua Gene to Nanjing Fanghua, an Independent Third Party. We recorded losses from discontinued operations of RMB5.7 million and RMB3.8 million for the years ended December 31, 2019 and 2020, respectively.

Inventories

Our inventories primarily consist of raw materials, finished goods and devices and instruments. We generally purchase raw materials for our in-house products based on the orders received. We maintain a finished goods inventory for our PGT-A kits and the NIPT kits we distribute. We also maintain a device and instrument inventory for DA8600s we distribute.

Our inventories decrease from RMB11.7 million as of December 31, 2019 to RMB6.3 million as of December 31, 2020, primarily due to a decrease of finished goods driven by increased sales.

Trade and Other Receivables

Our trade and other receivables increased from RMB44.9 million as of December 31, 2019 to RMB87.5 million as of December 31, 2020, primarily due to increased trade receivable balances due from disposed medical laboratories after the disposal. The increased trade receivable balances due from disposed medical laboratories were primarily due to (i) disposals of these medical laboratories, and (ii) our increased sales of genetic test kits to these medical laboratories.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial Assets at Fair Value through Profit or Loss (“FVTPL”)

As of December 31, 2019 and 2020, we had financial assets at fair value through profit or loss of RMB32.1 million and nil, respectively. Our financial assets at fair value through profit or loss represent wealth management products we purchased from commercial banks in the PRC.

Trade and Other Payables

Our trade payables increased from RMB9.7 million as of December 31, 2019 to RMB11.1 million as of December 31, 2020, primarily due to our increased purchases of MGD kits.

Our other payables increased from RMB10.9 million as of December 31, 2019 to RMB26.4 million as of December 31, 2020, primarily attributable to an increase in accrued listing expenses.

Financial Resources, Liquidity and Capital Structure

During the Reporting Period, we primarily funded our working capital requirements from bank loans, equity financing and cash generated from our operations. We monitor our uses of cash and cash flows on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs.

Our net current assets increased significantly from RMB62.8 million as of December 31, 2019 to RMB242.2 million as of December 31, 2020, primarily due to (i) an increase in cash and cash equivalents because we received proceeds from Series D Pre-IPO Investors in July 2020, and (ii) an increase in trade and other receivables as a result of our business growth, partially offset by a decrease in financial assets at fair value through profit or loss as a result of our disposal of wealth management products.

As of December 31, 2020, we had unsecured bank loans of RMB30.0 million with a fixed interest rate of 4.35% per annum. The unsecured bank loans of RMB30.0 million were guaranteed by a subsidiary of our Group.

Due to the Global Offering, we have received net proceeds of approximately HK$1,898.7 million (after deduction of underwriting fees, commissions and relevant expenses). The Company intends to apply such net proceeds in accordance with the purposes as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated January 27, 2021.

Management Discussion and Analysis

Significant Investments, Material Acquisitions and Disposals

Before the Listing, to streamline our business structure and taking into consideration of our future business strategy and relevant PRC laws and regulations regarding foreign investment in certain businesses under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施(負面清單)), we disposed 100% of the equity interests in Suzhou Medical Laboratory, 51% equity interests in Shandong Medical Laboratory, 51% equity interests in Benxi Medical Laboratory, 20% equity interests in Suzhou Chaoyun, 70% equity interests in Suzhou Laman Medical Equipment Co., Ltd., 51% equity interests in Suzhou Fanghua Gene Technology Co., Ltd. and 20% equity interests in Suzhou Fanghua Biotechnology Co., Ltd. during the Reporting Period.

Particulars of the aforementioned acquisition are set out in the section headed "History and Corporate Structure" of the Prospectus.

Save as disclosed above, during the Reporting Period, we did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

As disclosed in the announcement of the Company dated March 4, 2021, the Company acquired the land use right of a piece of land of a total site area of 21,626.14 sq.m. to the east of Xingtang Street and north of Jiangyun Road, Suzhou Industrial Park, Jiangsu, PRC at a total consideration of RMB7,960,000 to be used for the construction of the headquarters of the Company. Save for the above, the Group had no other material capital expenditure plan as of the date of this annual report.

Contingent Liabilities

As of December 31, 2020, we did not have any contingent liabilities.

Capital Commitments

As of December 31, 2020, we did not have any material capital commitments.

Charge on Assets

There were no charges on the Group's assets as of December 31, 2020.

Gearing Ratio

Gearing ratio is calculated by using interest-bearing borrowings and lease liabilities less cash and cash equivalents, divided by total equity and multiplied by 100%. As of December 31, 2020, the Company was in a net cash position and thus, gearing ratio is not applicable.

EXECUTIVE DIRECTORS

Dr. LIANG Bo (梁波), aged 40, the founder of our Group, has been a Director and our general manager since our establishment and was later appointed as the chairman of our Board on December 14, 2015. Dr. Liang is primarily responsible for the overall management of the business strategy, corporate development and research and development of our Group and oversight of the suitability and sustainability of our Group. Dr. Liang also serves as the director and general manager of Basecare Medical Device and Basecare Intelligent Manufacturing.

Dr. Liang has over ten years of experience in bioinformatics and in the reproductive science industry, and has led the development of NIPT and high-throughput sequencing, as well as the development and regulatory application of NGS products. Dr. Liang is currently a part-time research fellow at the National Research Center for Assisted Reproduction and Eugenics (國家輔助生殖與優生工程技術研究中心), the only national level research institution in this field in China, the Secretary General of the Genetic Counseling Capacity Building Committee of Capacity Building and Continuing Education Center of Committee of the National Health Commission (國家衛生健康委能力建設和繼續教育中心), a standing committee member of the Reproductive Medicine Professional Committee of the Chinese Non-government Medical Institutions Association (中國非公立醫療機構協會) and a secretary of the Genetic Consulting Branch of Chinese Genetic Society (中國遺傳學會遺傳諮詢分會). Dr. Liang also received an award of Leading Talents in Science and Technology from Suzhou Industrial Park Working Committee of CPC Suzhou Industrial Park Management Committee (中共蘇州工業園區工作委員會蘇州工業園區管理委員會) in December 2015. Dr. Liang has published more than 20 papers in academic journals such as Fertility and Sterility, which highlights Dr. Liang's outstanding academic and R&D capabilities. Dr. Liang also previously served as the director and general manager of Suzhou Chaoyun, the director of Benxi Medical Laboratory, the chairman of Shandong Medical Laboratory and the general manager of Suzhou Laman Medical Equipment Co., Ltd. (蘇州拉曼醫療器械有限公司). After graduating from University of Melbourne in August 2007 and before founding our Group in December 2010, he mainly engaged in comprehensive preparation work for our Group's business, including, among others, in-depth industry research and communication with potential business partners.

Dr. Liang received his bachelor's degree in mathematics and applied mathematics from Sun Yat-sen University (中山大學) in the PRC in June 2004. He received his master's degree in information technology from University of Melbourne in Australia in August 2007. He also received his doctoral degree in biology from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2020.

Mr. KONG Lingyin (孔令印), aged 40, was appointed as a Director on June 15, 2016. He has also been serving as our chief technical officer since May 1, 2014. Mr. Kong is primarily responsible for the research and development and regulatory filing activities of our Group. Mr. Kong also serves as the technical director of Basecare Medical Device.

Before joining our Group in June 2011, Mr. Kong served as a staff member responsible for biological information analysis at Hangzhou Sha'ai Taike Biology Technology Co., Ltd (杭州莎艾泰克生物技術有限公司) until September 2008 and worked at the development department of Chongqing Nuojing Biology Information Technology Co., Ltd (重慶諾京生物資訊技術有限公司) from October 2008 to May 2010. He worked at Tianjin International Biomedical Union Research Institute (天津國際生物醫藥聯合研究院) from May 2010 to July 2011 where he was responsible for biological information analysis.

Mr. Kong received his bachelor's degree in biotechnology from Shandong Agricultural University (山東農業大學) in the PRC in July 2003 and his master's degree in biochemistry and molecular biology from Zhejiang University of Technology (浙江理工大學) in the PRC in April 2007.

Directors, Supervisors and Senior Management

Mr. RUI Maoshe (芮茂社), aged 32, was appointed as a Director on November 5, 2018. He has also been serving as our chief operating officer since June 1, 2017. Mr. Rui is primarily responsible for the operation management and customer service of our Group. Dr. Kong also serves as the operation director of Basecare Medical Device. Before joining our Group, from September 2011 to November 2014, Mr. Rui worked at Nanjing BGI Genomics Co., Ltd. (南京華大基因科技有限公司) where he was responsible for training and operations. Mr. Rui received his bachelor's degree in biological engineering from Qufu Normal University (曲阜師範大學) in the PRC in June 2011.

NON-EXECUTIVE DIRECTORS

Mr. XU Wenbo (徐文博), aged 36, was appointed as a Director on November 5, 2018. Mr. Xu is primarily responsible for supervising and providing independent advice to our Board. Mr. Xu has also been serving as the chairman and founding partner at Broad Vision Funds (博華資本) since September 2017 and an independent director at BlueFocus Communication Group Co., Ltd (北京藍色光標數據科技股份有限公司), a public relations consulting and advertising company listed on the Shenzhen Stock Exchange (Stock Code: 300058) since May 2020. Mr. Xu received his bachelor's degree in law from Peking University (北京大學) in the PRC in July 2007 and his master's degree in law from University of California, Berkeley in the U.S. in May 2010.

Mr. ZHANG Jiecheng (張劼鋮), aged 31, was appointed as a Director on July 23, 2020. Mr. Zhang is primarily responsible for supervising and providing independent advice to our Board. Mr. Zhang joined Hillhouse Capital Group in June 2015 and is currently serving as an executive director of Hillhouse Capital Group. Mr. Zhang received his bachelor's degree in management from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2012.

Mr. WANG Weipeng (王偉鵬), aged 32, was appointed as a non-executive Director on September 2, 2016. Mr. Wang is primarily responsible for supervising and providing independent advice to our Board. Mr. Wang has been working at Shenzhen Qianhai Hengrui Fangyuan Investment Management Co., Ltd. (深圳前海恒瑞方圓投資管理有限公司) since April 2015 and has been serving as the general manager since March 2019. From July 2011 to April 2015, Mr. Wang worked at the Harbin Sales Department of China Minze Securities Co., Ltd. (中國民族證券有限責任公司), currently known as Founder Securities Underwriting Sponsor Co., Ltd. (方正證券承銷保薦有限責任公司). Mr. Wang received his bachelor's degree in accounting from Harbin University of Commerce (哈爾濱商業大學) in the PRC in July 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. KANG Xixiong (康熙雄), aged 68, was appointed as an independent non-executive Director on January 16, 2021. Dr. Kang is primarily responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group.

Dr. Kang has been the chief physician and professor at the Laboratory Diagnosis Center of Beijing Tiantan Hospital, Capital Medical University (首都醫科大學附屬北京天壇醫院), and a professor and the head of the clinical laboratory diagnosis department of Capital Medical University (首都醫科大學) since September 2001 and July 2020, respectively.

Dr. Kang has been an executive director of Suzhou Niuai Health Technology Co., Ltd (蘇州紐艾健康科技有限公司), a company mainly engaged providing urine dry chemistry test devices, since July 2020, a director of Shanghai Baiao Technology Co., Ltd (上海百傲科技股份有限公司), a company listed on the National Equities Exchange and Quotations (Stock Code: 430353), since May 2019, an independent director of Guangzhou Yangpu Medical Technology Co., Ltd. (廣州陽普醫療科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300030), since May 2017, an independent director of Boai Xinkaiyuan Medical Science and Technology Group Co., Ltd (博愛新開源醫療科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300109), since September 2019, and an independent director at Sannuo Bio-sensing Co., Ltd (三諾生物傳感股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300298), since December 2019.

Dr. Kang received his doctoral degree in medicine in Tokyo Medical University in Japan in November 1990.

Dr. HUANG Taosheng (黃濤生), aged 59, was appointed as an independent nonexecutive Director on January 16, 2021. Dr. Huang is primarily responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group.

Dr. Huang is a physician-scientist with substantial experience in translation research, particularly in mitochondrial medicine. He is concurrently serving as a tenured professor in Pediatrics and Human Genetics and chief of Human Genetics of University at Buffalo, and a director of Medical Genetics, Oishei Children's Hospital. Dr. Huang did his pediatrics residency at Georgetown University Medical Center from July 1993 to June 1996. He completed his clinical genetics and clinical molecular genetics fellowship at Harvard Medical School in June 1999.

Dr. Huang is the member of a number of professional associations, including American College of Medical Genetics, American Society of Human Genetics and American Academy of Pediatrics. He has published approximately 120 articles on a variety of topics that range from genetic syndromes to molecular mechanisms with extensive experience. Recently, he has been working on mitochondria-related optic atrophy and the molecular basis of other mitochondria disease.

Dr. Huang graduated with major in medicine from Fujian Medical College (福建醫學院, currently known as Fujian Medical University (福建醫科大學)) in the PRC in August 1983. He obtained his master's degree in medicine from The Third Military Medical University of the People's Liberation Army of China (中國人民解放軍第三軍醫大學, currently known as the Army Medical University of the People's Liberation Army of China (中國人民解放軍陸軍軍醫大學)) in the PRC in July 1986 and his Ph.D in biomedical sciences from the City University of New York in the U.S. in June 1992.

Directors, Supervisors and Senior Management

Mr. YU Kwok Kuen Harry (余國權), aged 51, was appointed as an independent non-executive Director on January 16, 2021. Mr. Yu also serves as the chairman of the Audit Committee, and a member of Remuneration Committee and Nomination Committee.

Mr. Yu is experienced in the finance and accounting field. Mr. Yu worked at KPMG from October 1991 to June 2011, during which he became a partner in July 2002. From September 2012 to June 2016, Mr. Yu worked as an executive director at Golden Meditech Holdings Limited, a company listed on the Stock Exchange (Stock Code: 0801).

Mr. Yu has been serving as an independent non-executive director of China Risun Group Limited (中國旭陽集團), a company listed on the Stock Exchange (Stock Code: 1907), since September 2018, an independent non-executive director of Impro Precision Industries Limited (鷹普精密工業有限公司), a company listed on the Stock Exchange (Stock Code: 1286), since April 2019, and an independent director of Shenzhen Feima International Supply Chain Co., Ltd. (深圳市飛馬國際供應鏈股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002210), since January 2021.

Mr. Yu is a fellow of the Institute of Chartered Accountants in England and Wales, a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Yu is also a Certified Public Accountant of the Macau Special Administrative Region.

Mr. Yu obtained his diploma in accountancy from Morrison Hill Technical Institute in Hong Kong in 1991 and master's degree in business administration from Manchester Business School in the United Kingdom through long-distance learning in 2000.

SUPERVISORS

Ms. HUANG Bing (黃冰), aged 28, was appointed as a Supervisor and the chairwoman of our Board of Supervisors on August 26, 2020. Ms. Huang is primarily responsible for supervising the compliance of the business operations of our Group. Ms. Huang joined our Group in June 2015 and served as the assistant to our general manager.

Ms. Huang received a bachelor's degree in biological engineering from Suzhou Institute of Technology (蘇州科技學院) in the PRC in June 2015.

Dr. LIN Yi (林藝), aged 51, was appointed as a Supervisor on August 26, 2020. Dr. Lin is primarily responsible for supervising the compliance of the business operations of our Group.

Dr. Lin has been serving as a managing partner of Suzhou Industry Park Yuanfu Venture Capital Management Corporation (Limited Partnership) (蘇州工業園區元福創業投資管理企業(有限合夥)), since June 2016. From September 2015 to June 2016, Dr. Lin served as an executive director at Riverhead Capital Investment Management Co., Ltd. (陽光融匯資本投資管理有限公司). Dr. Lin worked at Korea Investment Partners (Shanghai) Venture Capital Management Co., Ltd. (韓投夥伴(上海)創業投資管理有限責任公司) until September 2015.

From April 2011 to August 2014, Dr. Lin served as an executive director and partner of ePlanet Ventures Investment Group (Hong Kong) Limited Beijing Representative Office (壹普蘭投資(香港)有限公司北京代表處). From May 2009 to March 2011, Dr. Lin served as an executive director at Mingly China Growth Fund (名力中國成長基金). In August 2002, Dr. Lin founded Beijing Eastwin Innovation Biotechnology Co., Ltd. (北京東勝創新生物科技有限公司) and served as a vice president until December 2008.

Dr. Lin received his bachelor's degree in biochemistry from Peking University (北京大學) in the PRC in July 1990 and his master's degree in molecular biology from Shanghai Institute of Biochemistry, Chinese Academy of Sciences (中國科學院上海生物化學研究所) in the PRC in September 1993. He also received a doctoral degree in microbiology and immunology from Columbia University in the U.S. in October 1998 and master's degree in business administration from University of Chicago in the U.S. in June 2000.

Ms. ZHU Tingting (朱婷婷), aged 27, was appointed as a Supervisor on August 26, 2020. Ms. Zhu is primarily responsible for supervising the compliance of the business operations of our Group. Ms. Zhu joined our Group in June 2015 and was later promoted as our marketing director.

Ms. Zhu received her bachelor's degree in food science and engineering from Changshu Institute of Technology (常熟理工學院) in the PRC in June 2015.

SENIOR MANAGEMENT

Dr. LIANG Bo (梁波), aged 40, has been serving as our general manager since our establishment. Dr. Liang is responsible for the overall management of the business strategy, corporate development and research and development of our Group. Please see "— Executive Directors — Dr. LIANG Bo" above for details of his biography.

Mr. KONG Lingyin (孔令印), aged 40, was appointed as our chief technical officer on May 1, 2014. Mr. Kong is responsible for the research and development and regulatory filling activities of our Group. Please see "— Executive Directors — Mr. KONG Lingyin" above for details of his biography.

Mr. RUI Maoshe (芮茂社), aged 32, was appointed as our chief operating officer on June 1, 2017. Mr. Rui is responsible for the operation management and customer service of our Group. Please see "— Executive Directors — Mr. RUI Maoshe" for details of his biography.

Ms. DAI Jing (戴靜), aged 33, was appointed as our chief financial officer on August 26, 2020. Ms. Dai is primarily responsible for the finance, budgeting and internal control of our Group.

Ms. Dai has approximately ten years of experience in accounting and finance. Before joining our Group, she worked at PwC Zhongtian LLP (普華永道中天會計師事務所(特殊普通合夥)) from December 2010 to August 2020 with the last position as a senior audit manager.

Ms. Dai received her bachelor's degree in accounting from Nanjing University of Information Science & Technology (南京信息工程大學) in the PRC in June 2009. She obtained the qualification of certified public accountant from the Chinese Institute of Certified Public Accountants in October 2011.

Save as disclosed above, none of our Directors, Supervisors and senior management held any directorship in any public companies the shares of which are listed in the Stock Exchange or overseas stock markets during the three years prior to the date of this annual report.

To the best of the Board's knowledge, information and belief, save as disclosed in the annual report, our Directors, Supervisors and senior management do not have any relationship amongst them.

JOINT COMPANY SECRETARIES

Ms. DAI Jing (戴靜) was appointed as our joint company secretary on October 8, 2020. Please see "— Senior Management — Ms. DAI Jing" above for details of her biography.

Mr. YIM Lok Kwan (嚴洛鈞) was appointed as our joint company secretary on August 31, 2020. Mr. Yim is a manager of SWCS Corporate Services Group (Hong Kong) Limited and has over eight years of experience in the corporate services field. Mr. Yim obtained his bachelor's degree in accounting from Hong Kong Shue Yan University in July 2020 and his master degree in corporate governance from Hong Kong Polytechnic University in September 2016. Mr. Yim is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators).

Corporate Governance Report

Corporate Governance Practices

As the Shares of the Company were not listed on the Stock Exchange as of December 31, 2020, the CG Code was not applicable to the Company during the Reporting Period, but has become applicable to the Company since the Listing Date.

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company has adopted the CG Code as its own code of corporate governance since the Listing Date. The Company has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date and up to the date of this annual report, except for a deviation from the code provision A.2.1 of the CG Code, the roles of chairman and general manager of the Company are not separate and are both performed by Dr. Liang.

The Board believes that vesting the roles of both chairman of the Board and general manager of the Company in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the general manager of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Directors' and Supervisors' Securities Transactions

As the Shares of the Company were not listed on the Stock Exchange as of December 31, 2020, related rules under the Model Code that Directors shall observe did not apply to the Company during the Reporting Period.

The Company has adopted the Model Code as its own code of conduct regarding Directors' and Supervisors' securities transactions since the Listing Date. Having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code during the period from the Listing Date and up to the date of this annual report.

No incident of non-compliance of the Model Code was noted by the Company during the period from the Listing Date and up to the date of this annual report.

Independent Non-executive Directors

During the period from the Listing Date and up to the date of this annual report, the Board at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A 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/her 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 throughout the year ended December 31, 2020 and remain so as at the date of this annual report.

Appointment, Re-election and Removal of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term as stipulated in the articles of association, but no term of office shall last for more than three years. The non-executive Directors and independent non-executive Directors have been appointed till the expiration of the term of the current Board and unless it is terminated by either the Company or such Director. The term of appointment of each Director is subject to retirement by rotation and re-election at general meeting in accordance with the Articles and the Listing Rules. Directors are elected or replaced by the shareholders' general meeting for a term of three years. A Director may, if re-elected upon expiration of the term of office, serve consecutive terms. No Director proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation. Each term of office of a Supervisor is three years and he or she may serve consecutive terms if re-elected.

The Company may, in accordance with the Articles of Association, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors, and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

Responsibilities of the Directors

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 Directors 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.

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, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Board Diversity Policy

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. In particular, our chief financial officer, who is responsible for the finance, budgeting and internal control of our Group, is female and forms part of our senior management team. Going forward, we will continue to work to enhance gender diversity of our Board. Our Board will use its best endeavors to appoint female Directors to our Board after Listing (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles) and our Nomination Committee will use its best endeavors and on suitable basis to, within one year after Listing, identify and recommend multiple suitable female candidates to our Board for its consideration on appointment of a Director. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic development, business development, research and development, investment management, finance and corporate finance. They obtained degrees in various areas including biochemistry and molecular biology, mathematics and applied mathematics, biological engineering, law, management, accounting, medicine and business administration.

Our Directors range from 31 years old to 68 years old. Our Board is responsible for reviewing the diversity of our Board. Our Board will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

Directors', Supervisors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, Supervisors, officers and senior management of the Company arising out of corporate activities.

Induction and Continuous Professional Development of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive 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.

Since the Listing of our Company, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. 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.

The attendance record of professional training received by the Directors in preparation for the Listing on the Stock Exchange, related to the duties of directors and on-going obligations of listed companies, is as follows:

Name of Director	**Nature of continuous professional development programs**
Dr. LIANG Bo	A/B
Mr. KONG Lingyin	A/B
Mr. RUI Maoshe	A/B
Mr. XU Wenbo	A/B
Mr. ZHANG Jiecheng	A/B
Mr. WANG Weipeng	A/B
Dr. KANG Xixiong	A/B
Dr. HUANG Taosheng	A/B
Mr. YU Kwok Kuen Harry	A/B

Notes:

A: Attending seminars, meetings, forums, briefings and/or training courses.

B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities 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 Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of two independent non-executive Directors, namely Mr. YU Kwok Kuen Harry and Dr. KANG Xixiong and one non-executive Director, namely Mr. WANG Weipeng. Mr. YU Kwok Kuen Harry, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, oversee the audit process, review and oversee the existing and potential risks of the Company and perform other duties and responsibilities as assigned by the Board.

As the Company's Shares were listed on the Main Board of the Stock Exchange on February 8, 2021, no meeting was held by the Audit Committee during the Reporting Period.

During the period from the Listing Date and up to the date of this annual report, the Audit Committee has mainly performed the following duties:

- reviewed the Group's the audited annual results for the year ended December 31, 2020, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;
- reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditor; and
- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the period from the Listing Date and up to the date of this annual report, one meeting has been held by the Audit Committee. The attendance record of each member of the Audit Committee at the meeting of the Audit Committee is set out below:

Name of Director	Attendance/ Number of Audit Committee meeting held during a Director's tenure
Mr. YU Kwok Kuen Harry	1/1
Dr. KANG Xixiong	1/1
Mr. WANG Weipeng	1/1

Remuneration and Appraisal Committee

The Company established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration and Assessment Committee consists of one executive Director, namely Dr. Liang and two independent non-executive Directors, namely Mr. YU Kwok Kuen Harry and Dr. KANG Xixiong. Dr. KANG Xixiong is the chairman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Assessment Committee are to establish and review the remuneration policy and structure for the Directors, Supervisors and senior management and make recommendations on employee benefit arrangement.

As the Company's Shares were listed on the Main Board of the Stock Exchange on February 8, 2021, no meeting was held by the Remuneration and Appraisal Committee during the Reporting Period.

During the period from the Listing Date and up to the date of this annual report, the Remuneration and Appraisal Committee has mainly performed the following duties:

- reviewed the Group's remuneration policy; and
- reviewed the remuneration package of the executive Directors and senior management for the Reporting Period.

During the period from the Listing Date and up to the date of this annual report, one meeting has been held by the Remuneration and Appraisal Committee. The attendance record of each member of the Remuneration and Appraisal Committee at the meeting of the Remuneration and Appraisal Committee is set out below:

Name of Director	Attendance/ Number of Remuneration and Appraisal Committee meeting held during a Director's tenure
Dr. KANG Xixiong	1/1
Dr. LIANG Bo	1/1
Mr. YU Kwok Kuen Harry	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of each of the Directors, Supervisors and the five highest paid employees for the year ended December 31, 2020 are set out in note 8 and note 9 to the consolidated financial statements respectively. Details of the remuneration by band of the members of the senior management (other than the Directors and Supervisors) of the Company for the year ended December 31, 2020 are set out below:

Remuneration to the senior management by bands (RMB)	Number of senior management
0-1,000,000	1
Total	1

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of one executive Director, namely Dr. Liang and two independent non-executive Directors, namely Dr. KANG Xixiong and Mr. YU Kwok Kuen Harry. Dr. Liang is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

As the Company's Shares were listed on the Main Board of the Stock Exchange on February 8, 2021, no meeting was held by the Nomination Committee during the Reporting Period.

During the period from the Listing Date and up to the date of this annual report, the Nomination Committee has mainly performed the following duties:

- reviewed the annual confirmations of independence submitted by the independent non-executive Directors and assessed their independence; and

- reviewed the structure, size and composition of the Board during the Reporting Period and whether the composition of the Board complied with the requirements of the Board Diversity Policy.

During the period from the Listing Date and up to the date of this annual report, one meeting has been held by the Nomination Committee. The attendance record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	Attendance/ Number of Nomination Committee meeting held during a Director's tenure
Dr. LIANG Bo	1/1
Dr. KANG Xixiong	1/1
Mr. YU Kwok Kuen Harry	1/1

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, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. 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 (for appointment of Independent Non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board.

Corporate Governance Function

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code and such duties have been delegated to the Audit Committee.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors, Supervisors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company may from time to time and as the circumstances required, provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

Board Composition

Executive Directors

Dr. LIANG Bo *(Chairman)*
Mr. KONG Lingyin
Mr. RUI Maoshe

Non-executive Directors

Mr. XU Wenbo
Mr. ZHANG Jiecheng
Mr. WANG Weipeng

Independent Non-executive Directors

Dr. KANG Xixiong
Dr. HUANG Taosheng
Mr. YU Kwok Kuen Harry

Save as disclosed in the Directors' biographies set out in the section headed "Directors, Supervisors and Senior Management", none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director, Supervisors and general manager.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year and at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of the Directors. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

Apart from regular Board meetings, the chairman of the Company should hold meetings with the independent non-executive Directors without the presence of other Directors each year.

One Board meeting and no general meeting was held during the period from the Listing Date to the date of this annual report. On March 30, 2021, a Board meeting was held to approve, among others, the annual results of the Group for the year ended December 31, 2020 and to review the operation and compliance of the Company. Our Company will continue to comply with the Code Provision A.1.1 of the CG Code. The attendance of each Director at the Board meeting is set out in the table below:

Name of Director	Attendance/ Number of Board meeting held during a Director's tenure
Dr. LIANG Bo	1/1
Mr. KONG Lingyin	1/1
Mr. RUI Maoshe	1/1
Mr. XU Wenbo	1/1
Mr. ZHANG Jiecheng	1/1
Mr. WANG Weipeng	1/1
Dr. KANG Xixiong	1/1
Dr. HUANG Taosheng	1/1
Mr. YU Kwok Kuen Harry	1/1

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided treatment plans, monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems from the Listing Date.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls from the Listing Date, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, Supervisors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020, which give a true and fair view of the affairs of the Group and the Company and of the Group's financial results and cash flows.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this annual report.

AUDITOR'S REMUNERATION

The Company appointed KPMG as the external auditor for the year ended December 31, 2020. A statement by KPMG about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 68 to 73.

	RMB'000
Audit services	1,711
Non-audit services *(Note)*	300
Total	2,011

Note: the non-audit services were internal control advisory services in connection with the Global Offering provided by KPMG.

JOINT COMPANY SECRETARIES

Ms. DAI Jing, who is also the chief financial officer of the Company, is appointed as the joint company secretary. For details of Ms. Dai's biography, please see in the section headed "Directors, Supervisors and Senior Management" of this annual report.

The Company has also appointed, externally, Mr. YIM Lok Kwan as the joint company secretary of the Company. For details of Mr. Yim's biography, please see in the section headed "Directors, Supervisors and Senior Management" of this annual report. Mr. Yim's primary contact with the Company is Dr. Liang, the executive Director and the chairman of the Board.

During the year ended December 31, 2020, Mr. Yim undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. Ms. Dai will also undertake the same professional training each year since 2021.

SHAREHOLDERS' RIGHTS

Rights to convene Extraordinary General Meeting

As one of the measures to safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting.

Pursuant to the Articles of Association, extraordinary general meetings shall be convened on the requisition of Shareholders holding, at the date of written requisition, 10% or more of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held as soon as possible.

Procedures for a Shareholder of the Company to propose a person for election as a Director

Subject to the Articles of Association and the Company Law of the PRC (中華人民共和國公司法) (as amended from time to time), the Directors shall be elected by the general meeting.

The Articles of Association provides that written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to the Company seven (7) days before the Shareholders' general meeting is convened. When calculating the time limit of the notice, the date of the meeting and the day on which the notice is given shall be excluded.

Right to Put Enquires to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company by mail to Headquarters: Unit 101, Building A3, BioBay, No. 218 Xinghu Street, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC, or; Hong Kong: 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong or by email to ir@basecare.cn.

COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchange views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's H share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

Change in Constitutional Documents

There were no significant changes in the constitutional documents of the Company since the Listing Date.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a policy on payment of dividends pursuant to code provision E.1.5 of the CG Code, such details has also set out in its Articles of Association and summarized as follows:

The Company may distribute dividends in one of the following forms (or in both forms):

(1) cash;

(2) shares.

As for cash dividends and other payments to domestic Shareholders, the Company shall pay in RMB, and such payments to holders of foreign shares will be denominated and declared in Renminbi and paid in foreign currency. Foreign currency required by the Company to pay cash dividends and other monies to holders of foreign shares shall be obtained in accordance with the relevant provisions on foreign exchange administration of the state.

Subject to the applicable law and the Articles of Association, any future determination to pay dividends will be based on a number of factors, including the Company's future operations, capital requirements, general financial condition and other factors that the Board may deem relevant.

REPORT OF THE SUPERVISORS

With the joint efforts of all Supervisors of the Company, in accordance with the laws and regulations such as the Company Law of the People's Republic of China (the "Company Law") and the provisions of the Articles of Association and the Rules of Procedures for Meeting of the Board of Supervisors, the Board of Supervisors, in the spirit of being responsible to all shareholders of the Company, conscientiously performed the duties and powers granted by relevant laws and regulations, actively and effectively carried out the work, supervised the compliance of the operation of the Company and the performance of duties by Directors and senior management of the Company, and safeguarded the legitimate rights and interests of the Company as well as its Shareholders.

The work of the Board of Supervisors in 2020 and the work plan for 2021 are hereby reported as follows:

WORK OF THE BOARD OF SUPERVISORS

In 2020, the Board of Supervisors convened and held two meetings of the Board of Supervisors pursuant to the laws. The notice, convening and voting procedures for the meetings were in compliance with the requirements of the Company Law and other laws and regulations as well as the Articles of Association and the Rules of Procedures for the Board of Supervisors. The work of the Board of Supervisors mainly included:

1. Attending general Shareholders' meetings of the Company to understand the operation of the Shareholders' meetings;

2. Attend the meetings of the Board of Directors of the Company to understand the operation of the Board of Directors; and

3. Review the financial reports of the Company and the audit reports submitted by accounting firm.

OPINIONS ON THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

(i) Compliance of the Operation

The members of the Board of Directors and senior management of the Company operated in strict compliance with the relevant provisions of the Company Law and the Articles of Association, diligently and responsibly performed their duties with a scientific and reasonable decision-making process, earnestly implemented each resolution of the general Shareholders' meetings, and they were not aware of any illegal act or actions against the interests of the Company.

(ii) Financial Position of the Company

The Board of Supervisors reviewed and agreed with the audited consolidated financial statements for the year ended December 31, 2020, and believed that the financial statements of the Company has given an objective and true view of the financial position and the operating results of the Company and is free of false representations, misleading statements and material omissions.

(iii) Internal Control

Based on the relevant regulations of the Company Law and the Articles of Association together with its actual condition, the Company established a comprehensive internal management and internal control system, which ensures the normal operation of the Company. The Company has a complete internal control organization and an internal audit department with sufficient staff to ensure full and effective implementation and supervision of the Company.

(iv) Integrity and Self-discipline

The Directors and senior management of the Company strictly regulated themselves to abide by the laws and regulations with honesty and self-discipline, and no illegal acts due to personal interests were found.

WORK PLAN FOR 2021

The Board of Supervisors will further regulate the work of the Board of Supervisors in accordance with the Company Law, the Articles of Association as well as relevant laws and regulations, reinforce its supervision and safeguard the interests of the Company and its Shareholders:

(1) Attend Shareholders' meetings of the Company and pay close attention to the operation of the general Shareholders' meetings as well as the Company's business decisions to ensure normal operation of the Company.

(2) Attend the meetings of Board of Directors of the Company and continue to actively participate in various work meetings organized and convened by the Company to keep abreast of the operation of the Board of Directors and the development of the Company's operation to ensure the standardized operation of the Company.

(3) Further reinforce the supervision and inspection of the financial position of the Company.

(4) Supervise the compliance and due diligence of the Directors and senior management of the Company.

The Board of Supervisors
Suzhou Basecare Medical Corporation Limited
March 30, 2021

REPORT OF THE DIRECTORS

The Board is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2020.

GENERAL INFORMATION

The Company was incorporated in the PRC with limited liability on December 14, 2010 and converted into a joint stock company with limited liability on August 27, 2020. The Company's Shares were listed on the Main Board of the Stock Exchange on February 8, 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are providing genetic testing solutions for assisted human reproduction. There were no significant changes in the nature of the Company's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in the section headed "Business Review" under "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period is provided in the section headed "Financial Review" under "Management Discussion and Analysis" of this annual report.

The results of the Group for the Reporting Period are set out in the Consolidated Financial Statements of this annual report.

FINAL DIVIDENDS

The Directors do not recommend a final dividend for the Reporting Period. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in the section headed "Management Discussion and Analysis — Business Review — Important Events after the End of the Reporting Period", no other important events affecting the Company occurred since the reporting period and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following are parts of the key risks and uncertainties identified by the Group:

Risks Relating to Sales and Distribution of Our Products:

- Our historical sales mainly relied on two products, our self-developed PGT-A kit and NIPT kit we distributed, and it may be difficult to evaluate our future prospects.

- If we cannot maintain relationships with our key business partners, or cannot establish or seek more collaborations and strategic alliances in the future, our results of operations and prospects could be adversely affected.

- We rely on third-party promoters to market and promote our products. There is no guarantee that we will succeed in expanding our sales network.

- If we cannot maintain or develop clinical collaborations and relationships with KOLs, physicians and experts, our results of operations and prospects could be adversely affected.

Risks Relating to Our Financial Position and Prospects:

- We have incurred significant net losses since inception and expect to continue to incur losses, and may never achieve or sustain profitability.
- We may need to obtain substantial additional financing to fund our operations.
- Our financial prospects depends on the success of our product portfolio.

Risks Relating to Government Regulations:

- Any failure to comply with relevant laws and regulations may adversely affect the business and results of operations of our Group.
- Any adverse change in the regulatory regime relating to the PRC reproductive genetics medical device industry or the medical device industry in general may limit our ability to provide products and any lack of requisite licenses or certificates applicable to our business.
- If we are not able to obtain or maintain, or experience delays in obtaining or maintaining, required regulatory approvals, we will not be able to commercialize our products, and our ability to generate revenue will be materially impaired.

Risks Relating to the Research and Development of Our Products:

- We invest substantial resources in research and development in order to develop our products and enhance our technologies, which we may not be able to do successfully.
- If we encounter difficulties procuring requisite test samples or collect samples in our clinical trials, our research and development activities could be delayed or otherwise adversely affected.
- Clinical development involves a time- and cost-consuming process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.
- We may not be able to successfully complete product registration testing or clinical trials in a timely manner and at acceptable costs, or at all.

Risks Relating to Manufacture and Supply of Our Products:

- If our products are not manufactured to the necessary quality standards, it could harm our business and reputation, and our revenue and profitability could be adversely affected.
- If we suffer substantial disruption to our production site or encounter problems in manufacturing our products, our business and results of operations could be adversely affected.
- We depend on third-party suppliers to supply raw materials to manufacture our products. If these suppliers can no longer provide satisfactory products to us on commercially reasonable terms, our business and results of operations could be adversely affected.

Risks Relating to Our Intellectual Property Rights:

- We may not be able to obtain or maintain sufficient intellectual property rights for our products.
- Patent protection depends on compliance with various procedural, regulatory and other requirements, and our patent protection could be reduced or eliminated due to noncompliance.
- Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.
- Intellectual property and other laws and regulations are subject to change, which could diminish the value of our intellectual property and impair the intellectual property protection of our products.

Risks Relating to Our Operations:

- Our historical financial and operating results may not be indicative of our future performance, and we may not be able to achieve and sustain the historical level of revenue growth and profitability.
- We recorded negative cash flows from operating activities and had net liabilities during the since our incorporation.
- The discontinuation of any preferential tax treatment or government grants currently available to us could adversely affect our financial position, results of operations, cash flows and prospects.
- Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period,

(i) the Group's largest supplier accounted for 13.4% (2019: 23.7%) of its total purchases, and the five largest suppliers accounted for 35.4% of its total purchases (2019: 58.1%); and

(ii) the Group's largest customer accounted for 11.9% (2019: 11.9%) of its total sales, and the five largest customers accounted for 47.4% of its total sales (2019: 43.8%).

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 11 to the consolidated financial statements.

SUBSIDIARY

Details of the subsidiary of the Company as of December 31, 2020 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2020, the Company did not have any distributable reserves.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as of December 31, 2020 are set out in note 21 to the consolidated financial statements.

SHARE INCENTIVES

During the Reporting Period, the Company did not adopt any share incentive plan.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office during the Reporting Period and up to the date of this annual report were:

Executive Directors

Dr. LIANG Bo *(Chairman)*
Mr. KONG Lingyin
Mr. RUI Maoshe

Non-executive Directors

Mr. XU Wenbo
Mr. ZHANG Jiecheng
Mr. WANG Weipeng

Independent Non-executive Directors

Dr. KANG Xixiong
Dr. HUANG Taosheng
Mr. YU Kwok Kuen Harry

Supervisors

Ms. HUANG Bing *(Chairwoman)*
Dr. LIN Yi
Ms. ZHU Tingting

DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

Details of Directors and Supervisors are set out in "Director, Supervisors and Senior Management" of this annual report. Save as disclosed in that section, up to the date of this annual report, there were no changes to information which are required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the Master Sales Agreement disclosed under the section headed "Connected Transactions" of this annual report, no transaction, arrangement or contract existed which should be disclosed according to Rule 15 of Appendix 16 to the Listing Rule.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Details of Directors' and Supervisors' service contracts set out in "Appointment, Re-election and Removal of Directors" section of the Corporate Governance Report.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the Reporting Period.

COMPETING INTEREST AND OTHER INTEREST

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors, Supervisors and the Controlling Shareholders were interested in any business which competes or is likely to compete with the businesses of the Group during the Reporting Period.

Each of our Controlling Shareholders has undertaken to us in the Non-Competition Undertaking that, during the period of the Non-competition Undertaking, it/he shall not, and shall procure its/his close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with any business engaged by any member of our Group, or hold interest in any companies or business that compete directly or indirectly with the business currently or from time to time engaged in by our Group. For the avoidance of doubt, the Restricted Business shall include the business in relation to research and development, manufacturing and commercialization of (i) reproductive genetic test kits and (ii) reproduction related ancillary devices and instruments. For further details, please refer to the section headed "Relationship with Our Controlling Shareholders — Non-competition Undertaking" of the Prospectus.

We have received annual written confirmations from the Controlling Shareholders of the compliance with the provisions of the Non-competition Undertaking by such Controlling Shareholders and their close associates. The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking for the year ended December 31, 2020 based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that our Controlling Shareholders have duly complied with the Non-competition Undertaking.

During the Reporting Period, the Group has not entered into any other contract of significance with the Controlling Shareholders (other than the service contracts of Directors and senior management).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

REMUNERATION POLICY

The Remuneration and Appraisal Committee of the Company was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors, Supervisors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors, Supervisors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, Supervisors and five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements.

None of the Directors or Supervisors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or Supervisor as an inducement to join, or upon joining the Group, or as compensation for loss of office.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2020, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations.

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 of the Listing Rules is set out on pages 49 to 67 of this annual report.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As the H Shares were not yet listed on the Stock Exchange as of December 31, 2020, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive officer of the Company during the Reporting Period.

As of the date of this annual report, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Position in the Shares of the Company

Name of Director	Position	Nature of interest	Number and class of Shares	Approximate percentage of interest in our Company	Approximate percentage of interest in the relevant class of Shares of our Company
Dr. Liang[(1)]	Executive Director and general manager	Beneficial owner	55,231,640 Domestic Shares	20.19%	28.68%
		Interest in a controlled corporation	36,090,379 Domestic Shares	13.19%	18.74%
Mr. XU Wenbo[(2)]	Non-executive Director	Interest in a controlled corporation	22,196,511 Domestic Shares	8.32%	11.53%

Notes:

(1) As of the date of this annual report, Basecare Investment was held as to approximately 58.31% by Dr. Liang (as the sole general partner). Therefore, Dr, Liang was deemed to be interested in the Shares in which Basecare Investment was interested under the SFO.

(2) As of the date of this annual report, Zhangjiagang Broad Vision Glory investment Partnership (Limited Partnership) ("**Broad Vision Glory**", 張家港博華耀世投資合夥企業(有限合夥)) was the general partner of Broad Vision Investment. The general partner of Broad Vision Harmony was Zhangjiagang Broad Vision Evergreen investment Partnership (Limited Partnership) ("**Broad Vision Evergreen**", 張家港博華常青投資合夥企業(有限合夥)). Both Broad Vision Glory and Broad Vision Evergreen were ultimately controlled by Mr. XU Wenbo. Therefore, Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Investment and Broad Vision Harmony were interested under the SFO.

Save as disclosed above, as of the date of this annual report, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As the H Shares were not yet listed on the Stock Exchange as of December 31, 2020, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company during the Reporting Period.

As of the date of this annual report, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Long Position in the Shares of the Company

Name of Substantial Shareholders	Nature of interest	Number and class of Shares	Approximate percentage of interest in our Company	Approximate percentage of interest in the relevant class of Shares of our Company
Hillhouse HK(1)	Beneficial owner	6,006,010 H Shares;	2.20%	7.42%
		7,630,348 Unlisted Foreign Shares	2.79%	3.96%
Dawn Capital Limited(2)	Investment Manager	4,652,000 H Shares	1.70%	5.75%
OrbiMed Capital LLC(3)	Investment Manager	9,817,825 H Shares	3.59%	12.13%
Dr. Liang(4)	Beneficial owner Interest in controlled corporations	91,322,019 Domestic Shares	33.39%	47.42%
Basecare Investment(4)	Beneficial owner	36,090,379 Domestic Shares	13.19%	18.74%
Zhongcheng Fangyuan Phase II(5)	Beneficial owner	15,189,172 Domestic Shares	5.55%	7.89%
Oriza Seed(6)	Beneficial owner	12,299,422 Domestic Shares	4.50%	6.39%
Broad Vision Investment(7)	Beneficial owner	11,969,242 Domestic Shares	4.38%	6.21%
Suzhou Sungent(8)	Beneficial owner	11,418,525 Domestic Shares	4.17%	5.93%
Broad Vision Harmony(9)	Beneficial owner	10,227,269 Domestic Shares	3.74%	5.31%

Notes:

(1) As of the date of this annual report, Hillhouse HK was wholly owned by HH SPR-XIV CY Holdings Limited ("**HH CY**"). HH SPR-XIV CY Holdings Limited was wholly owned by HH SPR-XIV Holdings L.P. ("**HH Holdings**"). Hillhouse Capital Management, Ltd. acts as the sole management company of Hillhouse Fund IV, L.P., the sole limited partner of HH Holdings. Mr. ZHANG Lei may be deemed to have controlling power over Hillhouse Capital Management, Ltd. Mr. ZHANG Lei disclaims beneficial ownership of all of the shares held by Hillhouse Fund IV, L.P., except to the extent of his pecuniary interest therein.

(2) As of the date of this annual report, Dawn Capital Limited is the investment manager of Dawn Capital Fund, which holds 4,652,000 H Shares. Therefore, Dawn Capital Limited was deemed to be interested in the Shares in which Dawn Capital Fund was interested under the SFO.

(3) As of the date of this annual report, OrbiMed Capital LLC is the investment manager of (i) The Biotech Growth Trust Plc which holds 2,550,500 H Shares; (ii) OrbiMed Genesis Master Fund, L.P. which holds 1,133,500 H Shares; (iii) OrbiMed New Horizons Master Fund, L.P. which holds 1,319,500 H Shares and (iv) OrbiMed Partners Master Fund Limited which holds 4,814,325 H Shares. Therefore, OrbiMed Capital LLC was deemed to be interested in the Shares in which The Biotech Growth Trust Plc, OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P. and OrbiMed Partners Master Fund Limited were interested under the SFO.

(4) As of the date of this annual report, Basecare Investment was held as to approximately 58.31% by Dr, Liang (as the sole general partner). Therefore, Dr, Liang was deemed to be interested in the Shares in which Basecare Investment was interested under the SFO.

(5) As of the date of this annual report, Shenzhen Qianhai Hengrui Fangyuan Investment Management Co., Ltd. ("**Hengrui Fangyuan**", 深圳前海恒瑞方圓投資管理有限公司) was the general partner of Zhongcheng Fangyuan Phase II. Hengrui Fangyuan was held as to 70.00% by Mr. WANG Rui. Therefore, each of Hengrui Fangyuan and Mr. WANG Rui was deemed to be interested in the Shares in which Zhongcheng Fangyuan Phase II was interested under the SFO.

(6) As of the date of this annual report, Oriza Seed was held as to 47.00% by Suzhou Oriza Holdings Corporation ("**Oriza Holdings**", 蘇州元禾控股股份有限公司). Oriza Holdings was held as to 59.98% by Suzhou Industrial Park Economic Development Co., Ltd. ("**SIP Development**", 蘇州工業園區經濟發展有限公司). SIP Development was owned as to around 71.29% by Suzhou Industrial Park Administration Committee (蘇州工業園區管理委員會). Suzhou Industrial Park Seed Zhengze Venture Capital Management Center (Limited Partnership) ("**Seed Management**", 蘇州工業園區原點正則創業投資管理中心(有限合夥)) was the general partner of Oriza Seed. Suzhou Industrial Park Zhengze Equity Investment Management Center (General Partnership) ("**Zhengze Management**", 蘇州工業園區正則股權投資管理中心(普通合夥)) was the general partner of Seed Management. The general partner of Zhengze Management was Mr. FEI Jianjiang (費建江). Seed Management was held as to 99.00% by Suzhou Industrial Park Oriza Seed Venture Capital Management Co., Ltd. ("**Suzhou Oriza**", 蘇州工業園區元禾原點創業投資管理有限公司). Suzhou Oriza was held as to 51.00% and 49.00% by Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. ("**Zhengze Jiming**", 蘇州工業園區正則既明股權投資管理有限公司) and Oriza Holdings. Zhengze Jiming was held as to approximately 45.18% by Mr. FEI Jianjiang.

Therefore, each of Oriza Holdings, SIP Development, Suzhou Industrial Park Administration Committee, Seed Management, Zhengze Management, Mr. FEI Jianjiang, Suzhou Oriza, and Zhengze Jiming was deemed to be interested in the Shares in which Oriza Seed was interested under the SFO.

(7) As of the date of this annual report, Zhangjiagang Broad Vision Glory Investment Partnership (Limited Partnership) ("**Broad Vision Glory**", 張家港博華耀世投資合夥企業(有限合夥)) was the general partner of Broad Vision Investment. Broad Vision Glory was ultimately controlled by Mr. XU Wenbo, our non-executive Director, directly and indirectly through Beijing Broad Vision Funds Co., Ltd. ("**Broad Vision Funds**", 北京博華資本有限公司). Therefore, each of Broad Vision Glory, Broad Vision Funds and Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Investment was interested under the SFO.

(8) As of the date of this annual report, Suzhou Sungent was held as to 43.88% by Suzhou Sungent Holding Group Co., Ltd. ("**Sungent Holding**", 蘇州新建元控股集團有限公司). Sungent Holding was held as to approximately 72.58% by Suzhou Industrial Park Zhaorun Investment Holding Group Co., Ltd. ("**Zhaorun Investment**", 蘇州工業園區兆潤投資控股集團有限公司). Zhaorun Investment was wholly owned by Suzhou Industrial Park Administration Committee. As of the date of this annual report, Suzhou Industrial Park Yuansheng Bioventure Capital Management Co., Ltd ("**YuanBio Venture Capital**", 蘇州工業園區元生創業投資管理有限公司) was the general partner of Suzhou Sungent. YuanBio Venture Capital was held as to 51.00% and 35.00% by Ningbo Yuanjue Venture Capital Management Partnership (Limited Partnership) ("**Ningbo Yuanjue**", 寧波元珏創業投資管理合夥企業(有限合夥)) and Sungent Holding. Ningbo Yuanjue was held as to approximately 68.26% by Mr. CHEN Jie.

Therefore, each of Sungent Holding, Zhaorun Investment, Suzhou Industrial Park Administration Committee, YuanBio Venture Capital, Ningbo Yuanjue and Mr. CHEN Jie was deemed to be interested in the Shares in which Suzhou Sungent was interested under the SFO.

(9) As of the date of this annual report, Broad Vision Harmony was held as to approximately 55.63% by Mr. NA Qinfu. The general partner of Broad Vision Harmony was Zhangjiagang Broad Vision Evergreen Investment Partnership (Limited Partnership) ("**Broad Vision Evergreen**", 張家港博華常青投資合夥企業(有限合夥)), which is ultimately controlled by Mr. XU Wenbo, our non-executive Director, through Broad Vision Funds. Therefore, Mr. NA Qinfu, Broad Vision Evergreen, Broad Vision Funds and Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Harmony was interested under the SFO.

Save as disclosed above, as of the date of this annual report, no person, other than the Directors, Supervisors or chief executives of the Company whose interests are set out in the section headed "Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

USE OF PROCEEDS FROM LISTING

The net proceeds received by the Company from its initial global offering (including the partial exercise of the over-allotment option) amounted to HK$$1,898.7 million (equivalent to RMB1,584.1 million) (after deducting the underwriting commissions and relevant expenses). As of the date of this annual report, the Company did not utilize any of the proceeds from the Global Offering.

The Company intends to use the net proceeds in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds:

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceeds (%)	Percentage of proceeds from the global offering expected to be used in 2021
Core Product			
• Ongoing sales and marketing activities of our PGT-A kit and planned commercialization in China	379.74	20%	Approximately 10% to 15%
• Optimizing the production process of our PGT-A kit, and procuring and installing new automated operational equipment and instruments to increase our production efficiency for PGT-A kit	189.87	10%	Approximately 3% to 5%
Clinical trial, registration filing and commercialization of our PGT-M kit			
• Clinical trial and registration filing of our PGT-M kit	189.87	10%	Approximately 5% to 8%
• Commercialization, sales and marketing activities of our other genetic test kit products	189.87	10%	Approximately 3% to 5%
Development, clinical trials and registration filings of PGT-SR kit, CNV kit and WES k			
• Development, clinical trials and registration filings of our PGT-SR kit, CNV kit and WES kit	246.83	13%	Approximately 5% to 8%
• Research, development and manufacturing of our genetic testing devices and instruments	322.78	17%	Approximately 8% to 10%
Improving our research and development capabilities and enhancing our technologies	189.87	10%	Approximately 3% to 5%
Working capital and general corporate purposes	189.87	10%	Approximately 5% to 8%
Total	**189.87**	**100%**	**Approximately 42% to 64%**

As at the date of this annual report, the Company does not anticipate any changes to its plan on the use of proceeds as stated in its Prospectus.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Save for the Company's initial public offering (including the partial exercise of the overallotment option), there is no other issue of Shares by the Company, and neither the Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of the Company during the period from the Listing Date and up to the date of this annual report.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Among the related party transactions disclosed in note 27 to the consolidated financial statements, the following transaction constitutes a continuing connected transaction for the Company under Rule 14A.31 of the Listing Rules and is required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. Save as disclosed below, the Company confirmed that the related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

Master Sales Agreement

On January 18, 2021, our Company, for itself and on behalf of its subsidiaries, entered into a master sales agreement (the "**Master Sales Agreement**") with Suzhou Double Helix and its three subsidiaries, namely, Suzhou Medical Laboratory, Shandong Medical Laboratory and Benxi Medical Laboratory (collectively, the "**Connected Medical Laboratories**"), pursuant to which, we agreed to sell our PGT-A kit and other genetic test kits to the Connected Medical Laboratories. The Master Sales Agreement has an initial term commencing from the Listing Date to December 31, 2023.

The annual caps for the transactions under the Master Sales Agreement for the years ended December 31, 2021, 2022 and 2023 are RMB57 million, RMB88 million and RMB150 million, respectively. The aggregate transaction amount incurred for providing genetic testing solutions to the Connected Medical Laboratories (including the sales of test kits and provision of testing services) for the year ended December 31, 2020 was RMB19.1 million.

Pursuant to Rule 14A.55 of the Listing Rules, the aforesaid continuing connected transaction disclosed has been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transaction was entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the PRC that would oblige the Company to offer new Shares on a *pro rata* basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities. If any of the Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, he or she is advised to consult an expert.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period and up to the date of this annual report, the Group had complied with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. During the Reporting Period and up to the date of the annual report, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS

During the Reporting Period, the Company did not enter into any loan agreement which contains covenants requiring specific performance of Controlling Shareholders.

SHARE OPTION SCHEME

During the Reporting Period, the Company did not adopt any share option schemes under Chapter 17 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance policies for its Directors, Supervisors and senior management since the Listing Date.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last three financial years (prepared in accordance with IFRS) are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. YU Kwok Kuen Harry, Dr. KANG Xixiong and Mr. WANG Weipeng. Mr. YU Kwok Kuen Harry, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2020.

AUDITOR

The financial statements for the year ended December 31, 2020 has been audited by KPMG. A resolution for the appointment of KPMG as the auditors of the Company for the 2021 financial statements will be proposed at the AGM.

By Order of the Board
Suzhou Basecare Medical Corporation Limited
Dr. LIANG Bo
Chairman and General Manager

Hong Kong, March 30, 2021

1. ABOUT THIS REPORT

This report is the first environmental, social and governance ("**ESG**") report issued by Suzhou Basecare Medical Corporation Limited ("**Basecare Medical**") and its subsidiaries (the "**Group**" **or** "**we**"). The report outlines the Group's efforts in fully implementing the principle of sustainable development and performing its corporate social responsibilities.

Reporting Standard

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report has complied with all the "comply or explain" provisions in the Guide, and its contents are in line with the reporting principles of "materiality", "quantitative", "balance" and "consistency" in the Guide.

Reporting Scope

This report describes the overall performance on sustainable development of the business directly controlled by the Group from 1 January 2020 to 31 December 2020 (the "**Year**" or "**Reporting Period**"). The environmental data disclosed in this report is collected from the Group's headquarters office and production base in Suzhou. For detailed information on the corporate governance of the Group, please refer to the section headed "Corporate Governance Report" in this annual report or visit the official website of the Group.

Feedback on the Report

If you have any inquiry or suggestion in relation to the Report or the sustainable development policies of the Group, please contact us via e-mail (email address: zong02@basecare.cn).

2. SUSTAINABILITY OF BUSINESS

The Group values sustainability of its business. We integrate ESG concepts into our development strategies and business processes to actively strive for sustainable development of the Company and create value for all stakeholders. The board of directors (the "**Board**") of the Group assumes full responsibility for ESG strategy and reporting. It is responsible for evaluating and determining the Company's ESG-related risks and ensuring that appropriate and efficient systems are in place for ESG-related risk management and internal control, as well as supervising the management to review the efficiency of such systems.

With the mission of "making healthy babies available for every family", we have pioneered a solution model under which we provide our clients, i.e. hospitals and reproductive clinics in China offering the relevant assisted reproductive services, with one-stop, customized integrated solutions, including not only consumables (test kits) and hardware devices and instruments but also integrative services, such as providing guidance and advice on laboratory design, operation and management, pre-sale and after-sale technical support, to help them establish from scratch, and further enhance, their reproductive genetic testing, analysis and counseling capabilities. With the vision of "becoming an international brand in the field of reproductive health", we are committed to enabling customers to better serve China's patients with reproductive diseases in an unprecedented way through comprehensive solutions.

2.1. Stakeholder Engagement

The Group attaches great importance to stakeholder engagement, and has established diversified communication channels to fully understand their concerns and expectations. We have also formulated short-term and long-term sustainable development strategies for the Group. During the Year, we contacted stakeholders in different sectors, including shareholders/investors, customers, employees, business partners/peers, suppliers, regulatory agencies, media, community/non-governmental organizations.

Stakeholders	Communication Channels
Shareholders/Investors	• Annual general meeting and other shareholders' general meetings • Investor conference • Interim and annual reports • Company newsletter • Results announcement • Shareholders visiting activities
Customers	• Customer satisfaction survey and feedback form • Customer consultation group • Customer service center • Customer relations manager visit • Daily operation communication • Online service platform • Phone • Email
Employees	• Employee feedback survey • Work performance assessment • Group discussion/Meeting and interview • Seminar/Workshop/Lecture • Business briefing • Employee communication conference • Employee intranet
Business partners/Peers	• Cooperation project • Meeting • Visit • Lecture
Suppliers	• Supplier assessment system/Management procedure • Field visit and inspection • Meeting
Regulatory agencies	• Work report
Media	• News conference/News release • Senior management visit
Community/Non-governmental organizations	• Donation • Seminar/Lecture/Workshop

3. STANDARDIZED OPERATIONS

Committed to responsible operations, the Group has established a sound internal control system and standardized business operation processes to improve overall corporate governance capability for steady business growth.

3.1. Product Quality Control

We manufacture and assemble all our in-house developed products in our manufacturing facility in Suzhou, which is designed according to the good manufacturing practice, guidelines and rules set out in the Pharmaceutical Administration Law of the People's Republic of China and features highly automated production lines with an annual production capacity of 400,000 reactions. We are accredited in accordance with ISO13485:2016 quality standard, an international quality control standard for the medical device industry. We have two workshops meeting ISO Class 7 under the international cleanness classification standard ISO14644–1.

Devoting significant attention to quality control of product design, manufacturing and testing, the Group has set up an independent and comprehensive quality control system to implement strict quality control measures right from the research and development phase. Our quality control team is responsible for quality test, inspection and review for all our products and raw materials. We have established detailed quality control procedures guiding our internal production and external purchase of reagents and other materials used in studies and trials. We identify, label and control the quality of raw materials, ancillary materials, intermediates and final products in accordance with the Quality Control Procedures, the Facilities and Equipment Control Procedures, the Monitoring and Measuring Equipment Control Procedures, the Labeling and Traceability Control Procedures, the Product Release Control Procedures, the Product Recall Control Procedures and the Disqualified Product Control Procedures to prevent disqualified products from being forwarded, or used or delivered unexpectedly. In addition, we conduct regular internal audit on quality management system in compliance with the Internal Audit Control Procedures to ensure that relevant business activities satisfy the requirements of regulations and standards and maintain the effectiveness and applicability of the operations of quality management system. During the Year, we achieved 100% product qualified rate and 0% product return rate, better than the 95% and 1% quality control targets, respectively.

3.2. Customer Service

Focusing on customers, we are dedicated to bringing high-quality service experience to customers. We enter into sales agreements directly with hospitals, reproductive clinics and third-party medical laboratories for the sales of test kits. We also sell our genetic test kits to distributors, who in turn sell our products to hospitals and reproductive clinics. In addition, we station our staff on site at key hospitals and reproductive clinics to provide necessary guidance and advice on setting up laboratories with the requisite equipment, technology and protocol for genetic testing. We have helped major hospitals and reproductive clinics in China establish more than 30 molecular genetic laboratories. We also provide training to clinicians and staff to enhance their knowledge of genetic testing.

The Group has formulated the Administrative Measures for Clients, which clearly sets out issues such as distributor selection, investigation, pricing, agreement, authorization, consignment, logistics, reconciliation, fund transfer, fund collection, incentive policy and returns or exchanges of products, so as to standardize distributor management. Our sales and marketing department monitors the activities of our distributors to ensure that they comply with our guidelines, policies and procedures. We conduct annual review of our distributors on their financial performance, business performance and regulatory compliance, and adjust their credit terms and other commercial terms based on the review results, thus assuring the provision of high-quality service. Meanwhile, we rely on third-party promoters to provide non-technical pre-sale and after-sale assistance to our customers. During the Year, the Group did not receive any complaint in relation to products and services, and achieved 100% customer service satisfaction rate.

3.3. Business Information Management

The Group strictly complies with the Law of the People's Republic of China on Guarding State Secrets, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Regulations for Safety Protection of Computer Information Systems and other laws and regulations in relation to information safety to comprehensively protect the completeness of business information. By formulating the Management System of Corporate Information Safety, the Management System of Software Legalization and Software and Network Safety Emergency Response Control Procedures, we implement safety management and preventive measures on identified information safety issues and strengthen safety management in relation to computers and equipment, department data, account passwords, software and emails.

We recognize the importance of intellectual property rights to our business, and therefore strictly comply with the Patent Law of the People's Republic of China, the Detailed Rules for the Implementation of the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Copyright Law of the People's Republic of China to commit ourselves to the development and protection of our intellectual property rights. The Group actively seeks patent protection for our products and strategically protects our intellectual property rights through a variety of means, including patent and copyright application, proprietary know-how and trade secrets. During the Reporting Period, the Group had a total of 18 registered patents and obtained 7 licensed patents.

Moreover, we have entered into confidentiality agreements with all of our employees and non-competition agreements with our senior management and certain key members of our research and development team and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we use to employ each of our employees, contains a confidentiality clause, under which we own all the rights to all inventions, technology know-how and trade secrets derived during the course of such employee's work.

In terms of business information disclosure, the Group strictly complies with the Advertising Law of the People's Republic of China and carefully deals with issues in relation to advertisements to ensure the completeness, truthfulness and accuracy of information delivered to the public through the advertisements and prevent any false and misleading description of goods and deceptive conduct.

3.4. Anti-corruption

Attaching great importance to business ethics, the Group strictly complies with the Supervision Law of the People's Republic of China, the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Notice of Further Strengthening the Investigation and Punishment on the Unfair Competition Cases in Medical Field, the Plan for Special Rectification of the Field of Medical Supplies and other laws, regulations, rules and regulatory requirements to ensure operations in compliance with anti-corruption and compliance requirements.

Our Employee Handbook clearly prohibits employees from exploiting one's power to advance one's own private interests. We entered into the Anti-commercial Bribery Agreement with all authorized distributors to avoid any violation of laws and disciplinary regulations for the purpose of securing improper advantage in sales activities. In addition, we encourage our employees and anyone who has business relationships with the Group to report potential unethical behaviors found within the Group via e-mail and other channels, to promptly discover and rectify the misconduct. During the Reporting Period, there was neither legal proceedings against the Group or any employee nor cases regarding corruption, bribery, extortion, fraud and money laundering.

3.5. Supplier Management

Emphasizing the supply chain management, the Group strictly complies with the Bidding Law of the People's Republic of China, the Regulation on the Implementation of the Bidding Law of the People's Republic of China and other laws and regulations, and has established detailed internal rules governing the selection of raw material suppliers and raw material quality control.

We select suppliers based on a variety of factors including qualifications, business reputation, production scale, technological strengths, quality management capabilities, after-sales services and price. The procurement department is responsible for making procurement plans, placing orders with suppliers and managing suppliers. We usually enter into one-year agreements with our suppliers which will be reviewed and renewed from year to year. We maintain a list of qualified raw material suppliers and review their qualifications on an annual basis taking into consideration their production facilities, production quality, prices, business scale, market share and reputation. We have maintained stable business relationships with suppliers that consistently provide raw materials with high quality and in sufficient volumes.

To monitor the quality of supplies, we set out procedures and guidelines on the procurement of raw materials, quality control inspection, warehousing, testing and storage. The research and development department is responsible for developing quality requirements for raw materials we purchased, and the quality control department is responsible for managing quality of our consumables. We request some of our key suppliers to sign quality assurance agreements and be responsible for any quality defects that are directly caused by the substandard quality of the raw materials supplied. Under our standard supplier contract, we have the right to return or exchange products if quality issues are discovered during inspection or use of the products. We require our suppliers to provide us with comprehensive inspection reports on raw materials upon delivery. Our quality control staff will select samples from each batch of raw materials upon delivery in accordance with our internal policy and will inspect them against our quality standard. Raw materials that fail to meet our quality standards will typically be temporarily stored in a separate area before they are returned to suppliers.

Our major suppliers primarily consist of suppliers of raw materials and machinery and equipment. During the Year, the Group had more than 50 suppliers located in the regions as follows:

Region	Number of Suppliers
Suzhou, the PRC	22
Shanghai, the PRC	21
Guangdong Province, the PRC	10

4. A TEAM OF EMPLOYEES

Employees are the cornerstone for driving the Group's business operations and product R&D. They are also our major assets. We consider talent management important, and therefore reasonably allocate human resources to build a team of employees with professional qualities and extensive industry experiences. As at December 31, 2020, the Group had 192 employees in total.

4.1. Employment Practices

In strict compliance with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Regulations on Prohibition of the Use of Child Labour as well as other laws and regulations related to labour and employment, we create a workplace environment for our employees that is harmonious, equitable, diverse, inclusive, free from harassment or discrimination for the protection of the legitimate rights and interests of our employees. During the Reporting Period, the Group did not have any breach of relevant laws and regulations related to salary, dismissal, recruitment, promotion, working hours, equal opportunities, diversity, anti-discrimination, prevention of child labour or forced labour, nor did it identify any cases involving the hiring of child labour or the use of forced labour within the Group.

Based on the principle of fairness and impartiality, we recruit and hire employees by assessing the academic qualifications, work experiences and skills of applicants, and whether they meet the qualifications to fill the vacancies, etc. All job recruitments will be subject to dual assessment by our human resources department and relevant department managers. The gender, age, nationality, religion, family status and race of applicants as well as other background factors such as certain categories subject to legal protection will not affect their chances of receiving job interviews and getting hired. In the recruitment process, we will conduct background checks on the candidates to carefully verify their identity and eliminate the employment of child labour in compliance with the rules of the International Labour Organization.

The Group enters into employment contracts with employees based on mutual agreement to specify various matters such as wages, benefits and dismissal. We also implement a standard working hour policy to prevent forced labour or exploitation. Regarding the resignation of employees, we will communicate with them about the reasons for their resignation and make relevant records. Employees are dismissed in accordance with the relevant provisions of the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China to prevent unfair or unreasonable dismissals.

4.2. Employee Benefits

Employee benefits are a major factor in attracting and retaining talents. Our salary structure is linked to employees' performance. Employees' salaries are calculated and paid based on their attendance and appraisal to make sure reasonable remunerations are offered to our employees. Employees' salaries are adjusted annually based on performance appraisal and market conditions to maintain market competitiveness. We also have a share incentive scheme to reward our employees for their long-term services and contributions to the Group.

The Group joins an employee retirement benefit scheme and a housing provident fund scheme in accordance with China's national policies to pay for pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund on a centralized basis for our eligible employees. In addition to statutory festivals and holidays, the Group provides employees with leave for personal affairs, sick leave, annual leave, compensatory leave, marriage leave, bereavement leave, maternity leave, prenatal check-up leave, breastfeeding leave, paternity leave, etc. Work meal allowances, business trip allowances, accommodation allowances for employee dormitory, holiday gifts, childbirth gifts, condolence gifts due to sickness and hospitalization will be offered to our employees, as appropriate. Moreover, we have worked out an Employee Assistance Plan and established a smooth internal communication channel to provide our employees with appropriate support in various aspects such as job satisfaction enhancement, labour protection, vocational psychological counseling and grievance handling.

4.3. Occupational Health and Safety

Occupational safety and employees' health are of paramount importance to the Group. We stringently comply with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Law of the People's Republic of China on Production Safety, Law of the People' Republic of China on Fire Protection, Regulations Governing the Supervision of Occupational Health at Workplaces, Work Injury Insurance Regulations as well as other laws and regulations. During the Reporting Period, the Group did not have any breach of relevant laws and regulations related to the provision of a safe working environment and the protection of employees from occupational hazards, nor had any accidents occurred involving work injuries or deaths caused in relation to work.

We have formulated a series of policies and procedures related to health and work safety, including the Policy Governing Occupational Health and Safety and the Policy Governing Safety Warning Signs and Safety Protection, to define the responsibilities of each unit for the management of production safety and to govern production safety, special equipment and staff operation, hazardous production activities, hazardous materials, fire safety, safety risk detection and management as well as inspection of on-site safety risks. Employees with specific responsibilities (including the operation of certain equipment) are required to possess relevant qualifications to operate such equipment, and regular and annual training is organized for them to enhance their awareness and knowledge of safety procedures and accident prevention. Moreover, hazardous factors at production sites are inspected on a regular basis to evaluate our equipment and production plants so as to ensure the safety operation. Occupational health service agencies are appointed on a regular basis to carry out occupational health physical examinations for our employees of relevant positions based on the test items and cycles specified in the Report on Testing Hazardous Factors in Occupational Diseases, and archives are set up for monitoring employees' occupational health based on the results of their physical examinations, and feedback on health information is given to employees in a timely manner to prevent occupational hazards.

Case: Prevention and Control of the Pandemic

In face of the outbreak of the COVID-19 pandemic, the Group adopted various measures to mitigate the possible impacts of the pandemic on its business or product development in China. We formed a Leading Team for Pandemic Prevention and Control, under which the Employees' Return Management Team, the Office Area Disinfection Management Team, Laboratory Area Disinfection Management Team, the Production Area Disinfection Management Team, the Pandemic Emergency Response Team, the Protective Equipment Assurance Team and the Pandemic Publicity and Education Team were set up to take charge of the management of pandemic prevention and control such as mobility control, environmental disinfection, pandemic publicity and preparation of supplies.

We closely monitored the health of our employees, regularly checked the body temperature of employees on duty, provided them with masks and other personal protective equipment, and stepped up the supervision of the implementation of daily pandemic prevention and control measures as well as the management of the reporting system. We cooperated with government departments as well to deal with the pandemic and reduce the harm of the pandemic for the protection of the health of our employees.

4.4. Employee Training and Development

We consider that training and development are highly important to our employees. We have established a sound employee training system to regulate and promote training to ensure that it is carried out systematically. Employees are encouraged to attend study and training sessions after office hours to improve their professional skills and quality.

The Group develops an annual training plan after assessing the needs for sustainable business development and the needs of various departments for training every year. This training plan primarily covers new employee training and pre-job training. The personnel department will arrange for various training activities in line with the approved annual training plan, and keep relevant records. External experts are invited from time to time as well to train our managers so as to improve their relevant knowledge and management skills.

Type of training	Details of Training
New employee training	The relevant person in charge of the personnel department will conduct training within 1 month of the new employees joining the Company. The training covers company profile, management rules and regulations, corporate quality and environmental policies and quality environmental objectives, basic knowledge of quality environmental management system, fire safety knowledge, quality and environmental awareness, relevant laws and regulations, etc.
Pre-job and on-the-job skills training	It is organized and implemented by the persons in charge of the position. The content includes positions' operation instructions and work flows, instructions for operating equipment used by the employees, the safety matters and contingency measures in emergency situations. If employees in certain positions need to enter the clean workshop, they will be given training and assessment in the basic knowledge of hygiene and microbiology, clean technology and relevant standard operating specifications, and the training and assessment records will be kept.
Pre-job basic education on the department	It is organized and carried out by the persons in charge of the departments in which the employees are working. The content includes basic knowledge of the work duty of the departments.

To monitor the effectiveness of employee training, training instructors will conduct assessments by raising questions on the spot, holding theoretical examinations or carrying out practical operations based on the training details and actual conditions, and record the assessment results on the Personnel Assessment Record Sheet. The Personnel Department will also distribute a Training Questionnaire after the training to collect feedback from the trained employees as a reference for the training instructors, evaluation of handouts and improvement to the training plan.

During the Reporting Period, all employees of the Group received training to various extents. The average training hours for female, male and employees under various categories (junior employees, middle management and senior management) were 63.50 hours.

5. GREEN OPERATIONS

The Group continues to identify and manage the impact of business operations on the utilization of resources and the environment in strict compliance with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on Control and Prevention of Water Pollution, and the Law of the People's Republic of China on the Control and Prevention of Environmental Pollution by Solid Wastes as well as other laws and regulations in order to promote a green corporate culture. We have set up an environmental department and adopted specific environmental policies to make sure we comply with applicable Chinese environmental laws and regulations effectively and to boost more energy-efficient and environmentally-friendly operations. During the Reporting Period, the Group did not have any breach of environmental protection laws or cause major accidents affecting the environment and natural resources, nor did it receive any notice of penalties or litigation involving environmental issues.

5.1. Energy Conservation and Emissions Reduction

We carry out greenhouse gas emission controls with reference to the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development, and to the ISO14064–1 set by the International Organization for Standardization. During the Year, the greenhouse gas emissions from the Group's headquarters office and production base in Suzhou are as follows:

		Unit	2020
Scope 1	Direct greenhouse gas emissions	tCO_2e	21.93
Scope 2	Indirect greenhouse gas emissions	tCO_2e	172.20
Total greenhouse gas emissions		tCO_2e	194.13
Intensity of greenhouse gas emissions		tCO_2e/m^2	0.02

Scope 1: Direct greenhouse gas emissions from sources owned and controlled by the Group.

Scope 2: Greenhouse gas emissions generated indirectly by power generation, heating and cooling, or steam purchased by the Group.

The Group is actively implementing energy-saving measures at all levels of its business operations to manage greenhouse gas emissions. It supports green travel, and arranges for timely inspection and maintenance of its fleet of vehicles on a regular basis to make sure the engine, tires and other components operate normally, and closely monitors the fuel consumption by its fleet of vehicles. Video conferencing is used to replace unnecessary overseas business trips, and direct flights are chosen for inevitable business trips to strengthen emissions management.

Our office is divided into a number of different lighting areas, with independently controllable lighting switches to allow our employees to use them in a convenient and flexible way. High energy-efficient lamps are used and the brightness of different locations in the office is measured on a regular basis to reduce the number of lamps at locations where the brightness is above the required level. A water-cooled air-conditioning system with variable speed drives is adopted to adjust and control the air-conditioning temperature in the office area based on the actual needs. The filters of lighting installations and air-conditioning systems are cleaned on a regular basis to increase energy efficiency.

Moreover, we remind our employees from time to time to turn off unnecessary electronic equipment, turn on the energy system and laboratory equipment based on the actual experimental needs, and arrange for regular inspections to make sure the air-conditioning unit, lighting system and laboratory equipment are turned off after employees leave office or after experiments are finished.

5.2. Water Resources Management

The Group monitors water consumption during the course of business operations on an ongoing basis, strengthens measures to make good use of water resources and strives to develop a habit of saving water among our employees. Our pure water system can only be turned on with the permission of the production department or during regular drainage or inspection of the waterway to keep water from running away unnecessarily. Moreover, save-water signs are posted in the restrooms to remind employees to turn off the taps and make good use of the dual-flush toilets. Water metre readings are checked and water pipe leakage tests are conducted on a regular basis so that maintenance work can be arranged and carried out in a timely manner to avoid water wastage due to leakage.

During the Year, we did not identify any problems in the process of obtaining suitable water sources.

5.3. Waste Management

The Group supports reducing waste at source. An electronic office system (ERP system) is adopted to replace the office administration system that primarily uses paper records, to achieve paperless employee and personnel management, procurement management, sales management, contract archive management, etc. Our employees are encouraged to transmit information with electronic communication technology as much as possible, reuse stationeries such as envelopes and binders, and reduce the use of disposable or non-recyclable products. Our inventory of materials is counted and consumption of these materials is assessed from time to time as well to make sure there is no wastage due to the purchase of an excessive amount of these materials.

As to waste disposal, we have worked out the Waste Treatment Procedures to strictly govern the collection, storage and disposal of waste; the keeping of waste disposal records; and the cooperation with professional third-party environmental companies on the disposal of waste. Hardware, paper, plastics and other waste are categorized and collected for recycling or further processing. Special yellow medical waste disposal bins are used to store hazardous waste in designated areas. Hazardous waste is put into sterilization containers for autoclaving as appropriate. Based on the actual amount of hazardous waste generated, we will contact and appoint a third-party environmental company with a "Hazardous Waste Business License" to recycle and treat hazardous waste in a timely manner to step up pollution prevention and control.

6. PUBLIC WELFARE

In addition to promoting business development, the Group cares about the community and actively fulfil its corporate social responsibility. During the Reporting Period, the Group invested a total of approximately RMB100,000 to charity projects and vigorously carried out community activities related to the medical profession.

In February 2020, we organized a number of free-of-charge classes to educate people on genetic diseases and popularise genetic knowledge, at which we shared with medical staff clinical knowledge about common genetic diseases such as spinal muscular atrophy, hemophilia, congenital deafness, hereditary breast cancer, tuberous sclerosis, etc., so as to enhance their understanding and concern about rare genetic diseases.

Free-of-charge classes on genetic diseases and genetic knowledge

Mailing pandemic prevention and control supplies to areas severely hit by the pandemic

Faced with the outbreak of the COVID-19 pandemic, we supported the pandemic prevention efforts in the community. We contacted medical protective equipment suppliers to purchase pandemic prevention and control supplies such as disposable medical surgical masks and hand sanitizers on an urgent basis, and then mailed them to areas badly hit by the pandemic, such as Hubei and Henan in China, so as to beat the pandemic with people from different sectors.

We also thought of the needs of the patients with reproductive diseases during the prevention and control of pandemic. The Group assisted the Reproductive Medicine Centre of Nanjing Maternity and Child Health Care Hospital in China to set up online consultation platform "Aids to Pregnant Women" in an attempt to both reduce the pressure on the outpatient clinics and provide professional consultation services for patients, enabling doctors to communicate with patients online on a real-time basis.

APPENDIX I: SUSTAINABILITY DATA HIGHLIGHT

The sustainability data in the environmental aspects of the Group's headquarters office and production bases located in Suzhou during the Year is as follow:

	Unit	2020
Emission		
Nitrogen oxides	kg	86.55
Sulphur oxides	kg	0.12
Suspended particles	kg	8.29
Greenhouse gas emission and removal		
Direct greenhouse gas emission (Scope 1)	tCO_2e	21.93
Indirect greenhouse gas emission (Scope 2)	tCO_2e	172.20
Total greenhouse gas emission	tCO_2e	194.13
Greenhouse gas emission intensity	tCO_2e/m^2	0.02
Energy consumption		
Gasoline consumption	L	8,100.00
Purchased electricity consumption	kWh	282,251.00
Purchased electricity consumption intensity	kWh/m^2	31.36
Water consumption		
Total water consumption	m^3	1,367.00
Water consumption intensity	m^3/m^2	0.15
Waste production		
Total non-hazardous waste produced	tonnes	8.00
Intensity of non-hazardous waste produced	kg/m^2	0.89
Total hazardous waste produced	tonnes	1.02
Intensity of hazardous waste produced	kg/m^2	0.11

The sustainability data in the social aspects of the Group during the Year is as follow:

	Unit	2020
Total number of employees	Person	192
Employees by gender		
Female	Person	120
Male	Person	72
Employees by employment type		
Junior staff	Person	178
Middle management	Person	9
Senior management	Person	5
Employees by age group		
Below 30	Person	128
30–50	Person	64
Employees by geographical region		
Eastern China	Person	130
Central China	Person	25
Southern China	Person	15
Northwestern China	Person	9
Northern China	Person	7
Northeastern China	Person	6

Unit	2020
Total employee turnover rate*	18.88%
Employee turnover rate by gender*	
Female	10.70%
Male	7.69%
Employee turnover rate by age group*	
Below 30	13.51%
30–50	4.48%
Employee turnover rate by geographical region*	
Eastern China	9.86%
Central China	3.52%
Southern China	1.54%
Northwestern China	3.03%
Northern China	0.52%
Northeastern China	0.52%

* The employee turnover rate is calculated by left employee dividing by total employees as at the end of the Year.

APPENDIX II: INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

			Relevant Section
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operations — Energy Conservation and Emissions Reduction; Green Operations — Waste Management
	A1.1	The types of emissions and respective emissions data.	Sustainability Data Highlight
	A1.2	Greenhouse gas emissions in total and intensity.	Green Operations — Energy Conservation and Emissions Reduction; Sustainability Data Highlight
	A1.3	Total hazardous waste produced and intensity.	Sustainability Data Highlight
	A1.4	Total non-hazardous waste produced and intensity.	Sustainability Data Highlight
	A1.5	Description of measures to mitigate emissions and results achieved.	Green Operations — Energy Conservation and Emissions Reduction
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green Operations — Waste Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operations — Energy Conservation and Emissions Reduction; Green Operations — Water Resources Management
	A2.1	Total direct and/or indirect energy consumption and intensity by type.	Sustainability Data Highlight
	A2.2	Water consumption in total and intensity.	Sustainability Data Highlight

			Relevant Section
	A2.3	Description of energy use efficiency initiatives and results achieved.	Green Operations — Energy Conservation and Emissions Reduction
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Operations — Water Resources Management
	A2.5	Total packaging material used for finished products, and with reference to per unit produced	The Group does not have a complete data collection system for packaging materials; we will set up the relevant system and collect the data of packaging materials.
A3: Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green Operations
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operations
B. Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	A Team of Employees — Employment Practices; A Team of Employees — Employee Benefits
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Sustainability Data Highlight
	B1.2	Employee turnover rate by gender, age group and geographical region.	Sustainability Data Highlight

			Relevant Section
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to providing a safe working environment and protecting employees from occupational hazards.	A Team of Employees — Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities.	A Team of Employees — Occupational Health and Safety
	B2.2	Lost days due to work-related injury.	A Team of Employees — Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	A Team of Employees — Occupational Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	A Team of Employees — Employee Training and Development
	B3.1	The percentage of employees trained by gender and employee category.	A Team of Employees — Employee Training and Development
	B3.2	The average training hours completed per employee by gender and employee category.	A Team of Employees — Employee Training and Development
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	A Team of Employees — Employment Practices
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	A Team of Employees — Employment Practices
	B4.2	Description of steps taken to eliminate such practices when discovered.	A Team of Employees — Employment Practices

			Relevant Section
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Standardized Operations — Supplier Management
	B5.1	Number of suppliers by geographical region.	Standardized Operations — Supplier Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers to which the practices are being implemented, how they are implemented and monitored.	Standardized Operations — Supplier Management
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Standardized Operations — Product Quality Control; Standardized Operations — Customer Service; Standardized Operations — Business Information Management
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Standardized Operations — Product Quality Control
	B6.2	Number of products-and service-related complaints received and how they are dealt with.	Standardized Operations — Customer Service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Standardized Operations — Business Information Management
	B6.4	Description of quality inspection process and recall procedures.	Standardized Operations — Product Quality Control
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Standardized Operations — Business Information Management

			Relevant Section
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money-laundering.	Standardized Operations — Anti-corruption
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Standardized Operations — Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Standardized Operations — Anti-corruption
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Public Welfare
	B8.1	Focus areas of contribution.	Public Welfare
	B8.2	Resources contributed to the focus area.	Public Welfare

Independent Auditor's Report

Independent auditor's report to the shareholders of
Suzhou Basecare Medical Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Suzhou Basecare Medical Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 74 to 142, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2020 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 Standards Board ("**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 Accountants ("**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 judgement, 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.

Revenue Recognition	
Refer to Note 4 to the consolidated financial statements and the accounting policies on page 93.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's revenue is derived from the provision of genetic testing solutions and sales of genetic testing devices and instruments. Genetic testing solutions consist of sales of testing kits and provision of testing services. The Group recognises revenue from sales of testing kits and testing devices and instruments at the point in time when control of the goods is transferred to the customer and recognises revenue from provision of testing services at the point in time when performance obligation is completed and the Group has a present right to collect payment for the services performed. Depending on the nature of the revenue, this point in time will either be when the goods are delivered to the customer's premises or a location designated by the customer for sales of testing kits and testing devices and instruments, or in accordance with the service contracts for provision of testing services. We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and is, therefore, subject to possible manipulation through the timing of revenue recognition to meet targets or expectations and also because the impact of any errors in the recognition of revenue could be material to the consolidated financial statements.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition; • inspecting sales contracts with key customers to identify terms and conditions relating to transfer of control and assessing the Group's policies in respect of the recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, including delivery documents and goods/services acceptance notes, as applicable under the different sales contracts, to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts; • obtaining confirmations, on a sample basis, from customers of the Group sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation; and • inspecting manual journal entries relating to revenue recognition during the year which were considered to meet specific risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

KEY AUDIT MATTERS *(Continued)*

<table>
<tr><th colspan="2">Expected credit loss allowances for trade receivables</th></tr>
<tr><td colspan="2">Refer to Note 16 to the consolidated financial statements and the accounting policies on page 86.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2020, the Group's gross trade receivables amounted to RMB76.2 million, against which an allowance of RMB0.4 million for expected credit losses (ECLs) was recorded.

Management measures the loss allowance at an amount equal to lifetime ECL of the trade receivables based on estimated loss rates. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement and estimation.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

We identified the expected credit loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.</td><td>Our audit procedures to assess the expected credit loss allowance for trade receivables included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance;

• evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;

• assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis;

• obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including the basis of segmentation of the trade receivables and the historical default data in management's estimated loss rates;

• assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions, customer-specific conditions and forward-looking information; and

• re-performing the calculation of the loss allowance as at 31 December 2020 based on the Group's credit loss allowance policies.</td></tr>
</table>

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Frankie C.Y. Lai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	2020 RMB'000	2019 RMB'000
Continuing Operations			
Revenue	4	**81,109**	55,685
Cost of sales		**(53,395)**	(29,432)
Gross profit		**27,714**	26,253
Other income	5	**2,790**	3,958
Other losses		**(7,631)**	(55)
Distribution costs		**(16,616)**	(11,011)
Administrative expenses		**(25,244)**	(7,990)
Research and development expenses		**(34,481)**	(19,885)
Loss from operations		**(53,468)**	(8,730)
Finance costs	6(a)	**(1,472)**	(1,316)
Share of profit/(loss) of associates		**250**	(76)
Changes in the carrying amount of financial instruments issued to investors	23	**(826,828)**	(520,448)
Loss before taxation	6	**(881,518)**	(530,570)
Income tax	7	**7,394**	2,290
Loss for the year from continuing operations		**(874,124)**	(528,280)
Discontinued operations			
Loss for the year from discontinued operations	25	**(3,835)**	(5,717)
Loss for the year		**(877,959)**	(533,997)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(877,959)**	(533,997)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	2020 RMB'000	2019 RMB'000
Loss for the year attributable to equity shareholders of the Company:			
— from continuing operations		**(874,124)**	(528,280)
— from discontinued operations		**(2,928)**	(3,056)
Loss for the year attributable to equity shareholders of the Company		**(877,052)**	(531,336)
Loss for the year attributable to non-controlling interests:			
— from continuing operations		**—**	—
— from discontinued operations		**(907)**	(2,661)
Loss for the year attributable to non-controlling interests		**(907)**	(2,661)
Loss for the year		**(877,959)**	(533,997)
Other comprehensive income		**—**	—
Total comprehensive income for the year		**(877,959)**	(533,997)
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**(877,052)**	(531,336)
Non-controlling interests		**(907)**	(2,661)
Total comprehensive income for the year		**(877,959)**	(533,997)
Loss per share	10		
Basic and diluted (RMB)		**(5.1)**	(3.6)

The notes on pages 80 to 142 form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	11	**18,618**	21,775
Right-of-use assets	12	**1,440**	1,959
Interests in associates	14	**—**	—
Deferred tax assets	7(c)	**19,847**	12,453
		39,905	36,187
Current assets			
Inventories	15	**6,334**	11,737
Trade and other receivables	16	**87,483**	44,858
Other current assets	17	**24,255**	2,103
Financial assets at fair value through profit or loss	18	**—**	32,088
Cash and cash equivalents	19	**192,321**	24,155
		310,393	114,941
Current liabilities			
Trade and other payables	20	**37,494**	20,671
Bank loans	21	**30,000**	30,000
Lease liabilities	22	**688**	1,490
		68,182	52,161
Net current assets		**242,211**	62,780
Total assets less current liabilities		**282,116**	98,967
Non-current liabilities			
Lease liabilities	22	**781**	1,118
Financial instruments issued to investors	23	**—**	1,043,745
		781	1,044,863
NET ASSETS/(LIABILITIES)		**281,335**	(945,896)

Consolidated Statement of Financial Position

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
CAPITAL AND RESERVES	24		
Paid-in capital		**–**	11,483
Share capital		**200,000**	–
Reserves		**81,335**	(950,336)
Total equity attributable to equity shareholders of the Company		**281,335**	(938,853)
Non-controlling interests	13	**–**	(7,043)
TOTAL EQUITY		**281,335**	(945,896)

Approved and authorised for issue by the board of directors on 30 March 2021.

Liang Bo
Director

Kong Lingyin
Director

The notes on pages 80 to 142 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company								
		Paid-in capital	Capital reserve	Share capital	Share premium	Share based payment reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019		11,220	(11,220)	–	–	58,528	(466,045)	(407,517)	(4,382)	(411,899)
Changes in equity for 2019:										
Total comprehensive income for the year		–	–	–	–	–	(531,336)	(531,336)	(2,661)	(533,997)
Issuance of financial instruments to investors	23	263	19,737	–	–	–	–	20,000	–	20,000
Recognition of financial instruments issued to investors as non-current liabilities	23	–	(20,000)	–	–	–	–	(20,000)	–	(20,000)
Balance at 31 December 2019 and 1 January 2020		**11,483**	**(11,483)**	**–**	**–**	**58,528**	**(997,381)**	**(938,853)**	**(7,043)**	**(945,896)**
Changes in equity for 2020:										
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(877,052)**	**(877,052)**	**(907)**	**(877,959)**
Issuance of financial instruments to investors	23	**197**	**14,803**	**–**	**–**	**–**	**–**	**15,000**	**–**	**15,000**
Recognition of financial instruments issued to investors as non-current liabilities	23	**–**	**(15,000)**	**–**	**–**	**–**	**–**	**(15,000)**	**–**	**(15,000)**
Reclassification of financial instruments issued to investors as equity	23	**–**	**1,885,573**	**–**	**–**	**–**	**–**	**1,885,573**	**–**	**1,885,573**
Capital contribution by equity shareholders of the Company	24(b)	**3,688**	**266,507**	**–**	**–**	**(58,528)**	**–**	**211,667**	**–**	**211,667**
Conversion into a joint stock company	24(c)	**(15,368)**	**(2,140,400)**	**200,000**	**180,928**	**–**	**1,774,840**	**–**	**–**	**–**
Disposal of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,950**	**7,950**
Balance at 31 December 2020		**–**	**–**	**200,000**	**180,928**	**–**	**(99,593)**	**281,335**	**–**	**281,335**

The notes on pages 80 to 142 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash used in operations	19(b)	**(64,288)**	(38,145)
Net cash used in operating activities		**(64,288)**	(38,145)
Investing activities			
Payment for the purchase of property, plant and equipment		**(8,087)**	(2,361)
Proceeds from disposal of property, plant and equipment		**123**	—
Payment for purchase of financial assets measured at fair value through profit or loss		**(30,000)**	(212,000)
Proceeds from sale of financial assets measured at fair value through profit or loss		**60,677**	231,055
Interest received from bank deposits		**522**	71
Loans to related parties		**(7,100)**	—
Loans repaid by a related party		**2,000**	—
Proceeds from disposal of associates		**250**	—
Proceeds from disposal of subsidiaries		**17,000**	—
Net cash outflow on disposal subsidiaries		**(1,851)**	—
Net cash generated from investing activities		**33,534**	16,765
Financing activities			
Proceeds from bank loans	19(c)	**30,000**	30,000
Repayment of bank loans	19(c)	**(30,000)**	(20,000)
Proceeds from the issue of financial instruments to investors	19(c)	**15,000**	20,000
Capital injection received from equity shareholders of the Company		**211,667**	—
Bank borrowing cost paid	19(c)	**(1,401)**	(1,194)
Payment for capital element of lease liabilities	19(c)	**(1,699)**	(2,202)
Payment for interest element of lease liabilities	19(c)	**(96)**	(110)
Payment of listing expenses		**(15,998)**	—
Net cash generated from financing activities		**207,473**	26,494
Net increase in cash and cash equivalents		**176,719**	5,114
Cash and cash equivalents at beginning of the year	19(a)	**24,155**	19,041
Effect of foreign exchange rate changes		**(8,553)**	—
Cash and cash equivalents at ending of the year	19(a)	**192,321**	24,155

The notes on pages 80 to 142 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

Suzhou Basecare Medical Corporation Limited (the "**Company**"), formerly known as Jiangsu Double Helix Biological Technology Co., Ltd., was established in Suzhou, Jiangsu Province, People's Republic of China (the "**PRC**") on 14 December 2010 as a limited liability company. Upon approval by the Company's board meeting held on 11 August 2020, the Company was converted from a limited liability company into a joint stock limited liability company and changed its registered name from Jiangsu Double Helix Biological Technology Co., Ltd. to Suzhou Basecare Medical Corporation Limited.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in provision of genetic testing solution for assisted reproduction and sale of genetic testing devices and instruments in the PRC.

The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 February 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the assets are stated at their fair value as explained in the accounting policies set out in Note 2(f).

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to References to Conceptual Framework in IFRS Standards
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale) (see Note 2(v)).

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see Note 2(v)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates *(Continued)*

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(j)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see Note 2(v)).

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group or the Company commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 26(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group or the Company are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(t)(iii)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities *(Continued)*

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(i)), are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group or the Company. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Office equipment and furniture	3 — 10 years
Motor vehicle	4 — 10 years
Medical equipment and instrument	3 — 10 years
Leasehold improvement	3 — 4 years
Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(j)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(g) and Note 2(j)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) As a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it was not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group or the Company recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group or the Company in accordance with the contract and the cash flows that the Group or the Company expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group or the Company is exposed to credit risk.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

In measuring ECLs, the Group or the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's or the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group or the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group or the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group or the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group or the Company in full, without recourse by the Group or the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group or the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group or the Company.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) ***Credit losses from financial instruments*** (Continued)

Significant increases in credit risk (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group or the Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(t)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group or the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets;

— investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in-first-out (FIFO) cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group or the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(j)(i).

(n) Trade and other payables and contract liabilities

(i) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(l)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments issued to investors

The Company entered into a series of investment agreements with independent investors (the "**Financial Instruments Issued to Investors**").

The Company recognized the Financial Instruments Issued to Investors as financial liabilities, because these financial instruments did not meet the definition of equity for the Company. The financial liabilities are measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities were recorded in "changes in the carrying amount of financial instruments issued to investors".

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(u)).

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

For equity settled share-based payment transactions, the fair value of the services received is recognised as an expense with a corresponding increase in equity over the vesting period during which the employees become unconditionally entitled to the equity instrument. The fair value of the services received is determined by reference to the fair value of the equity instrument granted at the date of the grant. At each reporting date, the number of equity instruments that are expected to be vested are estimated. The impact on the revision of original estimates is recognised as an expense and as a corresponding adjustment to equity over the remaining vesting period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions.

The proceeds received from the exercise of the equity instruments, net of any directly attributable transaction costs, are credited to share capital when the equity instruments are exercised.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group or the Company can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case the relevant amounts of tax are recognised directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting periods, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting periods. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of testing kits and testing devices and instruments

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Service income

The Group earns revenue by provision of testing services to its customers through contracts. The customers can not control the service or consume the benefit and have no obligation to pay until each service is completed and accepted. Revenue is recognised at a point in time when performance obligation is completed and the Group has a present right to collect payment for the services performed.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(j)(i)).

(iv) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of being recognised in other income.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group or the Company is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group or the Company will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss and other comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Research and development expenses

Development expenses incurred on the Group's pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalisation. All development expenses were expensed when incurred during the reporting period.

(b) Sources of estimation uncertainty

Note 26 contains information about the assumptions and risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the balance sheet dates to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due. The provision matrix is initially based on the Group's historical observed default rates. At the end of the reporting period, the historical observed default rates had been checked to determine whether they need to be updated and the changes on the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables are disclosed in Note 26.

(iii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during the reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(b) Sources of estimation uncertainty *(Continued)*

(iv) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences and cumulative tax losses.

As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(v) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(j)(ii). The carrying amounts of the Group's non-current assets, including property, plant and equipment and right-of-use assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's non-current assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(vi) Determining the lease term

As explained in policy Note 2(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 REVENUE

The Group derives revenue from the provision of genetic testing solutions and sales of genetic testing devices and instruments. Genetic testing solutions consist of (i) sales of testing kits and (ii) provision of testing services.

(a) Disaggregation of revenue

	2020	2019
	RMB'000	RMB'000
Continuing operations		
Revenue from contracts with customers within the scope of IFRS 15		
Genetic testing solutions		
— Sales of testing kits	**62,596**	24,513
— Provision of testing services	**6,331**	28,801
Sales of testing devices and instruments	**12,182**	2,371
	81,109	55,685

During the year ended 31 December 2020 and 2019, the Group recognised its revenue from contract with customers at point in time in accordance with the accounting policies as set forth in Note 2(t).

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts of products and services such that the Group does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations for sales of products and provision of services that had an original expected duration of one year or less.

(b) Information about major customers

Revenue from major customers contributing over 10% of the Group's revenue are set out as below:

	2020	2019
	RMB'000	RMB'000
Continuing operations		
Customer A	**8,673**	6,648
Customer B	**9,689**	N/A*
	18,362	6,648

* Less than 10% of the Group's revenue in the respective year.

4 REVENUE *(Continued)*

(c) Geographic information

All of the non-current assets of the Group are physically located in the PRC. The geographical location of customers is based on the location at which the customers operate and the revenue of the Group is almost all derived from operations in the PRC during the reporting period.

(d) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of genetic testing solutions and sales of genetic testing devices and instruments during the reporting period.

5 OTHER INCOME

	2020	2019
	RMB'000	RMB'000
Continuing operations		
Government grants (i)	**1,499**	2,428
Interest income from bank deposits	**520**	64
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	**103**	875
Others	**668**	591
	2,790	3,958

(i) Government grants comprise primarily subsidies received from the government for encouragement of research and development projects and compensation on the incurred rental expenditure on the buildings rented for research and development activities.

6 LOSS BEFORE TAXATION

	2020 RMB'000	2019 RMB'000
Continuing operations		
(a) Finance costs		
Interest on bank loans	**1,376**	1,206
Interest on lease liabilities	**96**	110
	1,472	1,316
(b) Staff costs		
Salaries, wages and other benefits	**34,557**	23,071
Contributions to defined contribution retirement plan (i)	**221**	1,930
	34,778	25,001

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	2020 RMB'000	2019 RMB'000
(c) Other items		
Depreciation of property, plant and equipment	**4,963**	6,088
Depreciation of right-of-use assets	**1,592**	1,932
Impairment losses/(reversal of impairment losses) on trade and other receivables (Note 16)	**61**	(5)
Auditors' remuneration	**361**	15
Research and development expenses (i)	**34,481**	19,885
Cost of inventories (ii)	**42,338**	17,811
Foreign exchange losses	**8,553**	5

(i) During the year ended 31 December 2020, research and development expenses include staff costs and depreciation expenses of RMB14,641,000 (2019: RMB11,215,000), which amounts are also included in the respective total amounts disclosed separately above.

(ii) During the year ended 31 December 2020, cost of inventories includes staff costs and depreciation expenses of RMB1,835,000 (2019: RMB2,539,000), which amounts are also included in the respective total amounts disclosed separately above.

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

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 RMB'000	2019 RMB'000
Continuing operations		
Current tax — PRC Tax	**—**	—
Deferred tax	**(7,394)**	(2,290)
Total	**(7,394)**	(2,290)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Continuing operations		
Loss before taxation	**(881,518)**	(530,570)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the PRC (i)	**(220,380)**	(132,643)
Effect of preferential tax rate (ii) & (iv)	**3,315**	1,051
Effect of additional deduction on research and development expenses (iii)	**(2,754)**	(1,514)
Tax effect of changes in the carrying amount of financial instruments issued to investors	**206,707**	130,112
Tax effect of other non-deductible expenses	**272**	839
Tax effect of non-taxable income	**(3,325)**	—
Utilisation of tax losses not recognised	**—**	(54)
Tax effect of tax losses not recognised	**8,071**	—
Utilisation of deductible temporary differences not recognised	**(63)**	—
Tax effect of deductible temporary differences not recognised	**—**	3
Others	**763**	(84)
Actual tax expense	**(7,394)**	(2,290)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates: *(Continued)*

(i) Effective from 1 January 2008, the PRC statutory income tax rate is 25% under the PRC Enterprise Income Tax Law. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

(ii) According to the PRC income tax law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Basecare Medical Device obtained its renewed certificate of high-technology enterprise on 2 December 2020 and is subject to income tax at 15% for a three years period.

(iii) During the year, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations.

(iv) According to the PRC income tax law and its relevant regulations issued in 2019, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). Basecare Intelligent Manufacturing was qualified as small and low profit enterprise and entitled to the preferential income tax rate of 5% for the year ended 31 December 2020 and 2019.

(c) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Credit loss allowance	**Right-of-use assets**	**Lease liabilities**	**Unrealised profit**	**Tax losses**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets/ (liabilities) arising from							
At 1 January 2019	47	(486)	553	75	7,368	2,606	10,163
Credited/(charged) to profit or loss	5	290	(330)	(8)	4,233	(1,900)	2,290
At 31 December 2019 and 1 January 2020	52	(196)	223	67	11,601	706	12,453
Credited/(charged) to profit or loss	10	(20)	(3)	(73)	7,494	(14)	7,394
At 31 December 2020	62	(216)	220	(6)	19,095	692	19,847

(d) Deferred tax assets not recognised

As at 31 December 2020, the Group has not recognised deferred tax assets of certain entities in respect of their respective cumulative tax losses and temporary differences of RMB41,817,000 (2019: RMB9,785,000), in accordance with the accounting policy set out in Note 2(r), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2020 Total RMB'000
Executive directors					
Dr. Liang Bo	–	1,453	6,064	2	7,519
Mr. Kong Lingyin	–	518	33	2	553
Mr. Rui Maoshe	–	341	25	5	371
	–	2,312	6,122	9	8,443
Non-executive directors					
Mr. Xu Wenbo	–	–	–	–	–
Mr. Wang Weipeng	–	–	–	–	–
Mr. Zhang Jiecheng (i)	–	–	–	–	–
	–	–	–	–	–

8 DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2019 Total RMB'000
Executive directors					
Dr. Liang Bo	—	602	100	30	732
Mr. Kong Lingyin	—	407	33	30	470
Mr. Rui Maoshe	—	311	50	38	399
	—	1,320	183	98	1,601
Non-executive directors					
Mr. Xu Wenbo	—	—	—	—	—
Mr. Wang Weipeng	—	—	—	—	—
	—	—	—	—	—

Notes:

(i) Mr. Zhang Jiecheng was appointed as a non-executive director of the Company on 23 July 2020.

(ii) During the year ended 31 December 2020, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2019: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2019: two) individuals are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**738**	611
Discretionary bonuses	**60**	43
Retirement scheme contributions	**4**	61
	802	715

The emoluments of the two (2019: two) individuals with the highest emoluments are within the following bands:

	2020	2019
	Number of Individuals	Number of individuals
Nil — HKD1,000,000	**2**	2

10 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2020 is based on the loss for the year attributable to shareholders of the Company of RMB877,052,000 (2019: RMB531,336,000) and the weighted average number of ordinary shares of 171,909,908 in issue during the year (2019: 147,694,787). The weighted average number of ordinary shares in issue before the conversion into a joint stock limited liability company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock limited liability company in August 2020 (Note 24(c)), calculated as follows:

Weighted average number of ordinary shares

	2020	2019
	RMB'000	RMB'000
Issued ordinary shares at 1 January	**149,432,866**	146,013,079
Effect of capital contribution (Note 24(b))	**22,477,042**	1,681,708
Weighted average number of ordinary shares at 31 December	**171,909,908**	147,694,787

There were no potential dilutive ordinary shares for the year ended 31 December 2020 and 2019, and therefore dilutive loss per share are the same as the basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Office equipment and furniture RMB'000	Motor vehicle RMB'000	Medical equipment and instrument RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost:						
At 1 January 2019	994	682	26,463	–	7,536	35,675
Additions	180	–	1,074	1,107	–	2,361
Transfers	–	–	1,107	(1,107)	–	–
At 31 December 2019 and 1 January 2020	1,174	682	28,644	–	7,536	38,036
Additions	173	1,091	3,947	2,876	–	8,087
Disposals	–	(682)	(1,175)	–	–	(1,857)
Disposal of subsidiaries (Note 25)	–	–	(6,357)	–	(555)	(6,912)
At 31 December 2020	1,347	1,091	25,059	2,876	6,981	37,354
Accumulated depreciation:						
At 1 January 2019	(422)	(335)	(6,350)	–	(2,810)	(9,917)
Charge for the year	(200)	(112)	(3,314)	–	(2,718)	(6,344)
At 31 December 2019 and 1 January 2020	(622)	(447)	(9,664)	–	(5,528)	(16,261)
Charge for the period	(174)	(176)	(3,101)	–	(1,647)	(5,098)
Written back on disposals	–	488	161	–	–	649
Disposal of subsidiaries (Note 25)	–	–	1,780	–	194	1,974
At 31 December 2020	(796)	(135)	(10,824)	–	(6,981)	(18,736)
Net book value:						
At 31 December 2020	551	956	14,235	2,876	–	18,618
At 31 December 2019	552	235	18,980	–	2,008	21,775

12 RIGHT-OF-USE ASSETS

The Group has obtained the right to use certain office buildings through tenancy agreements during the reporting period. The leases typically run for an initial period of 3 to 10 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments. The analysis of the net book value of right-of-use assets by class of underlying asset is presented below:

	Office Building RMB'000
At 1 January 2019	3,987
Charge for the year	(2,028)
At 31 December 2019 and 1 January 2020	1,959
Additions	2,074
Charge for the year	(1,624)
Early termination of tenancy agreement	(357)
Disposal of subsidiaries (Note 25)	(612)
At 31 December 2020	1,440

13 INVESTMENTS IN SUBSIDIARIES

(a) Information about subsidiaries

The following list contains subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
			As at 31 December 2020	As at 31 December 2019	
Suzhou Basecare Medical Device Co., Ltd. ("**Basecare Medical Device**") ("蘇州貝康醫療器械有限公司") (i)(ii)	25 Feb 2015 The PRC	RMB130,000,000/ RMB130,000,000	**100%**	100%	Research, development, manufacturing, and provision of genetic testing solutions
Suzhou Basecare Intelligent Manufacturing Co., Ltd. ("**Basecare Intelligent Manufacturing**") ("蘇州貝康智能製造有限公司") (i)(ii)	10 Apr 2019 The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%	Research, development, manufacturing and sale of medical devices and instruments
Suzhou Fanghua Gene Technology Co., Ltd. ("**Fanghua Gene**") ("蘇州芳華基因科技有限公司") (i)(ii)(iii)	3 May 2017 The PRC	RMB10,000,000/ RMB5,100,000	**–**	51%	Provision of marketing service

(Expressed in Renminbi Yuan unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

(a) Information about subsidiaries *(Continued)*

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
			As at 31 December 2020	As at 31 December 2019	
Suzhou Beikang Medical Laboratory Co., Ltd. ("**Suzhou Medical Laboratory**") ("蘇州貝康醫學檢驗實驗室有限公司") (i)(ii)(iii)	9 Aug 2018 The PRC	RMB15,000,000/ RMB15,000,000	**–**	100%	Provision of testing service
Benxi Shengjing Medical Laboratory Co., Ltd. ("**Benxi Medical Laboratory**") ("本溪盛京醫學檢驗所有限公司") (i)(ii)(iii)	4 Feb 2017 The PRC	RMB10,000,000/ RMB5,100,000	**–**	51%	Provision of testing service
Shandong Beikang Medical Laboratory Co., Ltd. (formerly known as: Linyi Double Helix Medical Laboratory Co., Ltd.) ("**Shandong Medical Laboratory**") (山東貝康醫學檢驗所有限公司, 原名為: 臨沂雙螺旋醫學檢驗所有限公司) (i)(ii)(iii)	3 Aug 2016 The PRC	RMB10,000,000/ RMB5,100,000	**–**	51%	Provision of testing service
Suzhou Laman Medical Equipment Co., Ltd. ("**Suzhou Laman**") ("蘇州拉曼醫療器械有限公司") (i)(ii)(iii)	17 Oct 2016 The PRC	RMB1,000,000/ –	**–**	70%	Dormant

Notes:

(i) The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

(ii) These entities are limited liability companies established in the PRC.

(iii) During the year ended 31 December 2020, Benxi Medical Laboratory, Shandong Medical Laboratory, Suzhou Medical Laboratory, Suzhou Laman and Fanghua Gene were disposed by the Group as disclosed in Note 25.

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) The carrying amount of interest in subsidiaries is listed below:

	2020 **RMB'000**	2019 RMB'000
Unlisted, at cost		
Basecare Medical Device	**130,000**	100,000
Fanghua Gene	**–**	1,500
Benxi Medical Laboratory	**–**	5,100
Shandong Medical Laboratory	**–**	5,100
Basecare Intelligent Manufacturing	**1,000**	–
Suzhou Laman	**–**	–
	131,000	111,700

14 INTEREST IN ASSOCIATES

The following list contains associates of the Group, all of which are unlisted corporate entities whose quoted market price is not available:

Company name	Place of incorporation and business	Particulars of registered and paid-up capital	Proportion of ownership interest: **As at 31 December 2020**	Proportion of ownership interest: As at 31 December 2019	Principal activities
Suzhou Fanghua Biotechnology Co., Ltd. ("**Fanghua Biotech**") ("蘇州芳華生物科技有限公司")	The PRC	RMB1,000,000/ –	**–**	20%	Provision of marketing services
Suzhou Chaoyun Life Intelligence Industry Research Institute Co., Ltd. ("**Suzhou Chaoyun**") ("蘇州超雲生命智能產業研究院有限公司")	The PRC	RMB1,250,000/ RMB1,250,000	**–**	20%	Research and development products

On 24 April 2020, the Company entered into an agreement with Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) ("**Double Helix Partnership**") to dispose its entire interest in Suzhou Chaoyun at a consideration of RMB250,000. Upon completion of the disposal, the Company does not hold any interest in Suzhou Chaoyun.

On 30 June 2020, the Company entered into an agreement with an independent third party to dispose its entire interest in Fanghua Biotech at a consideration of RMB1. Upon completion of the disposal, the Company does not hold any interest in Fanghua Biotech.

15 INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**1,420**	1,692
Finished goods	**2,753**	5,413
Devices and instruments	**1,899**	4,321
Others	**262**	311
	6,334	11,737

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	**42,338**	17,811
Write-down of inventories	**—**	—
	42,338	17,811

16 TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables		
Receivables from third parties	**55,430**	37,568
Receivables from related parties (Note 27(c))	**20,793**	2,879
Less: losses allowance on trade receivables	**(412)**	(351)
Trade receivables, net	**75,811**	40,096
Amount due from related parties (Note 27(c))	**5,100**	—
Prepayments to suppliers	**3,610**	2,299
Deposits	**942**	939
Other receivables	**2,020**	1,524
Trade and other receivables, net	**87,483**	44,858

16 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis of trade receivables

As of the end of the reporting period, the ageing analysis of the Group's trade receivables, based on the invoice date and net of losses allowance, is as follows:

	2020	2019
	RMB'000	RMB'000
Within 6 months	**52,389**	30,347
6 ~ 12 months	**18,684**	8,818
12 ~ 18 months	**4,715**	902
18 ~ 24 months	**23**	—
Over 2 years	**—**	29
	75,811	40,096

Trade receivables are generally due within 60 to 240 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 26(a).

17 OTHER CURRENT ASSETS

	2020	2019
	RMB'000	RMB'000
Deferred listing expenses	**23,986**	—
VAT recoverable	**269**	2,068
Prepayment for current taxation	**—**	35
	24,255	2,103

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group	**2020**	2019
	RMB'000	RMB'000
Wealth management products	**—**	32,088

The Company	**2020**	2019
	RMB'000	RMB'000
Wealth management products	**—**	30,063

Financial assets measured at fair value through profit or loss comprise the investments in wealth management products purchased from banks in the PRC.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group	2020 RMB'000	2019 RMB'000
Cash at bank	192,321	24,155

The Company	2020 RMB'000	2019 RMB'000
Cash at bank	183,994	21,937

(b) Reconciliation of loss before taxation to cash used in operations:

	2020 RMB'000	2019 RMB'000
Loss before taxation	(885,353)	(536,287)
— from continuing operations	(881,518)	(530,570)
— from discontinued operations	(3,835)	(5,717)
Adjustments for:		
Depreciation of property, plant and equipment	5,098	6,344
Depreciation of right-of-use assets	1,624	2,028
Net gain on disposal of property, plant and equipment and right-of-use assets	(953)	—
Finance costs	1,488	1,364
Changes in the carrying amount of financial instruments issued to investors	826,828	520,448
Foreign exchange loss	8,553	—
Interest income	(522)	(71)
Share of (profit)/loss of associates	(250)	76
Net realised and unrealised gains from fair value changes on financial assets	(120)	(1,043)
Loss on disposal of subsidiaries	1,555	—
Operating loss before changes in working capital	(42,052)	(7,141)
Changes in working capital:		
Decrease/(increase) in inventories	4,128	(3,751)
Increase in operating receivables	(45,348)	(15,814)
Increase/(decrease) in operating payables	18,984	(11,439)
Cash used in operations	(64,288)	(38,145)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 (Note 21)	Interest payables on bank loan RMB'000 (Note 20)	Leases liabilities RMB'000 (Note 22)	Financial instruments issued to investors RMB'000 (Note 23)	Total RMB'000
At 1 January 2020	**30,000**	**47**	**2,608**	**1,043,745**	**1,076,400**
Changes from financing cash flows:					
Proceeds from bank loans	**30,000**	**–**	**–**	**–**	**30,000**
Payments for bank loans	**(30,000)**	**–**	**–**	**–**	**(30,000)**
Bank borrowing cost paid	**–**	**(1,401)**	**–**	**–**	**(1,401)**
Payment for capital element of lease liabilities	**–**	**–**	**(1,699)**	**–**	**(1,699)**
Payment for interest element of lease liabilities	**–**	**–**	**(96)**	**–**	**(96)**
Proceeds from the issue of financial instruments to investors	**–**	**–**	**–**	**15,000**	**15,000**
Total changes from financing cash flows	**–**	**(1,401)**	**(1,795)**	**15,000**	**11,804**
Other changes:					
Interest expense	**–**	**1,376**	**112**	**–**	**1,488**
Changes in the carrying amount of financial instruments issued to investors	**–**	**–**	**–**	**826,828**	**826,828**
Reclassification of financial instruments issued to investors as equity	**–**	**–**	**–**	**(1,885,573)**	**(1,885,573)**
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**2,074**	**–**	**2,074**
Early termination of tenancy agreement	**–**	**–**	**(395)**	**–**	**(395)**
Disposal of subsidiaries	**–**	**–**	**(1,135)**	**–**	**(1,135)**
Total other changes	**–**	**1,376**	**656**	**(1,058,745)**	**(1,056,713)**
At 31 December 2020	**30,000**	**22**	**1,469**	**–**	**31,491**

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank loans RMB'000 (Note 21)	Interest payables on bank loan RMB'000 (Note 20)	Leases liabilities RMB'000 (Note 22)	Financial instruments issued to investors RMB'000 (Note 23)	Total RMB'000
At 1 January 2019	20,000	35	4,762	503,297	528,094
Changes from financing cash flows:					
Proceeds from bank loans	30,000	—	—	—	30,000
Repayment of bank loans	(20,000)	—	—	—	(20,000)
Bank borrowing cost paid	—	(1,194)	—	—	(1,194)
Payment for capital element of lease liabilities	—	—	(2,202)	—	(2,202)
Payment for interest element of lease liabilities	—	—	(110)	—	(110)
Proceeds from the issue of financial instruments to investors	—	—	—	20,000	20,000
Total changes from financing cash flows	10,000	(1,194)	(2,312)	20,000	26,494
Other changes:					
Interest expense	—	1,206	158	—	1,364
Changes in the carrying amount of financial instruments issued to investors	—	—	—	520,448	520,448
Total other changes	—	1,206	158	520,448	521,812
At 31 December 2019	30,000	47	2,608	1,043,745	1,076,400

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within financing cash flows	**1,795**	2,312

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	**1,795**	2,312

20 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables (i)	**11,131**	9,749
Payroll payables	**3,841**	3,457
Payables for marketing expenses	**1,726**	5,328
Accrued listing expenses	**15,435**	—
Interest payables	**22**	47
Other payables and accruals	**5,339**	2,090
	37,494	20,671

(i) As of the end of the reporting period, the ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	**4,159**	2,743
3 ~ 6 months	**4,626**	4,566
6 ~ 9 months	**1,706**	2,370
9 ~ 12 months	**—**	—
Over 1 year	**640**	70
	11,131	9,749

All of the trade and other payables are expected to be settled within one year.

21 BANK LOANS

	2020 RMB'000	2019 RMB'000
Unsecured bank loans due within one year	**30,000**	30,000

As at 31 December 2020, the unsecured bank loans were guaranteed by a subsidiary of the Group, with interest at 4.35% per annum (2019: 4.79% — 5.22%).

22 LEASE LIABILITIES

As of the end of the reporting period, the lease liabilities were repayable as follows:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**688**	**737**	1,490	1,517
After 1 year but within 2 years	**720**	**737**	—	—
After 2 year but within 5 years	**61**	**61**	—	—
After 5 years	**—**	**—**	1,118	1,500
	781	**798**	1,118	1,500
	1,469	**1,535**	2,608	3,017
Less: total future interest expenses		**(66)**		(409)
Present value of lease liabilities		**1,469**		2,608

23 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

On 8 November 2014, the Company entered into an investment agreement with several independent investors (the "**Series A Investment**"), pursuant to which the investors made a total investment of RMB20 million in the Company as consideration for subscription of the Company's paid-in capital of RMB1,562,500.

On 2 September 2016, the Company entered into an investment agreement with several independent investors (the "**Series B Investment**"), pursuant to which the investors made a total investment of RMB70 million in the Company as consideration for subscription of the Company's paid-in capital of RMB2,553,105.

On 5 November 2018, the Company entered into an investment agreement with several independent investors (the "**Series C Investment**"), pursuant to which the investors made a total investment of RMB100 million in the Company as consideration for subscription of the Company's paid-in capital of RMB1,313,879.

23 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS *(Continued)*

The key terms of the Series A Investment, Series B Investment and Series C Investment (collectively, the "**Financial Instruments Issued to Investors**") are summarised as follows:

Compulsory liquidation right

The investors of Series A Investment, Series B Investment and Series C Investment have a right to liquidate the Company upon certain events: (i) the founder Dr. Liang Bo resigns, withdraws his investment or is unable to carry out his duties for any subjective reasons; (ii) a breach of criminal law by the founder Dr. Liang Bo results in abnormal operation of the Company; (iii) the Company does not use the proceeds of investments as agreed; (iv) the Company's net assets are less than RMB1 million.

Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by the investors on a per paid-in capital basis, the investors have a right to require the Company to issue new paid-in capital for nil consideration (or nominal consideration) to the investors, so that the total amount paid by the investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

Redemption right

The investors of Series C Investment have a right to require the Company to redeem their investments, if (i) the Group is unable to obtain a registration certificate of PGT kit before 30 December 2020, or (ii) the founder Dr. Liang Bo resigns or is unable to act as the key management or core staff due to any subjective reasons. The redemption amount is the original investment amount plus a compound interest rate of twelve percent per annum accruing from the redemption notice issue date until the date of full payment of redemption amount and all declared but unpaid dividends. The investors of Series A Investment and Series B Investment do not have such redemption right due from the Company.

Presentation and classification

The Company recognized the Financial Instruments Issued to Investors as financial liabilities, because not all triggering events mentioned in the key terms above are within the control of the Company and these financial instruments did not meet the definition of equity for the Company. The financial liabilities are measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of the reporting period. Any changes in the carrying amount of the financial liabilities were recorded in "changes in the carrying amount of financial instruments issued to investors".

23 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS *(Continued)*

The movements of the Financial Instruments Issued to Investors are set out below:

	2020 RMB'000	2019 RMB'000
The Group and the Company		
At beginning of the year	**1,043,745**	503,297
Issue	**15,000**	20,000
Changes in the carrying amount	**826,828**	520,448
Reclassify to equity	**(1,885,573)**	—
At ending of the year	**—**	1,043,745

The Financial Instruments Issued to Investors were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer. The Company used discount cash flow method to determine the total share value of the Company and applied a liquidation discount ratio to arrive the carrying amount of the Financial Instruments Issued to Investors as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the carrying amount of the Financial Instruments Issued to Investors are as follows:

	As at 23 July 2020 RMB'000	As at 31 December 2019 RMB'000
Discount rate	**19.0%**	20.0%
Risk-free interest rate	**2.02%**	2.36%
Implied lack of marketability discount	**9.0%**	14.0%
Volatility	**48.57%**	48.46%
Liquidation discount ratio	**30.0%**	30.0%

On 23 July 2020, the Company entered into a supplementary investment agreement with investors of the Series A Investment, Series B Investment and Series C Investment, pursuant to which the investors agreed to waive the compulsory liquidation right, anti-dilution right and redemption right. The directors of the Company considered that these financial instruments meet the definition of equity of the Company since 23 July 2020, and therefore these financial instruments were all reclassified from financial liabilities to equity on 23 July 2020.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Note	Paid-in capital RMB'000	Capital reserve RMB'000	Share capital RMB'000	Share premium RMB'000	Share based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019		11,220	(11,220)	–	–	58,528	(414,672)	(356,144)
Changes in equity for 2019:								
Total comprehensive income for the year		–	–	–	–	–	(520,427)	(520,427)
Issuance of financial instruments to investors	23	263	19,737	–	–	–	–	20,000
Recognition of financial instruments issued to investors as non-current liabilities	23	–	(20,000)	–	–	–	–	(20,000)
Balance at 31 December 2019 and 1 January 2020		11,483	(11,483)	–	–	58,528	(935,099)	(876,571)
Changes in equity for 2020:								
Total comprehensive income for the year		–	–	–	–	–	(857,883)	(857,883)
Issuance of financial instruments to investors	23	197	14,803	–	–	–	–	15,000
Recognition of financial instruments issued to investors as non-current liabilities	23	–	(15,000)	–	–	–	–	(15,000)
Reclassification of financial instruments issued to investors as equity	23	–	1,885,573	–	–	–	–	1,885,573
Capital contribution by equity shareholders of the Company	24(b)	3,688	266,507	–	–	(58,528)	–	211,667
Conversion into a joint stock company	24(c)	(15,368)	(2,140,400)	200,000	180,928	–	1,774,840	–
At 31 December 2020		–	–	200,000	180,928	–	(18,142)	362,786

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Paid-in capital

	Total
	RMB'000
At 1 January 2019	11,220
Capital contribution by investors (i)	263
At 31 December 2019 and 1 January 2020	11,483
Capital contribution by investors (i)	197
Capital contribution by investors (ii)	3,688
Conversion into a joint stock company (Note 24(c))	(15,368)
At 31 December 2020	—

Notes:

(i) As disclosed in Note 23, the Company entered into an investment agreement with several independent investors on 5 November 2018, pursuant to which the investors agreed to make a total investment of RMB100 million in the Company as consideration of subscription for the Company's paid-in capital of RMB1,313,879.

RMB854,021 (65%) of the capital injection was made by the investors during the year ended 31 December 2018, while RMB262,776 (20%) of capital injection was made by the investors during the year ended 31 December 2019 with the remaining RMB197,082 (15%) of capital injection made by the investors during the year ended 31 December 2020.

(ii) On 23 July 2020, the Company entered into an investment agreement with several independent investors (the "**Series D Investment**"), pursuant to which the investors made a total investment of RMB208,893,749 in the Company, with RMB915,310 and RMB207,978,439 credited to the Company's paid-in capital and capital reserves respectively.

On 28 July 2020, the Company received cash consideration of RMB2,773,180 under the Company's equity interest award scheme from the eligible person who were recognised and rewarded for their contributions to the Group, all of which was credited to paid-in capital, and RMB58,528,000 transferred from the share based payment reserve to the capital reserve.

(c) Share capital and share premium

	Numbers of ordinary shares	**Share capital**	**Share premium**	**Total**
		RMB'000	RMB'000	RMB'000
Issued and fully paid				
At 1 January 2019 and 31 December 2019	—	—	—	—
Issue of ordinary shares upon conversion into a joint stock company (i)	200,000,000	200,000	180,928	380,928
At 31 December 2020	200,000,000	200,000	180,928	380,928

(i) In August 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, amounting to RMB380,928,000, were converted into 200,000,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the reporting period.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes financial instruments issued to investors) less cash and cash equivalents. Adjusted capital comprises all components of equity and financial instruments issued to investors.

The Group's adjusted net debt-to-capital ratio at 31 December 2020 and 2019 was as follows:

	Note	**2020** **RMB'000**	2019 RMB'000
Current liabilities:			
Bank loans	21	**30,000**	30,000
Lease liabilities	22	**688**	1,490
		30,688	31,490
Non-current liabilities:			
Lease liabilities	22	**781**	1,118
Total debt		**31,469**	32,608
Less: Cash and cash equivalents	19(a)	**(192,321)**	(24,155)
Adjusted net debt		**(160,852)**	8,453
Total equity		**281,335**	(945,896)
Add: Financial instruments issued to investors	23	**—**	1,043,745
Adjusted capital		**281,335**	97,849
Adjusted net debt-to-capital ratio		**N/A**	9%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 DISCONTINUED OPERATIONS

The Group entered into sales and purchase agreements with Suzhou Double Helix Medical Laboratory Co., Ltd. ("**Suzhou Double Helix**") to dispose of its entire interest in Suzhou Medical Laboratory, Shandong Medical Laboratory, Benxi Medical Laboratory for a cash consideration of RMB14,500,000, RMB1,500,000 and RMB1,000,000 respectively. The disposals were completed on 17 April 2020, 22 April 2020 and 17 June 2020 respectively, on which dates control for Suzhou Medical Laboratory, Shandong Medical Laboratory and Benxi Medical Laboratory were transferred to acquirer. The Group entered into a sale and purchase agreement with independent third party to dispose of its entire interest in Suzhou Laman for a cash consideration of RMB1. The disposal was completed on 30 June 2020, on which date control for Suzhou Laman were transferred to acquirer. The Group entered into a sale and purchase agreement with Nanjing Fanghua Heli Gene Technology Co., Ltd. to dispose of its entire interest in Fanghua Gene for a cash consideration of RMB1. The disposal was completed on 17 July 2020, on which date control for Fanghua Gene were transferred to acquirer. The reasons for the disposal were that the Group can concentrate on cooperation with hospitals and reproductive clinics licensed to conduct genetic tests and streamline the business structure by taking into consideration of the Group's future business strategy and relevant PRC laws regulations. Upon completion of the transactions, Suzhou Medical Laboratory, Shandong Medical Laboratory, Benxi Medical Laboratory, Suzhou Laman and Fanghua Gene were deconsolidated from the Group, and their historical financial results are presented in the Group's consolidated financial statements as discontinued operations accordingly.

During the years ended 31 December 2020 and 2019, the detailed results of discontinued operations are set out below:

	2020 **RMB'000**	2019 RMB'000
(Loss)/profit for the year from discontinued operations		
Suzhou Medical Laboratory (i)	**3,406**	(287)
Shandong Medical Laboratory (ii)	**543**	(1,820)
Benxi Medical Laboratory (iii)	**(519)**	(862)
Suzhou Laman (iv)	**—**	—
Fanghua Gene (v)	**(7,265)**	(2,748)
Total	**(3,835)**	(5,717)

25 DISCONTINUED OPERATIONS *(Continued)*

(i) Analysis of profit/(loss) for the period/year from Suzhou Medical Laboratory

The results of the discontinued operations of Suzhou Medical Laboratory for the period/year are as follows:

	From 1 January to 17 April 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	**271**	107
Cost of sales	**(425)**	—
Gross (loss)/profit	**(154)**	107
Other income	**18**	180
Administrative expenses	**(294)**	(574)
Loss from operations	**(430)**	(287)
Gain on disposal	**3,836**	—
Profit/(loss) for the period/year	**3,406**	(287)

Profit/(loss) for the period/year from discontinued operations include the following:

	From 1 January to 17 April 2020 RMB'000	Year ended 31 December 2019 RMB'000
Government grants	**—***	8
Interest income from bank deposits	**1**	4
Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss	**17**	168
Depreciation for property, plant and equipment	**56**	—
Staff costs		
— Salaries, wages and other benefits	**434**	529
— Contributions to defined contribution retirement plan (Note 6(b)(i))	**8**	41

* The balance represents an amount less than RMB500.

25 DISCONTINUED OPERATIONS *(Continued)*

(i) Analysis of profit/(loss) for the period/year from Suzhou Medical Laboratory *(Continued)*

Cash flows (used in)/generated from discontinued operations are summarised as follows:

	From 1 January to 17 April 2020 RMB'000	Year ended 31 December 2019 RMB'000
Cash flows generated from/(used in) operating activities	**1,858**	(11,765)
Cash flows used in investing activities	**(2,535)**	(1,996)
Cash flows generated from financing activities	**—**	15,000
Net cash (outflow)/inflow	**(677)**	1,239

The major classes of assets and liabilities of Suzhou Medical Laboratory as at 17 April 2020 are as follow:

	As at 17 April 2020 RMB'000
Property, plant and equipment	3,008
Trade and other receivables	5,549
Financial assets at fair value through profit or loss	1,531
Cash and cash equivalents	576
	10,664
Gain on disposal of a subsidiary	3,836
Consideration receivables, included in trade and other receivables	14,500
Net cash outflow on disposal of a subsidiary	(576)

25 DISCONTINUED OPERATIONS *(Continued)*

(ii) Analysis of profit/(loss) for the period/year from Shandong Medical Laboratory

The results of the discontinued operations of Shandong Medical Laboratory for the period/year are as follows:

	From 1 January to 22 April 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	**1,033**	2,436
Cost of sales	**(1,791)**	(3,584)
Gross loss	**(758)**	(1,148)
Other income	**—***	71
Other losses	**—**	(4)
Distribution costs	**—**	(6)
Administrative expenses	**(93)**	(685)
Loss from operations	**(851)**	(1,772)
Finance cost	**(16)**	(48)
Loss before taxation	**(867)**	(1,820)
Gain on disposal	**1,410**	—
Profit/(loss) for the period/year	**543**	(1,820)

* The balance represents an amount less than RMB500.

Profit/(loss) for the period/year from discontinued operations include the following:

	From 1 January to 22 April 2020 RMB'000	Year ended 31 December 2019 RMB'000
Interest on lease liability	**16**	48
Interest income from bank deposits	**—***	—*
Depreciation for property, plant and equipment	**17**	256
Depreciation for right-of-use asset	**32**	96
Staff costs		
— Salaries, wages and other benefits	**299**	851
— Contributions to defined contribution retirement plan (Note 6(b)(i))	**7**	72

* The balance represents an amount less than RMB500.

25 DISCONTINUED OPERATIONS *(Continued)*

(ii) Analysis of profit/(loss) for the period/year from Shandong Medical Laboratory *(Continued)*

Cash flows used in discontinued operations are summarized as follows:

	From 1 January to 22 April 2020 RMB'000	Year ended 31 December 2019 RMB'000
Cash flows generated from/(used in) operating activities	**220**	(532)
Cash flows (used in)/generated from investing activities	**(404)**	—*
Cash flows generated from financing activities	**—**	—
Net cash outflow	**(184)**	(532)

* The balance represents an amount less than RMB500.

The major classes of assets and liabilities of Shandong Medical Laboratory as at 22 April 2020 are as follow:

	As at 22 April 2020 RMB'000
Property, plant and equipment	1,794
Right-of-use assets	612
Inventories	1,153
Trade and other receivables	3,002
Cash and cash equivalents	65
Trade and other payables	(6,343)
Lease liability	(1,135)
Non-controlling interests	942
	90
Gain on disposal of a subsidiary	1,410
Consideration receivables, included in trade and other receivables	1,500
Net cash outflow on disposal of a subsidiary	(65)

25 DISCONTINUED OPERATIONS *(Continued)*

(iii) Analysis of loss for the period/year from Benxi Medical Laboratory

The results of the discontinued operations of Benxi Medical Laboratory for the period/year are as follows:

	From 1 January to 17 June 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	**1,970**	3,901
Cost of sales	**(1,523)**	(4,119)
Gross profit/(loss)	**447**	(218)
Other income	**8**	20
Other losses	**—**	(—)*
Distribution costs	**(89)**	(379)
Administrative expenses	**(23)**	(285)
Profit/(loss) from operations	**343**	(862)
Loss on disposal	**(862)**	—
Loss for the period/year	**(519)**	(862)

* The balance represents an amount less than RMB500.

Loss for the period/year from discontinued operations include the following:

	From 1 January to 17 June 2020 RMB'000	Year ended 31 December 2019 RMB'000
Government grants	**7**	18
Interest income from bank deposits	**—***	2
Depreciation for property, plant and equipment	**62**	—
Staff costs		
— Salaries, wages and other benefits	**445**	1,072
— Contributions to defined contribution retirement plan (Note 6(b)(i))	**53**	108

* The balance represents an amount less than RMB500.

25 DISCONTINUED OPERATIONS *(Continued)*

(iii) Analysis of loss for the period/year from Benxi Medical Laboratory *(Continued)*

Cash flows generated from discontinued operations are summarised as follows:

	From 1 January to 17 June 2020 RMB'000	Year ended 31 December 2019 RMB'000
Cash flows generated from/(used in) operating activities	**1,059**	(3,423)
Cash flows used in investing activities	**(37)**	(117)
Cash flows generated from financing activities	**—**	3,600
Net cash inflow	**1,022**	60

The major classes of assets and liabilities of Benxi Medical Laboratory as at 17 June 2020 are as follow:

	As at 17 June 2020 RMB'000
Property, plant and equipment	136
Inventories	122
Trade and other receivables	802
Cash and cash equivalents	1,196
Trade and other payables	(2,981)
Non-controlling interests	2,587
	1,862
Loss on disposal of a subsidiary	(862)
Consideration receivables, included in trade and other receivables	1,000
Net cash outflow on disposal of a subsidiary	(1,196)

(iv) Analysis of loss for the year from Suzhou Laman

Suzhou Laman did not carry on any business since its date of incorporation.

25 DISCONTINUED OPERATIONS *(Continued)*

(v) Analysis of loss for the period/year from Fanghua Gene

The results of the discontinued operations of Fanghua Gene for the period/year are as follows:

	From 1 January to 17 July 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	**2,047**	4,022
Cost of sales	**(2,047)**	(4,022)
Gross profit	**—**	—
Other income	**20**	9
Other losses	**—**	(50)
Distribution costs	**(1,081)**	(2,510)
Administrative expenses	**(265)**	(197)
Loss from operations	**(1,326)**	(2,748)
Loss on disposal	**(5,939)**	—
Loss for the period/year	**(7,265)**	(2,748)

Loss for the period/year from discontinued operations include the following:

	From 1 January to 17 July 2020 RMB'000	Year ended 31 December 2019 RMB'000
Government grants	**10**	8
Interest income from bank deposits	**1**	—*
Staff costs		
— Salaries, wages and other benefits	**1,840**	3,824
— Contributions to defined contribution retirement plan (Note 6(b)(i))	**105**	385

* The balance represents an amount less than RMB500.

25 DISCONTINUED OPERATIONS *(Continued)*

(v) Analysis of loss for the period/year from Fanghua Gene *(Continued)*

Cash flows generated from/(used in) discontinued operations are summarised as follows:

	From 1 January to 17 July 2020 RMB'000	Year ended 31 December 2019 RMB'000
Cash flows (used in)/generated from operating activities	**(3,763)**	95
Cash flows generated from investing activities	**1**	—*
Cash flows generated from financing activities	**3,600**	—
Net cash (outflow)/inflow	**(162)**	95

* The balance represents an amount less than RMB500.

The major classes of assets and liabilities of Fanghua Gene as at 17 July 2020 are as follow:

	As at 17 July 2020 RMB'000
Trade and other receivables	2,304
Cash and cash equivalents	14
Trade and other payables	(800)
Non-controlling interests	4,421
	5,939
Loss on disposal of a subsidiary	(5,939)
Consideration receivables, included in trade and other receivables	—*
Net cash outflow on disposal of a subsidiary	(14)

* The balance represents an amount less than RMB500.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and wealth management products is limited because the counterparties are reputable banks or financial institution, for which the Group considered have low credit risks.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry or country in which the customers operate also has an influence on credit risk. As at 31 December 2020 and 2019, 43.8% and 55.8% of the total trade receivables were due from the Group's top five largest customers. Trade receivables are generally due within 60 to 240 days from the date of billing.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at lifetime ECL. The Group determines ECL by using a provision matrix, estimated based on historical credit loss experience, the past default experience of the debtor, general economic conditions of the industry and country in which the debtors operates and an assessment of both the current and the forecast duration of condition as of the end of the reporting period. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 2019:

	2020		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.0%**	**60,659**	**(28)**
Within 6 months past due	**0.2%**	**13,156**	**(27)**
6 ~ 12 months past due	**1.2%**	**2,053**	**(25)**
12 ~ 18 months past due	**65.2%**	**66**	**(43)**
18 ~ 24 months past due	**100.0%**	**25**	**(25)**
Over 2 years past due	**100.0%**	**264**	**(264)**
		76,223	**(412)**

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.2%	36,916	(64)
Within 6 months past due	1.2%	2,718	(33)
6 ~ 12 months past due	3.5%	549	(19)
18 ~ 24 months past due	27.5%	40	(11)
Over 2 years past due	100%	224	(224)
		40,447	(351)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's shareholders when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities as of the end of the reporting periods of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current as at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Lease liabilities	**737**	**737**	**61**	**–**	**1,535**	**1,469**
Trade and other payables	**37,494**	**–**	**–**	**–**	**37,494**	**37,494**
Bank loans	**30,600**	**–**	**–**	**–**	**30,600**	**30,000**
	68,831	**737**	**61**	**–**	**69,629**	**68,963**

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	As at 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Lease liabilities	1,517	–	–	1,500	3,017	2,608
Trade and other payables	20,671	–	–	–	20,671	20,671
Bank loans	30,690	–	–	–	30,690	30,000
	52,878	–	–	1,500	54,378	53,279

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, wealth management products issued by banks, bank loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial assets and liabilities as of the end of the reporting period.

	2020		2019	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate instruments:				
Lease liabilities	**4.50%**	**(1,469)**	4.50%	(2,608)
Bank loans	**4.35%**	**(30,000)**	4.79%-5.22%	(30,000)
		(31,469)		**(32,608)**
Variable rate instruments:				
Cash at bank	**0.0001%-1.76%**	**192,321**	0.0001%-0.35%	24,155
Financial assets at fair value through profit and loss	**–**	**–**	2.70%-3.50%	32,088
		160,852		23,635

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The following table details the effect on the Group's loss after tax for the reporting period and accumulated losses as at the end of the reporting period that an increase/decrease of 100 basis points in interest rates would have.

	As at 31 December 2020			As at 31 December 2019		
	Increase/ (decrease) of basis point	**Effect on loss after tax RMB'000**	**Effect on accumulated losses RMB'000**	Increase/ (decrease) of basis point	Effect on loss after tax RMB'000	Effect on accumulated losses RMB'000
Interest rates	**100**	**(1,609)**	**(1,609)**	100	(236)	(236)
	(100)	**1,609**	**1,609**	(100)	236	236

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax and accumulated losses is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily from the cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("**USD**").

(i) Exposure to currency risk

The following table details the Group's exposure as at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	2020 USD RMB'000	2019 USD RMB'000
Cash and cash equivalents	**121,429**	—

(Expressed in Renminbi Yuan unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
USD	**10%**	**(12,143)**	10%	—
	(10%)	**12,143**	(10%)	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting periods on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) ***Financial assets and liabilities measured at fair value*** (Continued)

Financial assets at fair value through profit or loss

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

	2020	2019
	RMB'000	RMB'000
Level 3 — bank's wealth management products	**–**	32,088
	–	32,088

The fair values of banks' wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting periods.

The movements during the period in the balance of these Level 3 financial assets at fair value through profit or loss was as follows:

	2020	2019
	RMB'000	RMB'000
Bank's wealth management products		
At beginning of the year	**32,088**	50,100
Payment for purchases	**30,000**	212,000
Changes in fair value recognised in profit or loss during the year		
— from continuing operations	**103**	875
— from discontinued operations	**17**	168
Redemption of investment	**(60,677)**	(231,055)
Disposal of subsidiary	**(1,531)**	—
At ending of the year	**–**	32,088

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Financial instruments issued to investors

The Group's financial instruments issued to investors are grouped under Level 3 hierarchy. The valuation method, key valuation assumptions and the movements of Financial Instruments Issued to Investors are presented in Note 23.

During the reporting period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Fair values of financial assets and liabilities carried at other than fair value

All financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020 and 2019.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9.

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

During the reporting period, the directors are of the view that the following companies are related parties:

Name of party	**Relationship**
Liang Bo	Controlling Shareholder
Liang Ping	Close family member of the Controlling Shareholder
Suzhou Chaoyun Life Intelligence Industry Research Institute Co., Ltd. ("**Suzhou Chaoyun**") 蘇州超雲生命智能產業研究院有限公司 (i)	Fellow subsidiary
Suzhou Fanghua Biotechnology Co., Ltd. ("**Fanghua Biotech**") 蘇州芳華生物科技有限公司 (i)(iii)	Fellow subsidiary
BaseCare Medical Technology Co., Limited ("**Basecare Technology**")	Fellow subsidiary
Benxi Shengjing Medical Laboratory Co., Ltd. ("**Benxi Medical Laboratory**") 本溪盛京醫學檢驗所有限公司(i)(ii)	Fellow subsidiary
Shandong Beikang Medical Laboratory Co., Ltd. (formerly known as: "Linyi Double Helix Medical Laboratory Co., Ltd.") ("**Shandong Medical Laboratory**") 山東貝康醫學檢驗所有限公司 (原名為: "臨沂雙螺旋醫學檢驗所有限公司") (i)(ii)	Fellow subsidiary
Suzhou Beikang Medical Laboratory Co., Ltd. ("**Suzhou Medical Laboratory**") 蘇州貝康醫學檢驗實驗室有限公司(i)(ii)	Fellow subsidiary
Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) ("**Double Helix Partnership**") 蘇州雙螺旋企業管理合夥企業 (有限合夥) (i)	Fellow subsidiary
Suzhou Double Helix Medical Laboratory Co., Ltd. ("**Suzhou Double Helix**") 蘇州雙螺旋醫學檢驗所有限公司(i)	Fellow subsidiary

(i) The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

(ii) Benxi Medical Laboratory, Shandong Medical Laboratory and Suzhou Medical Laboratory were disposed by the Group as disclosed in Note 25. Upon completion of the disposal, these entities were transferred to Suzhou Double Helix, which was hold by Double Helix Partnership and ultimately under Liang Ping's control and became the related parties of the Group.

(iii) During the period, the Group disposed its interest in Fanghua Biotech as disclosed in Note 14, and the key management personnel of the Group also disposed their interest in Fanghua Biotech in July 2020. Upon the completion of the disposal, Fanghua Biotech was not presented as a related party of the Group.

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

During the reporting period, the Group entered into the following material related party transactions:

	2020	2019
	RMB'000	RMB'000
Sales of testing kits	**19,106**	—
Sales of testing devices and instruments	**54**	—
Provision of testing services	**—**	2,716
Service fee charged by related parties	**4,097**	—
Loans to related parties	**7,100**	—
Loans repaid by a related party	**2,000**	—
Disposal of subsidiaries	**17,000**	—
Disposal of associates	**250**	—

(c) Related party balances

The outstanding balances arising from the above transactions are as follows:

	2020	2019
	RMB'000	RMB'000
Amounts due from related parties		
Trade related:		
Basecare Technology	**2,542**	2,879
Shandong Medical Laboratory	**8,599**	—
Benxi Medical Laboratory	**6,398**	—
Suzhou Medical Laboratory	**3,254**	—
	20,793	2,879
Non-trade related:		
Suzhou Medical Laboratory	**5,100**	—

The non-trade related balances have been settled in full as of the date of the financial statements.

(d) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment		**367**	104
Interest in subsidiaries	13	**131,000**	111,700
Interest in associates	14	**–**	–
		131,367	111,804
Current assets			
Trade and other receivables		**41,006**	3,460
Other current assets		**24,255**	35
Financial assets at fair value through profit or loss	18	**–**	30,063
Cash and cash equivalents	19	**183,994**	21,937
		249,255	55,495
Current liabilities			
Trade and other payables		**17,836**	125
		17,836	125
Net current assets		**231,419**	55,370
Total assets less current liabilities		**362,786**	167,174
Non-current liabilities			
Financial instruments issued to investors	23	**–**	1,043,745
NET ASSETS/(LIABILITIES)		**362,786**	(876,571)
CAPITAL AND RESERVES	24		
Paid-in capital		**–**	11,483
Share capital		**200,000**	–
Reserves		**162,786**	(888,054)
TOTAL EQUITY		**362,786**	(876,571)

Approved and authorised for issue by the board of directors on 30 March 2021.

Liang Bo
Director

Kong Lingyin
Director

(Expressed in Renminbi Yuan unless otherwise indicated)

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 4 March 2021, the Company entered into a confirmation letter with the Suzhou Industrial Park Planning and Construction Committee, pursuant to which the Suzhou Industrial Park Planning and Construction Committee has confirmed, and the Company has acknowledged, that the Company has won the bid for the land use right of a piece of land located in Suzhou Industrial Park, Jiangsu, PRC at a total consideration of RMB7,960,000. No adjustment has been made in these financial statements in this regard.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform — Phase 2*	1 January 2021
Annual Improvements to IFRS 2018–2020 Cycle	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts and related Amendments*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

"Audit Committee"	the audit committee of the Board
"Articles of Association"	articles of association of our Company adopted on August 31, 2020, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Basecare Intelligent Manufacturing"	Suzhou Basecare Intelligent Manufacturing Co., Ltd. (蘇州貝康智能製造有限公司), a company established in the PRC with limited liability on April 10, 2019 and a wholly-owned subsidiary of our Company
"Basecare Investment"	Suzhou Basecare Investment Management Enterprise (Limited Partnership) (蘇州貝康投資管理企業(有限合夥)), a limited partnership established on May 23, 2016, through which, certain former employees, employees and advisors of our Group were indirectly beneficially interested in approximately 13.19% of the equity interests in our Company as of the date of this annual report. Basecare Investment is one of our Controlling Shareholders
"Basecare Medical Device"	Suzhou Basecare Medical Device Co., Ltd. (蘇州貝康醫療器械有限公司), a company established in the PRC with limited liability on February 25, 2015 and a wholly-owned subsidiary of our Company
"Benxi Medical Laboratory"	Benxi Shengjing Medical Laboratory Co., Ltd. (本溪盛京醫學檢驗所有限公司), a company established in the PRC with limited liability on February 4, 2017 and a connected person of our Company
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"Broad Vision Harmony"	Zhangjiagang Broad Vision Harmony Shareholding Investment Fund (Limited Partnership) (張家港博華和瑞股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on July 2, 2020
"Broad Vision Investment"	Zhangjiagang Broad Vision Investment Fund (Limited Partnership) (張家港博華創業投資合夥企業(有限合夥)), previously known as Ningbo Meishan Free Trade Port Area Bohua Guangzheng Venture Capital Partnership (Limited Partnership) (寧波梅山保税港區博華光證創業投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on May 11, 2018
"Company", "our Company" or "the Company"	Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司)

Definitions

"CG Code"	the CG Code as set out in Appendix 14 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Liang and/or Basecare Investment
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this annual report, for the purposes of this annual report, our Core Product refers to our PGT-A kit
"CTA"	clinical trial application, the PRC equivalent of investigational new vaccine application
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors
"Dr. Liang"	Dr. LIANG Bo (梁波), our founder, executive Director, chairman of the Board, general manager and Controlling Shareholder
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Global Offering"	the offer of H Shares for subscription as described in the Prospectus
"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group", "we" or "us"	the Company and its subsidiaries
"H Shares"	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hillhouse HK"	HH SPR-XIV HK Holdings Limited, a limited company incorporated in Hong Kong on July 12, 2018 and a Pre-IPO Investor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	February 8, 2021, being the date on which the H Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nanjing Fanghua"	Nanjing Fanghua Heli Gene Technology Co., Ltd. (南京芳華合力基因科技有限公司), a company incorporated in the PRC with limited liability on August 7, 2012, was owned by Ms. Sun Ruisheng (孫睿升) and Mr. Wang Tengfei (王騰飛) as to 95% and 5%, respectively, and an Independent Third Party
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board
"OPM"	OrbiMed Partners Master Fund Limited, an exempted company incorporated under the laws of Bermuda
"Oriza Seed"	Suzhou Industrial Park Seed Zhengze Yihao Venture Capital Enterprise (Limited Partnership) (蘇州工業園區原點正則壹號創業投資企業(有限合夥)), a limited partnership incorporated in the PRC on November 19, 2013
"Prospectus"	the prospectus issued by the Company dated January 27, 2021
"Reporting Period"	the year from January 1, 2020 to December 31, 2020
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board

Definitions

"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Series D Pre-IPO Investors"	Hillhouse HK, Broad Vision Harmony and OPM
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares, Unlisted Foreign Shares and H Shares
"Shandong Medical Laboratory"	Shandong Beikang Medical Laboratory Co., Ltd. (山東貝康醫學檢驗所有限公司), a company incorporated in the PRC with limited liability on August 3, 2016 and a connected person of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Suzhou Chaoyun"	Suzhou Chaoyun Life Intelligence Industry Research Institute Co., Ltd. (蘇州超雲生命智能產業研究院有限公司), a company incorporated in the PRC with limited liability on February 8, 2018 and an Independent Third Party
"Suzhou Double Helix"	Suzhou Double Helix Medical Laboratory Co., Ltd. (蘇州雙螺旋醫學檢驗所有限公司), a company incorporated in the PRC with limited liability on April 1, 2020 and ultimately controlled by Ms. LIANG Ping, the sister of Dr. Liang, thus a connected person of our Company
"Suzhou Medical Laboratory"	Suzhou Beikang Medical Laboratory Co., Ltd. (蘇州貝康醫學檢驗實驗室有限公司), a company incorporated in the PRC with limited liability on August 9, 2018 and a connected person of our Company
"Suzhou Sungent"	Suzhou Industrial Park Sungent Bio-Venture Capital Investment Enterprise (Limited Partnership) (蘇州工業園區新建元生物創業投資企業(有限合夥)), a limited partnership incorporated in the PRC on October 28, 2013 and a Pre-IPO Investor
"Unlisted Foreign Shares"	unlisted ordinary Share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than RMB