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 2021

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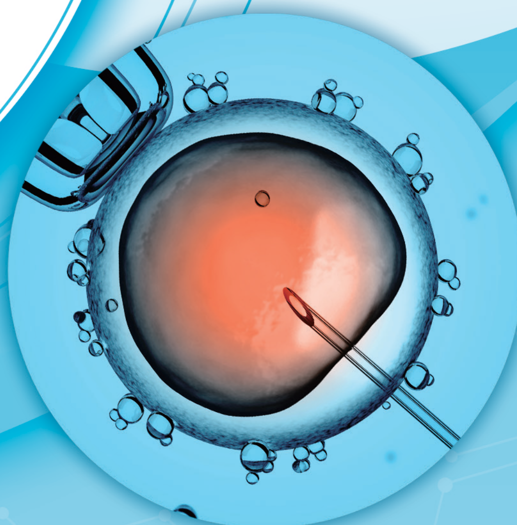

Corporate Information

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) *Note*

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. CHAU Kwok Keung (鄒國強) *(appointed on October 21, 2021)*
Mr. YU Kwok Kuen Harry (余國權) *(resigned on September 6, 2021)*

AUDIT COMMITTEE

Mr. CHAU Kwok Keung *(Chairman) (appointed on October 21, 2021)*
Mr. YU Kwok Kuen Harry *(Chairman) (resigned on September 6, 2021)*
Dr. KANG Xixiong
Mr. WANG Weipeng

REMUNERATION AND APPRAISAL COMMITTEE

Dr. KANG Xixiong *(Chairman)*
Dr. LIANG Bo
Mr. CHAU Kwok Keung *(appointed on October 21, 2021)*
Mr. YU Kwok Kuen Harry *(resigned on September 6, 2021)*

NOMINATION COMMITTEE

Dr. LIANG Bo *(Chairman)*
Dr. KANG Xixiong
Mr. CHAU Kwok Keung *(appointed on October 21, 2021)*
Mr. YU Kwok Kuen Harry *(resigned on September 6, 2021)*

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. WANG YAN (王燕)
Mr. YIM Lok Kwan *(Fellow member of The Hong Kong 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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Hong Kong

H SHARE REGISTRAR

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17th Floor, Hopewell Centre
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

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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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Hong Kong

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

Note: According to the Company's announcement dated March 30, 2022, Mr. Rui Maoshe has tendered his resignation as an executive Director with effect from April 30, 2022, and Ms. YANG Ying (楊瑩) will be appointed on April 30, 2022 subject to Shareholders' approval.

Financial Summary

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

	Year ended December 31,			
	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**107,299**	81,109	55,685	32,609
Cost of sales	**(56,152)**	(53,395)	(29,432)	(24,472)
Gross profit	**51,147**	27,714	26,253	8,137
Loss from operations	**(124,486)**	(53,468)	(8,730)	(51,816)
Loss before taxation	**(125,746)**	(881,518)	(530,570)	(157,005)
Loss for the year	**(144,078)**	(877,959)	(533,997)	(157,700)

	As of December 31,			
	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Position				
Non-current assets	**98,195**	39,905	36,187	39,984
Current assets	**1,702,693**	310,393	114,941	108,274
Non-current liabilities	**25,517**	781	1,044,863	505,857
Current liabilities	**60,332**	68,182	52,161	54,300
Net assets/(liabilities)	**1,715,039**	281,335	(945,896)	(411,899)
Total equity attributable to Equity shareholders of the Company	**1,715,466**	281,335	(938,853)	(407,517)
Non-controlling interests	**(427)**	—	(7,043)	(4,382)

* The 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.

Chairman's Statement

2021 represented a significant milestone for Basecare. During this year, the Company achieved a number of breakthroughs. In February, Basecare was listed on the Main Board of the Hong Kong Stock Exchange, making us the first listed IVD company in the field of assisted reproduction, consequently, our PGT kits were on the way to commercialization. In September, Basecare's production site and R&D complex commenced construction, expanding the Company's industrial capacity to a larger scale. We will establish an advanced production site focused in the assisted reproduction sector for upstream test kits, consumables and instruments, and build a global incubation center for advanced technology. In November, Basecare entered into an investment agreement to acquire Cellpro Biotech, a male-focused IVD diagnostic company, which will help us extend our product pipeline from assisted reproduction to andrology. Through sharing and complementing sales channels and experts, we successfully expanded our production scale and implemented a multi-channel layout for our product pipeline.

During the year, revenue generated by Basecare from the sales of PGT kits amounted to RMB45.84 million, representing 43% of the total revenue and a growth of 41%; gross profit of PGT-A kits amounted to RMB23.73 million, representing a year-to-year growth of 99.2%. The increase signifies a notable progress in the commercialization of our Core Products. Among the leading assisted reproduction centers nation-wide, we have entered into contracts with 55 and established 48 localized laboratories as of December 31, 2022. Market share in leading customers reached approximately 70%, forming a sales channel barrier. For our PGT-M test kit products, clinical trial program was officially launched in 2021, patients enrolment is expected to be completed in 2022; for our PGT-SR test kit products, research and development was completed in 2021, state registration filing is expected to be completed in 2022. In addition, our DA500 gene sequencer, BCT38 liquid nitrogen storage dewar, BKA210 intelligent semen quality analyzer and the respective complementary kits are also in the process of registration and certification. R&D and registration for our product pipeline is on schedule. Our goal is to transform from a technology-based company into an industrialized company. In terms of product offering, we seek to provide a full range of upstream test kits, consumables and instruments instead of a single product.

The Covid-19 outbreak and the changing market environment brought unprecedented challenges to us that also affected our industry or field. Notwithstanding the current situation, we believe the Company is faced with great opportunities. Benefitting from the "three-child" policy, Basecare will move forward with full-scale commercialization, enhance our effort in sales network establishment. Through "internal and external extension", we will expand our product pipeline to provide comprehensive clinical solutions in the field of assisted reproduction. Our goal is to help people with technology by expanding our business scale, product pipeline and industrial capacity.

Management Discussion and Analysis

OVERVIEW

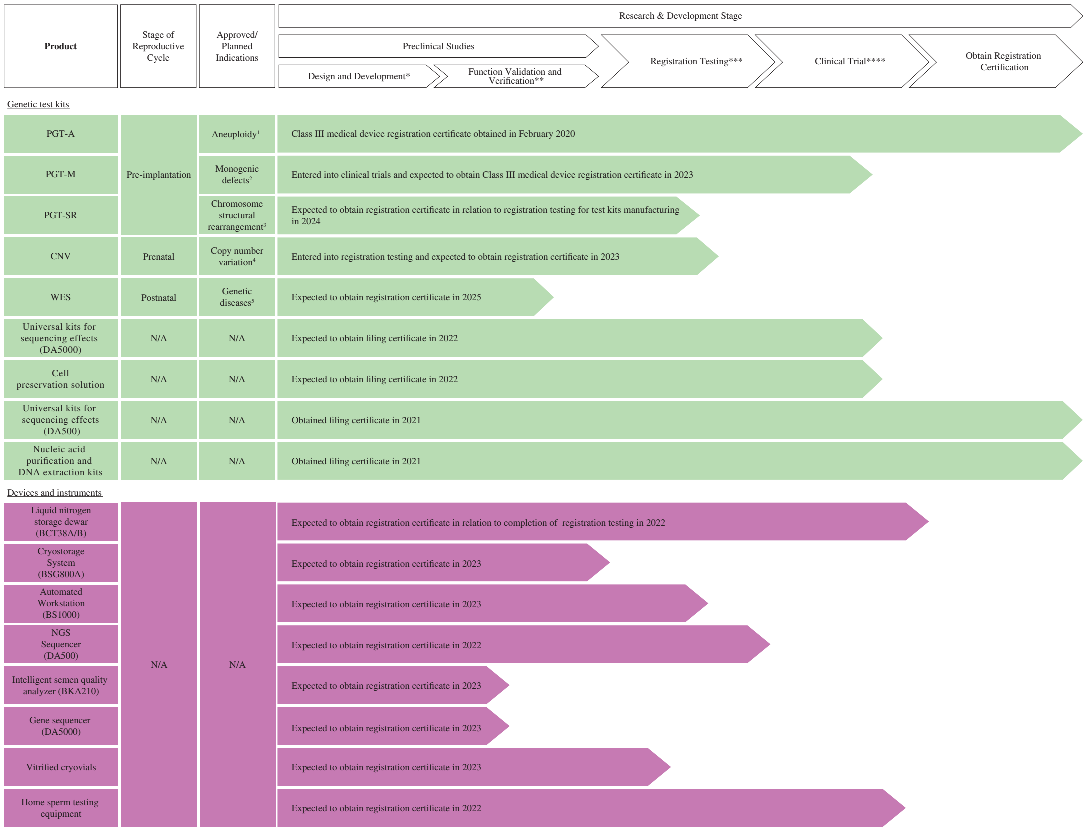
We are an innovative platform of genetic testing solutions for assisted reproduction in China. Our mission is to help more families have healthy babies. Our vision is becoming a leading global genetic technology company.

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 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. For the year ended December 31, 2021, we recorded revenue of RMB33.9 million from sales of our PGT-A kits with gross profit margin of 70.0%.

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. We have developed our PGT-M kit with better sensitivity and specificity, which detects single-gene, or monogenic, defects in pre-implantation embryos. It eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time 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. All over the globe, our self-developed PGT-SR kit is the first technology that effectively detects chromosome balanced translocations through high-throughput sequencing platform, granted as a national invention proprietary technology (patent number: 202011094180.6). Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application. 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 several months to just two weeks and significantly lower the testing cost. We expect to obtain NMPA registration approval for PGT-M and PGT-SR kits in 2023 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 assisted reproduction market. We have extended our reach beyond the pre-implantation stage to the prenatal and postnatal stages, and are self-developing testing kit products in each stage, which makes us a company with a genetic test kit pipeline that covers the full reproductive cycle. 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, as well as industrial chain layout of embryo cryopreservation equipment, and have provided intelligent and automated integrated solutions for clinical trials to improve the Company's competitiveness.

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.

6. It was disclosed in the annual results announcement of the Company dated March 30, 2022 that our PGT-M kit is expected to receive the class III medical device registration certificate in 2022. Based on a conservative estimate after considering the latest development progress and the impact of the Covid-19 pandemic, the Company expects that PGT-M kit is expected to receive the class III medical device registration certificate in 2023.

Management Discussion and Analysis

BUSINESS REVIEW

Products Portfolio and Product Candidates Pipeline

We are a company in China which has a product portfolio that covers all key stages of the reproductive cycle in our field. 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, and relevant equipment and instruments, namely, our sperm quality analyzer and cryostorage system.

- **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 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).

- **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 common monogenic diseases, including thalassemia, deafness, hereditary cancers, etc. 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 genetic diseases, but also effectively stop the traits from being passed down to future generations in the patient family. 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 one month and making standardized, mass clinical application difficult. The PGT-M kit we developed uses high-frequency SNPs determined by 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 contributions in mass clinical application that significantly lower the testing cost. 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 obtained ethical approval and commenced the clinical trials for our PGT-M kit in July 2021. We expect to obtain registration approval from the NMPA in 2023.

- **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. In the past, 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. 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, as well as detecting haploids, triploids and uniparental diploids abnormalities that are difficult to detect through common sequencing methods, as well as to detect haploid, triploid and uniparental diploid abnormalities that are difficult to detect by ordinary sequencing methods. 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 several months to two weeks, and significantly lower the testing cost. In February 2021, our 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 (中國國家知識產權局), and was applied for PCT international patent. In 2021, the PGT-SR kit received the key dedicated support from National Key R&D Program "Reproductive Health and Health Protection for Women and Children" (生育健康及婦女兒童健康保障), and would enter the priority approval procedure for national innovative medical devices, filling the gap that China needs in this field. We plan to complete the NMPA registration testing in mid 2022 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, which commonly associated with miscarriage, with the ability to analyze the risk of miscarriage and lower miscarriage rates. Our CNV kit is designed to overcome long-standing challenges faced by prevailing technologies, including low sensitivity and accuracy. During the Reporting Period, we upgraded our CNV kit through technical optimization. By leveraging the double-digest library preparation technology, together with our proprietary EDCBS algorithm and database, the kit can detect CNVs over 100kb, as well as triploids and haploids that are difficult to detect by conventional CNV testing. We expect to obtain NMPA approval for our CNV kit in 2023.

- **WES kit**

  To improve the low genetic disease diagnosis rate in infants, we are developing a whole-exome sequencing, or WES, kit with capacity to detect a wide range of genetic diseases. This is due to our ability to detect genetic disorders caused by sequence variations not only inside exomes but also inside introns and mitochondrial DNAs, whereas many prevailing technologies have been unlikely to achieve this effectively due to potential amplification biases among these three regions. As of the date of this annual report, we completed the design development of our WES kit and commenced design verification.

- **Liquid nitrogen storage dewar**

  Based on the conventional liquid nitrogen tank, we have developed our liquid nitrogen storage dewar equipped with a digital management system, which is expected to be the first liquid nitrogen storage dewar product of the world to obtain the medical device registration certificate. It solved problems such as the frequent measurement of liquid gas level for embryo management, difficulty in permission management, lack of operation logbook, etc. The device achieved real-time monitoring of tank temperature and alarm system, a double-verification lock, with permission level management, and an automatic operation logbook, ensuring the safety of embryo preservation and the scientificity of experiment management. The device received CE certificate in 2020 and completed the state registration testing, which is expected to complete the state registration filing in 2022.

- **Cryostorage system**

  Our self-developed cryostorage system (BSG800A) is the first innovative device with full-automatic ultra-low temperature storage designed for the field of embryo storage, which solves problems such as a heavy workload in embryo storage management, space occupied by the storage of liquid nitrogen tanks, and a lack of information-based management. This device achieved automation of embryo storage and liquid nitrogen supply, an intelligence of information entry and retrieval, as well as ultra-low temperature protection throughout the process of embryo transfer and storage, which significantly enhances work efficiency, at the same time, ensures the safety of long-term embryo storage. The device has received CE certificate in 2020, and is expected to complete the state registration filing in 2023.

- **Sperm quality analyzer**

  The prevailing sperm quality testing method for clinical use can only analyze the concentration and motility of active sperms. While morphology analysis relies on inactive sperms with stain and requires manual cell counting under microscope, therefore having disadvantages such as complex manual operations, long duration, test results subjectively influenced by human processes, and chances of distorting the sperm morphology during the staining process.

  Our self-developed Sperm quality analyzer is the world's first analysis device for unstained active sperms, which performs both static and dynamic analyses by A.I. of the concentration, motility and morphology for unstained sperms, at the same time, maintains the original morphology of sperm in analysis, as well as avoids the change of sperm morphology during the staining process, resulting to an efficient, fast and objective analysis. The device has completed its equipment development in 2021, and is expected to complete its registration filing in 2023.

The Group's Facilities

We are headquartered in Suzhou, Jiangsu province. Our production site is a leased property with an aggregate gross floor area of 4,757 square meters from Independent Third Parties, located at the Suzhou Industrial Park in Jiangsu province. As of the date of this annual report, to expand our production base and R&D building, we owned a land-use right with a total site area of 21,626.14 square meters.

Manufacturing

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.

Commercialization

We sold a significant portion of products directly to hospitals and reproductive clinics. To a lesser extent, we also sold our testing kits to distributors, who in turn sold our products to hospitals and reproductive clinics. We have an outstanding marketing team which serves the key customers, such as third-generation IVF licensed hospitals and reproductive clinics, which are a major component of our customer base. Our 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, we entered into cooperation agreements with 55 hospitals.

With the first NMPA-approved PGT kit in China, we believe that we enjoy first-mover 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 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. 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.

Research And Development

On March 6, 2021, the Company entered into a strategic 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 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 materialize industrialization based on the research results and intellectual properties of Suzhou BioX.

On August 4, 2021, the Company entered into a strategic collaboration framework agreement (the "**Strategic Collaboration Agreement**") with Beijing QuantoBio Biotechnology Co., Ltd. (北京曠博生物技術股份有限公司), pursuant to the Strategic Collaboration Agreement, the Company will, as the exclusive cooperation platform of QuantoBio Biotechnology's flow cytometer in the field of assisted reproduction, materialize industrialization.

Management Discussion and Analysis

Employees and Remuneration Policies

As of December 31, 2021, the Group had 373 employees. The number of employees employed by the Group varies depending on our business requirement. The remuneration package of our employees includes salary, bonus and equity-settled share-based payment, 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, 2021 was approximately RMB79.9 million, as compared to RMB34.8 million for the year ended December 31, 2020.

During the year ended December 31, 2021, 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 different methods, such as 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 compliance awareness.

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, 2021, we had registered 53 patents, 117 trademarks, 33 software copyrights and 8 domain names in China. As of the same date, we had filed 58 patent applications and 6 trademark applications in China. We had also filed 4 trademark applications in Hong Kong.

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, save for disclosed as below, 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, to cope with the influence of the COVID-19 and taking into account the uncertainty of import procurement and production due to the COVID-19, we have increased the safety stock of raw materials and the safety inventories amount to keep our supply chain and sales from being materially and negatively impacted by the COVID-19. We have also adjusted for such lengthened lead times. We currently do not expect our supply chain to be materially and negatively impacted by the COVID-19 outbreak.

- *Research and development*. There is a delay in the procurement of certain imported reagents for our R&D, and we are seeking for domestic alternatives, which will not have a material impact on the progress of our R&D. Our in-house R&D team has kept working and our R&D activities have generally progressed as planned during the Reporting Period.

- *Product registration*. Due to the COVID-19, our clinical trial progress is not as smooth as planned, and the enrollment of clinical samples has been delayed. As of the date of this annual report, we were focusing on accelerating the clinical progress.

- *Sales and marketing*. The outbreak of COVID-19 did not have a material impact on our sales and marketing.

- *Financial outlook*. Taking into account the financial resources available to our Group, including cash and cash equivalents of RMB1523.2 million as of December 31, 2021, 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. Accordingly, we cannot guarantee whether or not the COVID-19 outbreak will further escalate or have a material adverse effect on our results of operations, financial position or prospects.

Regulatory Developments

The revised Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "**2021 Medical Device Regulations**") was promulgated on February 9, 2021 and came into effect on June 1, 2021. Pursuant to the 2021 Medical Device Regulation, innovative medical devices would be evaluated in priority. The registrant or filing party of medical devices may manufacture medical devices on its own or entrust other enterprises who meet certain conditions to manufacture medical devices.

Management Discussion and Analysis

The Administrative Measures for the Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) was promulgated on August 26, 2021 and effective from October 1, 2021, and provided that applicants or filing parties of medical devices shall be enterprises or research institutions who are able to assume the corresponding legal liability. Clinical evaluation shall be conducted for the registration or record-filing of medical devices except for certain medical devices, of which the catalogue would be formulated, adjusted and published by the NMPA. Non-clinical studies shall be carried out during the development of medical devices, and such non-clinical evidence shall be submitted for medical device registration or filing.

Our Group will continue to comply with relevant laws and regulations in the R&D and commercialization of our pipeline products.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

The H Share Full Circulation

On August 20, 2021, the Company submitted an application in relation to H share full circulation to the CSRC in order to convert 192,592,582 Domestic Shares and Unlisted Foreign Shares into H Shares. On February 24, 2022, the Company received the official approval from the CSRC regarding the implementation of the H share full circulation programme. On March 3, 2022, we received the approval from the Stock Exchange, implementation of the H share full circulation programme is permitted.

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 on August 20, 2021, February 24, 2022 and March 6, 2022.

Proposed Change of Executive Director

Mr. RUI Maoshe (芮茂社) ("**Mr. Rui**") tendered his resignation as an executive Director of the Company with effect from April 30, 2022 due to the Group accepted the Board's requirement of diversity development, and Mr. Rui's intention to devote more time to his role as our chief operating officer. Ms. YANG Ying (楊瑩) ("**Ms. Yang**") was nominated as an executive Director. The appointment of Ms. Yang as an executive Director will be proposed for consideration and, if thought fit, approval by the Shareholders at the 2022 first extraordinary general meeting of the Company (the "**EGM**") to be held on April 30, 2022.

For details of any of the foregoing, please refer to the Company's announcements published on the websites of the Stock Exchange and the Company on March 30, 2022.

Proposed Change in Use of Proceeds

In order to better utilize the proceeds of HK$1,898.7 million from the global offering in association with the Listing (the "**Proceeds**"), the Board proposes to seek approval of the Shareholders by ordinary resolution at the EGM to change the use of Proceeds.

For details of any of the foregoing, please refer to the Company's announcements published on the websites of the Stock Exchange and the Company on March 30, 2022.

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

To accomplish the Company's 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.

To be specific, we have below short-term business plan:

- To increase our market coverage;
- To enhance the collaboration with clients such as head reproductive center in order to promote in-depth penetration;
- To expand the Company's product pipeline, provide comprehensive solutions from upstream testing kits, consumables to instruments and equipment;
- To promote national academic conferences and public welfare projects and further enhance the Company's brand awareness; and
- To promote the upgrading of hardware equipment in reproductive center laboratories in order to improve the Company's competitiveness.

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.

Management Discussion and Analysis

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 32.3% from RMB81.1 million for the year ended December 31, 2020 to RMB107.3 million for the year ended December 31, 2021. This increase mainly attributed to the increasing revenue of PGT kits and distributed products, mainly for NIPT kits. Revenue from sales of our PGT kits increased by 40.9% from RMB32.5 million for the year ended December 31, 2020 to RMB45.8 million for the year ended December 31, 2021, revenue from sales of our NIPT kits increased by 66.1% from RMB17.4 million to RMB28.9 million, and revenue from sales of our instruments and equipment increased by 26.2% from RMB12.2 million to RMB15.4 million.

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 5.2% from RMB53.4 million for the year ended December 31, 2020 to RMB56.2 million for the year ended December 31, 2021, primarily due to the increases of our revenue.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group significantly increased from RMB27.7 million for the year ended December 31, 2020 to RMB51.1 million for the year ended December 31, 2021. Gross profit margin is calculated as gross profit divided by revenue. The overall gross profit margin of the Group increased from 34.2% for the year ended December 31, 2020 to 47.7% for the year ended December 31, 2021, primarily due to the increases of the gross profit margin of our PGT-A kits from 46.0% to 70.0%, and the rising sales portion of distributed products with high gross profit margin.

Other Income

Our other income significantly increased from RMB2.8 million for the year ended December 31, 2020 to RMB32.8 million for the year ended December 31, 2021, primarily due to receiving government grants amounted RMB12.1 million for encouragement of our R&D projects, compensation on the incurred rental expenditure and incentives for the Group's successful listing on the Stock Exchange, and increased interest income from bank deposits.

Selling and Distribution Costs

Our selling and distribution costs increased from RMB16.6 million for the year ended December 31, 2020 to RMB62.5 million for the year ended December 31, 2021, primarily due to an increase of RMB18.6 million in overall expenses in relation to the rising number of our marketing employees, an increase of RMB22.8 million in relation to the rising expenses in business promotion and publicity, agency service and holding academic conferences and forums.

Administrative Expenses

Our administrative expenses increased from RMB25.2 million for the year ended December 31, 2020 to RMB52.1 million for the year ended December 31, 2021, primarily due to an increase of RMB17.3 million in recruitment expenses and remuneration resulted by the expansion of our management employees and equity-settled share-based payments of our management team.

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,			
	2021		2020	
	RMB'000		RMB'000	
Staff costs	**29,199**	**27.2%**	12,730	15.7%
Clinical trial expenses	**20,183**	**18.8%**	8,032	9.9%
Technical service fees	**4,983**	**4.6%**	4,877	6.0%
Consumables expenses	**15,784**	**14.7%**	6,237	7.7%
Depreciation expenses	**1,668**	**1.6%**	1,911	2.4%
Others	**1,894**	**1.8%**	694	0.8%
Total	**73,711**	**68.7%**	34,481	42.5%

Our research and development expenses increased from RMB34.5 million for the year ended December 31, 2020 to RMB73.7 million for the year ended December 31, 2021, primarily due to an increase of RMB16.5 million in staff costs resulted by the expansion of R&D headcounts, an increase of RMB12.2 million in clinical trial expenses for procurement of clinical verification services, and an increase of RMB9.5 million in procurement of experiment consumables.

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 RMB1.5 million and RMB1.3 million for the years ended December 31, 2020 and 2021, respectively.

Income Tax

We recorded income tax credit of RMB7.4 million and income tax expenses of RMB18.3 million for the years ended December 31, 2020 and 2021, respectively. The increases in income tax expenses were primarily resulted by the movement of deferred tax.

Inventories

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

Our inventories increased from RMB6.3 million as of December 31, 2020 to RMB33.3 million as of December 31, 2021, primarily due to the increase in safety stock of raw materials caused by the influence of the COVID-19, and the increase in product inventory caused by an expected rise in demand.

Trade and Other Receivables

Our trade and other receivables increased from RMB87.5 million as of December 31, 2020 to RMB125.2 million as of December 31, 2021, primarily due to the increases of revenue, as well as the longer settlement period granted to our clients as a mean of support to the medical institutions amid the COVID-19 pandemic.

Management Discussion and Analysis

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.

Trade and Other Payables

Our trade payables decreased from RMB11.1 million as of December 31, 2020 to RMB10.7 million as of December 31, 2021, to which there is no material change.

Our other payables increased from RMB26.4 million as of December 31, 2020 to RMB26.6 million as of December 31, 2021, primarily attributable to the increase in payroll payables and the decrease of 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 RMB242.2 million as of December 31, 2020 to RMB1,642.4 million as of December 31, 2021, primarily due to net proceeds received from the Global Offering.

As of December 31, 2021, we had unsecured bank loans of RMB20 million with a floating interest rate of 4.20% to 4.35% per annum. The unsecured bank loans of RMB20 million were guaranteed by a subsidiary of our Group. As of the same date, we had secured bank loans of RMB23.6 million with a fixed interest rate of 4.50% per annum. The secured bank loans were pledged by the Group's land use right.

During the Reporting Period, we did not have any financial instruments for hedging purposes.

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 and further revised and disclosed in the announcements of the Company dated November 3, 2021 and March 30, 2022.

Significant Investments, Material Acquisitions and Disposals

As disclosed in the announcement of the Company dated November 3, 2021, Zhejiang Cellpro Biotech Co., Ltd. (浙江星博生物科技股份有限公司) ("**Cellpro Biotech**"), Xue Zhigang (薛志剛), Ningbo Huoke Investment Management Partnership (Limited Partnership) (寧波霍克投資管理合夥企業 (有限合夥)) and Hu Xiling (胡西陵) (the "**Sellers**") and the Company entered into an investment agreement, pursuant to which the Company agreed to acquire, and the Sellers agreed to sell, 51% of the equity interest in Cellpro Biotech at a consideration of RMB85 million. Upon completion of the acquisition, Cellpro Biotech will become a non-wholly owned subsidiary of the Company. Cellpro Biotech is a company mainly focusing on the research and development, production, sales and technical services of assisted reproductive technology diagnosis and treatment products. As of December 31, 2021, the transfer of the equity interests had not been completed.

In March 2022, we have settled the consideration of RMB85 million for acquisition of 51% of the equity interest in Cellpro Biotech.

Save 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 to be used for the construction of the production and R&D base of the Company.

The construction area of the production base and R&D building of our Company is approximately 71,517 square meters. The construction is expected to top out in September 2022 and complete in 2023.

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, 2021, we did not have any contingent liabilities.

Capital Commitments

Capital commitments outstanding as of December 31, 2021 and 2020 not provided for in the consolidation financial statements were as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Authorised and contracted for		
— Property, plants, and equipment	**75,546**	—
— Equity investment	**42,523**	—
Total	**118,069**	—

Charge on Assets

Save for the secured bank loans of RMB23.6 million pledged by the Group's land use right, there was no charge on assets of the Group as of December 31, 2021.

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, 2021, the Company was in a net cash position and thus, gearing ratio is not applicable.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Dr. LIANG Bo (梁波), aged 41, the founder and general manager of our Group, was appointed as the chairman of our Board on December 14, 2015. Dr. Liang is primarily responsible for the overall management of our Group, including business strategy, R&D and sustainable development. Dr. Liang also serves as the executive director of both Basecare Medical Device and Basecare Intelligent Manufacturing.

Dr. Liang has over ten years of experience in bioinformatics and reproductive health industry, and has led the development of PGT and high-throughput sequencing, for which the first "Special Approval for Innovative Medical Devices (創新醫療器械特別審批)" was granted and the first registration certificate of medical devices for third-generation IVF technological products was obtained. Dr. Liang is the director of Jiangsu Reproductive Genetic Engineering Technology Research Center, the president of Suzhou Youth Science and Technology Talents Commission, the secretary general of China Expert Committee on Genetic Counseling Capacity Building, an associate professor of School of Pharmacy, Soochow University and a part-time researcher at the National Research Center for Assisted Reproduction and Eugenics. 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 25 papers in international academic journals. He has also made 126 patent applications and 34 copyright applications for bioinformatics software.

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 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 42, 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.

Mr. RUI Maoshe (芮茂社), aged 34, 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 37, 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. He served as 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) from May 2020 to December 2021. 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 32, 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 33, 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.

Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. KANG Xixiong (康熙雄), aged 69, 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 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, 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. From September 2019 to December 2021, Dr. Kang served as 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).

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

Dr. HUANG Taosheng (黃濤生), aged 60, was appointed as an independent non-executive 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.

Mr. CHAU Kwok Keung (鄒國強), aged 45, was appointed as an independent non-executive Director on October 21, 2021. Mr. CHAU also serves as the chairman of the Audit Committee, and a number of the Nomination Committee and the Remuneration and Appraisal Committee.

Mr. Chau joined BetterLife Holding Limitd (a company listed on the Stock Exchange with stock code: 6909.HK) as its chief financial officer in September 2020 and was appointed as an executive Director in December 2020. Mr. Chau is responsible for its overall financial planning and management, company secretarial affairs, coordination of investors relations and administrative work. Prior to joining BetterLife Holding Limitd, Mr. Chau has served as an executive director and the chief financial officer of Comtec Solar Systems Group Limited (a company listed on the Stock Exchange with stock code: 712.HK) from November 2007 to January 2020. Mr. Chau was responsible for its corporate financial and general management. He was also appointed as (i) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company dual-listed on the Stock Exchange (stock code: 6198.HK) and the Shanghai Stock Exchange (stock code: 601298.SH) from May 2014 to May 2019; (ii) an independent director of The9 Limited, whose shares are listed by way of American Depository Shares on NASDAQ (NASDAQ: NCTY), since October 2015; (iii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Ltd., a company listed on the Stock Exchange (stock code: 2779.HK), since October 2017; (iv) an independent non-executive director of China Tobacco International (HK) Company Limited, a company listed on the Stock Exchange (stock code: 6055.HK), since December 2018; (v) an independent non-executive director and the chairman of the audit committee of Forward Fashion (International) Holdings Company Limited, a company listed on the Stock Exchange (stock code: 2528.HK), from December 2019 to August 2021; and (vi) an independent non-executive director of Bank of Zhangjiakou Co., Ltd (張家口銀行股份有限公司) since April 2020. He also acted as a member of supervisory board of RIB Software AG (symbol: RIB), a software company in Germany, which was listed on the Frankfurt Stock Exchange, from May 2010 to June 2013.

Mr. Chau has also served in various positions at China.com Inc. (currently known as Sino Splendid Holdings Limited), a company listed on the Stock Exchange (stock code: 8006.HK) from October 2005 to October 2007, including qualified accountant, chief financial officer, company secretary and authorised representative. Prior to joining China.com Inc., he was the deputy group financial controller of China South City Holdings Limited, a company listed on the Stock Exchange (stock code: 1668.HK) from August 2003 to April 2005 and the financial controller of Shanghai Hawei New Materials and Technology Company Limited from June 2002 to August 2003. Mr. Chau was employed by Arthur Andersen & Co. initially as an experienced staff accountant and then he was subsequently promoted to be a senior consultant in the Global Corporate Finance Division of Arthur Andersen & Co. in March 2002.

Mr. Chau has been a member of the Association of Chartered Certified Accountants (ACCA) since June 2002, a Chartered Financial Analyst of CFA Institute since September 2003 and a member of Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2005. Mr. Chau also obtained a certificate of Qualified Independent Director from the Shanghai Stock Exchange since August 2017 and was approved by China Banking Regulatory Commission as qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants (IPA) of Australia and Institute of Financial Accountants (IFA) since June 2020. Mr. Chau received a bachelor's degree in Business Administration from the Chinese University of Hong Kong in December 1998.

SUPERVISORS

Ms. HUANG Bing (黃冰), aged 29, 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 52, 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 28, 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 41, 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 42, 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 34, 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" above for details of his biography.

Ms. YANG Ying (楊瑩), aged 40, joined our Company in September 2018 and has been serving as our chief quality officer since then. She is primarily responsible for establishing and maintaining our quality management system and leading quality control department of our Group.

Prior to joining our Group, from June 2015 to September 2018, Ms. Yang served as a quality manager of ET Healthcare, Inc. (星童醫療技術有限公司), where she was responsible for quality management and customer relationship maintenance. From August 2013 to June 2015, she served as a quality assurance director of Wantong (Suzhou) Quantitative Valve System Co., Ltd. (萬通(蘇州)定量閥系統有限公司). From September 2004 to August 2013, she served as a senior quality engineer of Schneider (Suzhou) Transformer Co., Ltd. (施耐德(蘇州)變壓器有限公司).

Ms. Yang received her bachelor's degree in inorganic nonmetallic materials from Shaanxi University of Science and Technology (陝西科技大學) in China in July 2004.

Ms. WANG Yan (王燕), aged 41, was appointed as our chief financial officer with effect from March 18, 2022 and our joint company secretary on April 19, 2022. Ms. Wang is responsible for the finance, budgeting, internal control and investor relationship of our Group.

Prior to joining our Group, she served as the chief financial officer of PreAngel Fund (上海荷多投資管理有限公司) from April 2021 to March 2022. From September 2019 to March 2021, she served as the chief financial officer of Shanghai MJstyle Group (上海覓尚服飾有限公司). From December 2016 to September 2018, she served as the chief financial officer of Rici Healthcare Holidings Limited (瑞慈醫療服務控股有限公司) (stock code: 01526.HK). From October 2015 to November 2016, she served as the chief financial officer of Shanghai Smart Arena Network Technology Co., Ltd. (上海慧體網絡科技有限公司). From July 2010 to September 2015, she served as the financial director and enterprise resource planning director of Touch Media Group (觸動傳媒集團). From June 2006 to June 2010, she served as a senior internal auditing manager of Shanghai The 9 Computer Consulting Co., Ltd. (上海第九城市計算機諮詢有限公司). Prior to joining Shanghai The 9 Computer Consulting Co., Ltd., she was employed by Ernst & Young as an auditor.

Ms. Wang received her bachelor's degree in economics from Fudan University (復旦大學) in China in 2002. Ms. Wang has been a member of the Chinese Institute of Certified Public Accountants since 2006 and she is also a certified internal auditor granted by the China Institute of Internal Audit and a Middle-Level Accountant granted by the Ministry of Finance of the People's Republic of China.

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.

Corporate Governance Report

The Board is pleased to present this corporate report in the Group's annual report for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

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 to December 31, 2021, except for a deviation from the code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 of part 2 of the CG Code since January 1, 2022), 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

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 to December 31, 2021.

No incident of non-compliance of the Model Code was noted by the Company during the period from the Listing Date to December 31, 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to December 31, 2021, 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 meet the guidelines for assessing independent set out in Rule 3.13 of the Listing Rules and are independent.

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 of Association 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 of Association) and our Nomination Committee will use its best endeavors and on suitable basis to identify and recommend multiple suitable female candidates to our Board for its consideration on appointment of a Director. One female Director, namely Ms. Yang Ying, will be appointed subject to approval of Shareholders at the EGM. 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 32 years old to 69 years old. Our Board is responsible for reviewing the diversity of our Board. Our Board has reviewed the implementation and effectiveness of the Company's Board Diversity Policy for the year ended December 31, 2021. 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 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 Date 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 for the year ended December 31, 2021, related to the duties of directors and on-going obligations of listed companies and anti-corruption, is as follows:

Name of Director	Nature of continuous professional development programs
Dr. LIANG Bo	A and B
Mr. KONG Lingyin	A and B
Mr. RUI Maoshe	A and B
Mr. XU Wenbo	A and B
Mr. ZHANG Jiecheng	A and B
Mr. WANG Weipeng	A and B
Dr. KANG Xixiong	A and B
Dr. HUANG Taosheng	A and B
Mr. CHAU Kwok Keung *(appointed on October 21, 2021)*	A and B
Mr. YU Kwok Kuen Harry *(resigned on September 6, 2021)*	A and 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 currently consists of two independent non-executive Directors, namely Mr. CHAU Kwok Keung, and Dr. KANG Xixiong and one non-executive Director, namely Mr. WANG Weipeng. Mr. CHAU Kwok Keung, 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.

During the period from the Listing Date to December 31, 2021, the Audit Committee has mainly performed the following duties:

- reviewed the Group's 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 Group's unaudited interim results for the six months ended June 30, 2021;
- 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 to December 31, 2021, two meetings have 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. CHAU Kwok Keung *(appointed on October 21, 2021)*	0/0
Dr. KANG Xixiong	2/2
Mr. WANG Weipeng	2/2
Mr. YU Kwok Kuen Harry *(resigned on September 6, 2021)*	2/2

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 currently consists of one executive Director, namely Dr. Liang and two independent non-executive Directors, namely Mr. CHAU Kwok Keung 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.

During the period from the Listing Date to December 31, 2021, the Remuneration and Appraisal Committee has mainly performed the following duties:

- reviewed the Group's remuneration policy; and

- reviewed the remuneration package of the Directors and senior management.

During the period from the Listing Date to December 31, 2021, 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. CHAU Kwok Keung *(appointed on October 21, 2021)*	0/0
Mr. YU Kwok Kuen Harry *(resigned on September 6, 2021)*	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, 2021 are set out in note 8 and note 9 to the consolidated financial statements. 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, 2021 are set out below.

Remuneration to the senior management by bands (RMB)	Number of senior management
HKD10,000,000 — HKD10,500,000	1

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee currently consists of one executive Director, namely Dr. Liang and two independent non-executive Directors, namely Dr. KANG Xixiong and Mr. CHAU Kwok Keung. 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.

During the period from the Listing Date to December 31, 2021, 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 and whether the composition of the Board complied with the requirements of the Board Diversity Policy.

During the period from the Listing Date to December 31, 2021, 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. CHAU Kwok Keung (appointed on October 21, 2021)	0/0
Mr. YU Kwok Kuen Harry (resigned on September 6, 2021)	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 discusses and agrees on measurable objectives for achieving diversity on the Board, where necessary, and recommends them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee considers 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 corporate governance functions set out in code provision D.3.1 of the CG Code (which has been re-numbered as code provision A.2.1 of Part 2 of the CG Code since 1 January 2022) and such duties have been delegated to the Audit Committee.

During the period from the Listing Date to December 31, 2021, the Board reviewed 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

For the period from the Listing Date to December 31, 2021, the Board consists of the following members:

Executive Directors

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

Note: According to the Company's announcement dated March 30, 2022, Mr. Rui Maoshe has tendered his resignation as an executive Director with effect from April 30, 2022, and Ms. YANG Ying (楊瑩) will be appointed on April 30, 2022 subject to Shareholders' approval.

Non-executive Directors

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

Independent Non-executive Directors

Dr. KANG Xixiong
Dr. HUANG Taosheng
Mr. CHAU Kwok Keung *(appointed on October 21, 2021)*
Mr. YU Kwok Kuen Harry *(resigned on September 6, 2021)*

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. During the period from the Listing Date to December 31, 2021, the chairman of the Company held one meeting with the independent non-executive Directors without the presence of other Directors.

Five Board meetings and three general meetings were held during the period from the Listing Date to December 31, 2021. The relevant attendance records of each Director at the Board meetings and general meeting of the Company are set out below:

Name of Director	Attendance/ Number of Board meeting held during a Director's tenure	Attendance/ Number of General meeting held during a Director's tenure
Dr. LIANG Bo	5/5	3/3
Mr. KONG Lingyin	5/5	3/3
Mr. RUI Maoshe	5/5	3/3
Mr. XU Wenbo	5/5	3/3
Mr. ZHANG Jiecheng	5/5	3/3
Mr. WANG Weipeng	5/5	3/3
Dr. KANG Xixiong	5/5	3/3
Dr. HUANG Taosheng	5/5	3/3
Mr. CHAU Kwok Keung *(appointed on October 21, 2021)*	2/2	1/1
Mr. YU Kwok Kuen Harry *(resigned on September 6, 2021)*	3/3	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, and reviewing its effectiveness annually.

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. The Company has an internal audit department with sufficient staff to ensure full and effective implementation and supervision of the Company. 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 for the period from the Listing Date to December 31, 2021.

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 for the period from Listing Date to December 31, 2021, 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, 2021, 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, 2021. A statement by KPMG about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 81 to 86.

	RMB'000
Audit services	1,712
Non-audit services	—
Total	1,712

JOINT COMPANY SECRETARIES

Ms. WANG Yan, who is also the chief financial officer of the Company, is appointed as the joint company secretary with effect from April 19, 2022 in place of Ms. DAI Jing who resigned as a joint company secretary on March 18, 2022. For details of Ms. Wang'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 since August 31, 2020. Mr. Yim is a manager of SWCS Corporate Services Group (Hong Kong) Limited and a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in United Kingdom. Mr. Yim's primary contact with the Company was Ms. DAI Jing, the then joint company secretary of the Company for the year ended December 31, 2021.

During the year ended December 31, 2021, Mr. Yim and Ms. DAI Jing undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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 shareholders communication policy with 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. The Board has reviewed the shareholders communication policy during the year ended December 31, 2021 and confirmed its effectiveness.

Change in Constitutional Documents

There were changes in the constitutional documents of the Company for the year ended December 31, 2021. Details of the changes were set out in the circular of the Company dated November 16, 2021 and all the changes were approved by the Shareholders at the 2021 second extraordinary general meeting held on December 18, 2021.

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 (which has been re-numbered as code provision F.1.1 of Part 2 of the CG Code since 1 January 2022), 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.

Supervisors' Report

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 2021 and the work plan for 2022 are hereby reported as follows:

WORK OF THE BOARD OF SUPERVISORS

In 2021, 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. Attend 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, 2021, 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 2022

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, 2022

Director's Report

The Board is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2021.

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 H 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 the payment of a final dividend for the Reporting Period (2020: nil). 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 market and promote our products through third party promoters. 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 non-compliance.
- 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 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 15.9% (2020: 13.4%) of its total purchases, and the five largest suppliers accounted for 62.7% of its total purchases (2020: 35.4%); and

(ii) the Group's largest customer accounted for 14.8% (2020: 11.9%) of its total sales, and the five largest customers accounted for 54.1% of its total sales (2020: 47.4%).

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 subsidiaries of the Company as of December 31, 2021 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 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company did not have any distributable reserves.

CHARITABLE DONATIONS

The Group made charitable donations of approximately RMB9.7 million during the Reporting Period.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as of December 31, 2021 are set out in note 18 and note 20 to the consolidated financial statements.

SHARE INCENTIVES

During the Reporting Period, the Company did not adopt any share option plan as prescribed under chapter 17 of the Listing Rules.

In order to recognize the contributions of our employees and advisors and to incentivize them to further promote our development, Basecare Investment was established on May 23, 2016, through which, certain employees and advisors of our Group were indirectly beneficially interested in the equity interests in our Company. During the Reporting Period, we recorded equity settled share-based payment of approximately RMB7.9 million.

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.

Director's Report

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 *Note*

Note: According to the Company's announcement dated March 30, 2022, Mr. Rui Maoshe has tendered his resignation as an executive Director with effect from April 30, 2022, and Ms. YANG Ying (楊瑩) will be appointed on April 30, 2022 subject to Shareholders' approval.

Non-executive Directors

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

Independent Non-executive Directors

Dr. KANG Xixiong
Dr. HUANG Taosheng
Mr. CHAU Kwok Keung *(appointed on October 21, 2021)*
Mr. YU Kwok Kuen Harry *(resigned on September 6, 2021)*

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 "Directors, Supervisors and Senior Management" of this annual report. Up to the date of this annual report, the updated information has been disclosed in the section headed "Directors, Supervisors and Senior Management" pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

CHANGE OF DIRECTOR

On September 6, 2021, Mr. YU Kwok Kuen Harry ceased to be an independent non-executive Director of the Company in order to focus on his other business and personal commitments. On October 21, 2021, Mr. CHAU Kwok Keung was appointed as an independent non-executive Director. Mr. CHAU Kwok Keung was entitled to an annual director's fee of HK$200,000 (before tax), which was determined with reference to his duties and responsibilities in the Company and prevailing market conditions, and will be subject to review by the Board and the Remuneration and Appraisal Committee from time to time. This term of office is terminable by either party serving on the other not less than three months' written notice, and subject to retirement and re-appointment in accordance with the articles of association of the Company and the Listing Rules.

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

Save as the Master Sales Agreement disclosed under the section headed "Non-Exempt Continuing Connected Transaction" 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, 2021 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).

Director's Report

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 2021, 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 54 to 80 of this annual report.

RELATIONSHIPS WITH EMPLOYEES

The Group encouraged the employees to enhance their competitiveness and ability. This raised the momentum in the research and development as well as business development to increase the revenue of the Group. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions to allow us to achieve new progresses in terms of production and operation under a positive and hardworking work culture.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We had established a broad customer base, including 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 an outstanding 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, we entered into cooperation agreements with 55 hospitals.

We procure raw materials from suppliers to manufacture our product and support our R&D activities. As of December 31, 2021, we had a total of 64 suppliers of different raw materials. In 2021, we maintained sound relationships with our suppliers such that we could meet business challenges and comply with regulatory requirements, thereby deriving cost effectiveness and reaping long term business benefits.

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

As of December 31, 2021, 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 [3]	Approximate percentage of interest in the relevant class of Shares of our Company [4]
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	8.11%	11.53%

Notes:

(1) As of December 31, 2021, 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 December 31, 2021, 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.

(3) Calculated based on the number of the total issued share capital of the Company as of December 31, 2021, being 273,526,000.

(4) Calculated based on the number of the Domestic Shares and the Unlisted Foreign Shares of the Company as of December 31, 2021, being 192,592,582.

Save as disclosed above, as of December 31, 2021, 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 of December 31, 2021, so far as it was known to the Directors, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares 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 [11]	Approximate percentage of interest in the relevant class of Shares of our Company [12]
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	10,551,725 H Shares	3.86%	13.04%
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%
Lake Bleu Prime Healthcare Master Fund Limited [10]	Interest of corporation controlled	5,648,500 H Shares	2.07%	6.98%

Notes:

(1) 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. Hillhouse Investment Management, Ltd. is the investment manager for these shares.

(2) 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) 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 1,671,500 H Shares and (iv) OrbiMed Partners Master Fund Limited which holds 5,196,225 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) 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) 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) Oriza Seed was held as to 55.00% 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 70% 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 90% 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 40.71% 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) 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) 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 Hainan Yuanjue Venture Capital Management Partnership (Limited Partnership) ("**Hainan Yuanjue**", 海南元玨創業投資管理合夥企業(有限合夥)) and Sungent Holding. Hainan 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, Hainan Yuanjue and Mr. CHEN Jie was deemed to be interested in the Shares in which Suzhou Sungent was interested under the SFO.

(9) 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.

(10) LBC Prime Management Limited was wholly owned by Lake Bleu Prime Healthcare Master Fund Limited which held 5,648,500 H Shares. Therefore, LBC Prime Management Limited and Lake Bleu Prime Healthcare Master Fund Limited were interested under the SFO.

(11) Calculated based on the number of the total issued share capital of the Company as of December 31, 2021, being 273,526,000.

(12) Calculated based on the number of the H Shares of the Company as of December 31, 2021, being 80,933,418, or the number of the Domestic Shares and the number of the Unlisted Foreign Shares of the Company as of December 31, 2021, being 192,592,582.

Save as disclosed above, as of December 31, 2021, 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).

The table below sets out the planned applications of the net proceeds:

Use of proceeds	Planned applications (HK$ million)	Percentage of total net proceeds (%)	Actual amount of proceeds utilized as of December 31, 2021	Percentage of proceeds from the global offering expected to be used in 2022	Expected timeframe for unutilized net proceeds
Core Product					
• Ongoing sales and marketing activities of our PGT-A kit and planned commercialization in China	379.74	20%	65.33	Approximately 2.5% to 3.2%	Within the next three to five years
• 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%	1.07	Approximately 2.0% to 2.3%	Within the next three to five years
Clinical trial, registration filing and commercialization of our PGT-M kit					
• Clinical trial and registration filing of our PGT-M kit	189.87	10%	8.26	Approximately 1.0% to 1.2%	Within the next three to five years
• Commercialization, sales and marketing activities of our other genetic test kit products	189.87	10%	Nil	Approximately 0.5% to 0.8%	Within the next three to five years
Development, clinical trials and registration filings of PGT-SR kit, CNV kit and WES kit					
• Development, clinical trials and registration filings of our PGT-SR kit, CNV kit and WES kit	246.83	13%	14.08	Approximately 2.0% to 2.3%	Within the next three to five years
• Research, development and manufacturing of our genetic testing devices and instruments	322.78	17%	27.43	Approximately 1.0% to 1.2%	Within the next three to five years
Improving our research and development capabilities and enhancing our technologies	189.87	10%	79.14	Approximately 3.0% to 3.5%	Within the next three to five years
Working capital and general corporate purposes	189.87	10%	108.82	Approximately 3.0% to 3.1%	Within the next three to five years
Total	**1898.7**	**100%**	**304.13**	**Approximately 15.0% to 17.6%**	

The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation. Save for the proposed change of use as disclosed in the announcement of the Company dated March 30, 2022, the net proceeds have applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus dated January 27, 2021 and further revised and disclosed in the announcement of the Company dated November 3, 2021.

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 over-allotment 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 to December 31, 2021.

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) during the period from January 1, 2021 to March 5, 2021 was RMB1.9 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.

Pursuant to Rule 14A.56 of the Listing Rules, the auditors of the Company provided a letter to the Board confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(1) have not been approved by the Board;

(2) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(4) have exceeded the cap.

As disclosed in the Prospectus, Suzhou Double Helix was owned as to 3.5% by Ms. LIANG Ping (梁萍) ("**Ms. Liang**"), the sister of Dr. Liang and 66.5% by Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) (蘇州雙螺旋企業管理合夥企業(有限合夥)) ("**Helix Enterprise Management**"), which was owned as to 99% by Ms. Liang as the general partner. Suzhou Double Helix is therefore an associate of Dr. Liang and thus a connected person of our Company. On March 5, 2021, Ms. Liang disposed of 81% of her interests in Helix Enterprise Management to an Independent Third Party and ceased to act as the general partner of Helix Enterprise Management. Since then, Helix Enterprise Management was no longer a connected person of our Company.

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 this 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 four 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. CHAU Kwok Keung, Dr. KANG Xixiong and Mr. WANG Weipeng. Mr. CHAU Kwok Keung, 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 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 annual results for the year ended December 31, 2021.

AUDITOR

The financial statements for the year ended or as of December 31, 2021 have been audited by KPMG who shall retire at AGM and, being eligible, will offer themselves for reappointment. A resolution for the re-appointment of KPMG as auditors 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, 2022

Environmental, Social and Governance Report

1 ABOUT THIS REPORT

This report is the second 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 implementing the principle of sustainable development and performing its corporate social responsibilities.

1.1 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 (the "**HKEx**"). 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. Readers may refer to "Appendix II: Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange" in this Report for quick reference.

Materiality: This report has identified and disclosed material ESG factors and the criteria for their selection, as well as the description of stakeholders, the engagement process and the results.

Quantitative: This report has disclosed the statistical criteria, methods, calculation tools, and sources of conversion factors for all information.

Balance: This report describes the Group's performance for the Reporting Period objectively to avoid selections, omissions or formats of presentation that might affect the decisions or judgments of the readers.

Consistency: Unless otherwise noted, the statistical methods and standards for the data disclosed in this report are consistent with those of previous years. Any change that may affect comparisons with previous reports will be explained.

1.2 Reporting Scope

This report describes the overall ESG-related performance of the business directly controlled by the Group from January 1, 2021 to December 31, 2021 (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.

1.3 Report Approval

This report was internally reviewed by the Group and approved by the Board on March 30, 2022.

1.4 Feedback on the Report

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

2 SUSTAINABILITY OF BUSINESS

We are an innovative platform for genetic testing solutions for assisted reproduction in China. With the mission of "making healthy babies available for every family", we provide our clients with one-stop, customized integrated solutions, including not only consumables (test kits) and hardware devices and instruments but also integrative services, such as guidance and advice on laboratory design, operation and management. With the vision of "becoming an international brand in the field of reproductive health", we are committed to enabling customers to provide excellent medical services to patients with reproductive diseases in China and helping more families have healthy babies through comprehensive solutions.

2.1 Statement of the Board of Directors

The Group understands that the leadership and involvement of the Board are critical to its sustainable development and is committed to integrating ESG concepts into business operations. We established an ESG governance structure during the Year, to strengthen our management of sustainable development. The Board, at the highest level of decision-making, is responsible for the Group's ESG strategy and reporting. The Board is also responsible for monitoring and reviewing the performance and progress in ESG efforts, and reviewing and approving ESG management policies and strategies, including key ESG issues, risks and opportunities. The Board has approved the establishment of an ESG working group and authorized it to monitor and promote initiatives on ESG issues, to allow full play to ESG management efficiency. Striving forward, we will review our ESG-related objectives to improve our sustainability efforts.

2.2 ESG Management Framework

The Group is committed to the highest standards of business conduct and practices and raising awareness of corporate social responsibility among our employees. We have established an ESG management framework with three levels: decision-making level, organization level and executive level, that reflects a focus on environmental and social issues and on business development, to systematically pursue sustainable development management. The Board, ESG Working Group and various departments have the following duties to oversee and evaluate ESG-related issues from top to bottom and see that the Board is held accountable for ESG strategy and reporting.

Role	Responsibilities
Decision-making level: The Board	• Resolve and approve the Group's policy, strategy, objectives and annual work of ESG management • Regularly review and monitor the ESG performance and progress in achieving the objectives
Organization level: Chief officers (ESG Working Group)	• Identify, evaluate, review and oversee major ESG issues; • Coordinate and promote the implementation of each ESG policy by each department, and monitor the ESG-related work of each functional department; and • Responsible for reviewing and monitoring the Company's ESG policies and practices, to ensure that the Company complies with relevant legal and regulatory requirements
Executive level: Department managers	• Responsible for carrying out ESG work, collecting and collating relevant information and data on a regular basis

2.3 Stakeholder Engagement

The Group is well aware of the importance of establishing good relationships with its stakeholders. Our stakeholders include shareholders/investors, customers, employees, business partners/peers, suppliers, regulatory agencies, media, and community/non-governmental organizations. We have maintained close communication with our stakeholders through multiple avenues, so that we will consider their opinions when determining the development direction of the Group's ESG work. We also optimize the Group's ESG management and decision making to secure sustainable development.

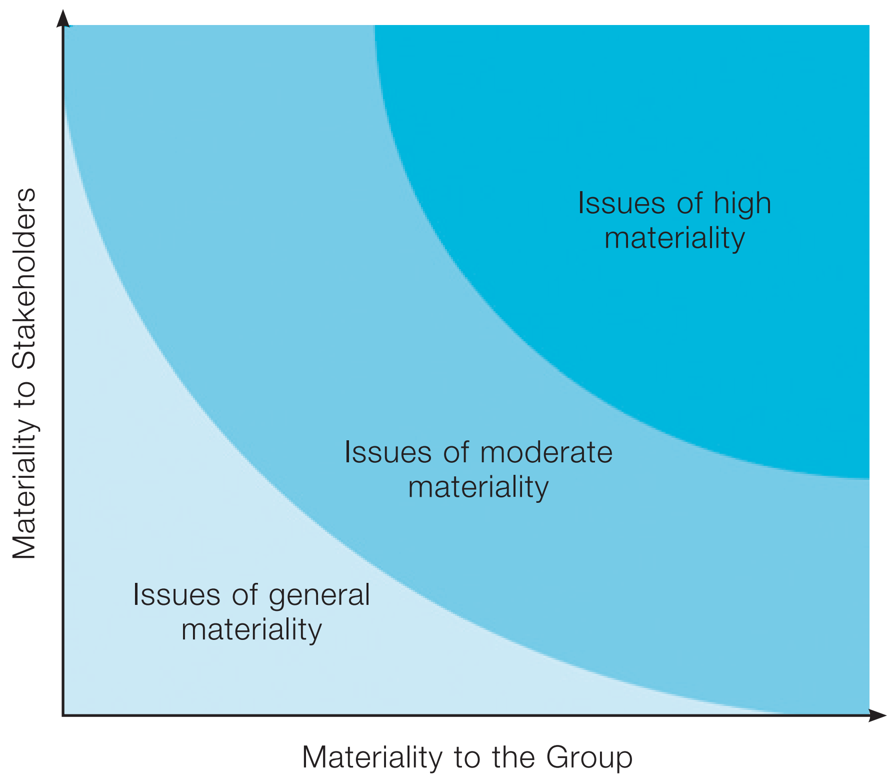
Stakeholders	Communication Channels
Shareholders/Investors	• AGM • Investor conference • Interim and annual reports • Company newsletter • Results announcement • Shareholder visiting activities
Customers	• Customer satisfaction survey and feedback form • Customer consultation group • Customer service center • Customer relations manager visit • Daily operation communication • Online service platform • Phone • Email
Employees	• Employee feedback survey • 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

2.4 Materiality Assessment

We have analyzed materiality assessment to identify the sustainability issues most relevant to the Company, to specify key areas of ESG practice and disclosure and improve the relevance of reporting. With reference to the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange and the materiality map of the Sustainability Accounting Standards Board (SASB), we have, in light of our business conditions, summarized a range of material issues that are applicable to our business.

The Group identified 23 issues relating to ESG, including 9 of high materiality, 8 of moderate materiality and 6 of overall materiality.

Materiality Matrix



Issues of high materiality	Issues of moderate materiality	Issues of general materiality
• Product quality and safety • Customer service • Information security • Protection of intellectual property right • Equality and diversity • Occupational safety and health • Staff training and development • Energy management • Waste management	• Anti-corruption • Compliance and employment • Salary and benefits • Greenhouse gas emissions management • Water resource management • Air emissions management • Addressing climate change • Charitable activities	• Supply chain management • Customer benefits • Sales behavior and product labeling • Business ethics • Labor standard • Staff participation

3 COMPLIANT OPERATION

The Group is convinced that responsible operation is the cornerstone of stable development. The Group carries out responsible operation by strengthening quality control and safeguarding customer information and privacy. In protecting trade secrets, the Group insists on timely and adequate information disclosure to build a responsible corporate image, so as to secure sustainable development.

3.1 Product Quality Control

The Group is committed to providing safe, effective and reliable reagent products that meet the highest quality standards. We manufacture and assemble all of our in-house developed products in our manufacturing facility in Suzhou. Our manufacturing facility is designed in compliance with the GMP, guidelines and rules as stipulated in the Drug Administration Law of the People's Republic of China, featuring a highly automated production line 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.

The Group attaches utmost importance to the health and safety of customers. Product safety and security are the top priority of our business. The Group is equipped with an independent and comprehensive quality control system to implement strict quality control measures right from the R&D phase. Our quality control team is responsible for the test, inspection and review of 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, 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 audits on the quality management system in compliance with the Internal Audit Control Procedures. In daily operation, we provide continuous updates and training, to aligh relevant business activities with process implementation and regulatory updates.

Raw Material Inspection

- After the arrival of the purchased raw materials, the warehouse manager confirms the correctness of the material name, specification, validity and quantity, and then fills in the Inspection Request Form to notify the Quality Assurance Department of inspection.
- The Quality Assurance Department receives the Inspection Request Form filled in by the warehouse manager, takes samples by following the sampling procedures, and provides them to the Quality Control Department for inspection.
- According to the Inspection Request Form, the Quality Department will inspect and accept the materials in accordance with the Management Procedures for the Acceptance of Purchased Materials, and fill in the acceptance content and conclusion on the Inspection Request Form. For qualified materials, we will label a Certificate of Conformity, fill in the Material Inventory List, and handle the warehouse entry. For unqualified ones, we will follow the Unqualified Material Control Procedures.

Intermediate Inspection

- The Production Department place the intermediates in the inspection area, and fill in the Inspection Request Form, requesting the Quality Assurance Department to inspect the intermediates.
- The Quality Assurance Department receives the Inspection Request Form filled in by the warehouse manager, takes samples by following the sampling procedures, and provides them to the Quality Control Department for inspection.
- The Quality Assurance Department will produce and release qualified products as intermediate products.. If the inspect results fail to meet the quality requirements, the unqualified intermediates shall be isolated and transferred to the non-conforming area.

Finished Product Inspection

- After the production as required, the production personnel place the finished products in the finished goods warehouse for inspection, and then fill in the Inspection Request Form and forward it to the Quality Assurance Department for review.
- After receiving the Inspection Request Form, the Quality Assurance Department takes samples according to the inspection specifications, and submits the samples together with the Inspection Request Form to the Quality Control Department for inspection.
- The Quality Assurance Department reviews the production batch records of qualified finished products and fills in the Product Release Audit Sheet, and then releases the products in accordance with the Product Release Control Procedures. When finished products prove to be unqualified as inspected by the Quality Control Department, they will be handled in accordance with the Disqualified Product Control Procedures.

During the Reporting Period, the Group did not have any product recalls due to safety and health problems.

3.2 Customer Service

Focusing on customers, we are dedicated to bringing high-quality service experience to customers. We directly sell test kits to hospitals, reproductive clinics and third-party medical laboratories. We also sell 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 and the Anti-Commercial Bribery Agreement, which sets out issues such as distributor selection, investigation, pricing, agreement, authorization, consignment, logistics, reconciliation, fund transfer, fund collection, incentive policy, returns or exchanges of products and regulating corruption and bribery, so as to standardize distributor management. The sales and Marketing Department monitors the activities of our distributors to ensure that they comply with our guidelines, policies and procedures. We conduct annual reviews 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. In addition, 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 complaints in relation to products and services.

3.3 Information Security and Privacy Protection

The Group puts a new premium on information security and privacy protection of our customers. The Group 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 protect the completeness of business information. By formulating the Policy on the Management of Corporate Information Safety, the Policy on the Management of Software Legalization and the Control Procedures for Emergency Response to Software and Network Security, we implement safety management and preventive measures on identified information security issues, to regulate access to specific data and information, network security and intranet security. We regulate the management and safe use of the Group's software, hardware and network. We also use professional firewall and anti-virus software to prevent any malicious intrusion. Meanwhile, we have set up an emergency response team for software network security, mainly responsible for the network security protection and on-site emergency response of the Group's software. We provide relevant training and education to our employees on a regular basis and manage the business operation records and information, to strengthen the security awareness and the rule of law of our employees and improve their professional ethics and information application.

In terms of business information disclosure, the Group 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 transmitted to the public through the advertisements and prevent any false and misleading description of goods and deceptive conduct. In the Year, the Group formulated the Policy on Brand Publicity Management to improve the Group's brand publicity system. By establishing a unified corporate brand image, the Group improved the recognition and competitiveness of the Group's brand as well as the brand value.

3.4 Intellectual Property Protection

Being aware that intellectual property is the core competitiveness, the Group places considerable value on the management of corporate intellectual property. The Group complies 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 seeks patent protection for its products and strategically protects its intellectual property through a variety of means, including patent and copyright application, proprietary know-how and trade secrets, to protect the intellectual property from infringement. During the Year, we established a management system in compliance with the national standard GBT 29490–2013 Enterprise Intellectual Property Management, to facilitate the management and protection of our intellectual property.

During the Reporting Period, the Group had a total of 53 registered patents and obtained 35 licensed patents.

In addition, we have made and entered into confidentiality agreements with all employees and non-competition agreements with our senior management, key members of our R&D team and other employees who have access to trade secrets or confidential information about our business. The standard employment contains a confidentiality clause, which stipulates that we retain the ownership of all innovations, technical know-how and trade secrets developed by that employee during his or her employment.

3.5 Anti-corruption and Compliance

The Group attaches great importance to business ethics, the Group 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 in the Field of Medical Supplies and other laws, regulations, rules and normative documents, to ensure that its operations are in compliance with anti-corruption and compliance requirements.

The Employee Handbook sets forth the code of conduct and ethics, requiring that all business activities be conducted with a high degree of integrity. During the Year, we also provided anti-corruption training to all Directors and employees to enhance the Group's education on anti-corruption and integrity management. We have made and 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 illegitimate benefits in sales activities. In addition, we encourage our employees and anyone who has business relationships with the Group to report any suspected misconduct, fraud, and illegal or unethical behaviors discovered within the Group via e-mail and other channels, to promptly rectify the behaviors.

During the Reporting Period, there were neither legal proceedings against the Group or any employee nor cases regarding corruption, bribery, extortion, fraud and money laundering.

3.6 Supply Chain Management

The Group is committed to cooperating with suppliers in sustainability to jointly enhance their sustainability performance in the industry. The Group 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 mapped out detailed internal rules governing procurement process and supplier evaluation, audit, and approval processes, so as to secure excellent supply quality and service.

We evaluate suppliers based on a mix of factors including qualifications, business reputation, production capability, technological strengths, quality management capabilities, after-sales services and price. We emphasize ESG risk management of our suppliers and evaluate their performance in social and environmental management, including compliance with all applicable laws, prohibition of corruption, respect for basic human rights of employees, responsibility for health and safety of employees, and compliance with statutory and international standards related to environmental protection. As for products made of the same type of materials, we give priority to local products with less packaging and higher energy efficiency, to reduce the greenhouse gas generated during production and transportation in response to green procurement.

The Procurement Department is responsible for making procurement plans, placing orders with suppliers and managing suppliers. We usually make and enter into one-year agreements with our suppliers which will be evaluated 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 long-term business relationships with suppliers who consistently provide raw materials with high quality and in sufficient volumes.

We have established procedures and guidelines for raw material procurement, quality control checks, warehousing, testing and storage, to ensure the quality of our supply chain. 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 the 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 complete 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 inspect them against our quality standard. Raw materials that fail to meet our quality standards will be temporarily stored in a separate area before being returned to suppliers.

Our major suppliers are primarily those who supply raw materials and machinery and equipment. During the Year, the Group had a total of 64 suppliers located in the regions as follows:

Region	Number of Suppliers
Jiangsu Province	27
Shanghai Municipality	26
Guangdong Province	11

4 QUALITY PROFESSIONAL TEAM

Employees are the cornerstone for driving the Group's business operations and product R&D. They are also our major assets. We value talent management and allocate human resources to build a team of talents that is efficient and collaborative. As at December 31, 2021, the Group had 373 employees in total.

4.1 Employment

We create a workplace environment for our employees that is harmonious, equitable, diverse, inclusive, and free from discrimination in strict compliance with the Labor Law of the People's Republic of China, the Labor 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 Labor and other laws and regulations related to labor and employment, as well as the Human Resources Control Procedures, the Recruitment Management Policy, the Labor Contract Management Policy, the Employee Handbook and the Performance Management Policy formulated by us.

We advocate equal employment and recruit employees in the principles of "openness, equality, competition and merit", by considering the candidates' academic qualifications, work experience and skills. All candidates will be subject to dual assessment by our Human Resources Department and relevant department managers. We prohibit discrimination by gender, age, nationality, religion, family status and race of candidates as well as other background factors such as certain categories subject to legal protection. In recruitment and hiring, we verify that background checks are conducted on candidates, including but not limited to identification information, academic information, adverse records, credit information, litigation records, work history and job evaluation, to prevent child labor and other forms of illegal labor. The Group makes and enters into employment contracts with employees through mutual agreement, to specify various matters such as wages, benefits and dismissal. The Group implements a standard working hour policy to prevent forced labor or exploitation. The Group will deal with any violation if found in accordance with law.

We have established an Employee Handbook to regulate all aspects of human resources management, such as recruitment, promotion, termination, remuneration, working hours and holidays. We arrange interviews with our departing employees to better understand the reasons for their departure and make relevant records, to refine our human resources management. We also implement dismissal procedures in accordance with the relevant provisions of the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, to avoid unfair or unreasonable dismissals.

During the Reporting Period, the Group did not violate any applicable laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination and prevention of child labor or forced labor, nor there was any employment of child labor or forced labor found within the Group.

4.2 Employee Benefit

The Group's overall salary placement depends on business objectives, and aligned with performance, in order to offer a fair and competitive remuneration package which attracts and retains talents. Our salary structure is aligned with employees' performance. Employees' salaries are paid based on their attendance and appraisal to ensure that reasonable remunerations are offered to our employees. Employees' salaries are adjusted annually based on performance appraisal and market conditions to maintain market competitiveness. In addition, we have a share incentive scheme to reward our employees for their long-term services and contributions to the Group.

The Group joins an employee social insurance 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. The Group also provides employees with commercial supplementary medical insurance. 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 and paternity leave, to maintain work-life balance for employees. 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.

Besides, we have newly adopted the "EAP Employee Caring Scheme" to provide our employees with a systematic and long-term supporting welfare scheme, covering aspects such as disease care, psychological counseling and legal aid. Such scheme provides guidance, trainings and consultation to the Group and its employees by professionals to help them cope with difficulties, improve their work and life quality, and promote mental well-being development.

4.3 Employee Health And Safety

The Group is committed to providing an occupational safety work environment for its employees. We stringently comply with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Production Safety, the Law of the People' Republic of China on Fire Protection, the Regulations Governing the Supervision of Occupational Health at Workplaces, the Work Injury Insurance Regulations and other laws and regulations.

We have formulated a series of policies and procedures related to health and work safety, along with measures to reduce exposure to occupational hazards, 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. These efforts aim to provide a sound and safe working environment for employees. Employees with specific responsibilities (including the operation of certain equipment) are required to possess relevant qualifications to operate such equipment. Regular and annual training is provided for them to enhance their awareness and enrich their knowledge of safety procedures and accident prevention. Moreover, hazardous factors at production sites are checked on a regular basis to evaluate our equipment and production plants so as to ensure safe operation. Occupational health service agencies are appointed to carry out occupational health exams for our employees of relevant positions on a regular basis, based on the test items and cycles specified in the Report on Testing Hazardous Factors in Occupational Diseases. Archives are set up for monitoring employees' occupational health based on the health exam results, and feedback on health information is provided to employees in a timely manner, to prevent occupational hazards and protect the health of practitioners.

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. In the past three years (including the Reporting Period), the Group had not had any deaths caused in relation to work.

4.4 Employee Training and Development

Employee development is critical to the sustainable development of the Group. We have set up a complete staff training system and carry out diversified training activities to acquaint the employees with knowledge and skills, to keep abreast of the Group's development.

The Group develops an annual training plan after assessing the needs for sustainable business development and those of various departments for training every year. This training plan sets forth new employee training, pre-job training and leadership training. The Human Resources Department will arrange for various training activities in line with the approved annual training plan, and keep relevant records. We also invite external experts from time to time to train our managers, to enrich their knowledge and improve their management skills.

During the year, the Group has comprehensively improved the leadership of middle managers and the professionalism and dedication of employees in various departments, and built a high-performing team by combining offline training and seminars with 180 courses in 10 sections on the online Basecare Academy platform through the construction of a job training system and 7 customized key talent development projects. In addition, the performance appraisal effectively motivates employees to achieve their goals, enhancing our professional clinical service capability and building a solid foundation for comprehensive business expansion, which leads to the maximum effectiveness of human resources and therefore achieves the company's strategic goals.

For monitoring the effectiveness of employee training, training instructors will conduct assessments by raising questions on the spot, holding theoretical examinations or conducting other operations based on the training details and actual conditions. The Personnel Department will 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.

5 GREEN ENVIRONMENT

The Group stays committed to achieving green operations. It continuously identifying and managing the impact of its business operations on resource utilization and the environment, and incorporating environmental protection concepts into its daily operations. In strict accordance 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, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes and other laws and regulations, we use environmental resources rationally and promote energy conservation and emission reduction, to boost green business development.

During the Reporting Period, the Group did not have any breach of environmental protection laws or 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

In line with important policies such as the Paris Agreement and the National Adaptation Strategy for Climate Change, 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. We are committed to reducing carbon emissions during the Group's business operations. During the Year, we formulated and implemented the Policy on the Management of Energy Conservation and Emission Reduction and established the leading group of energy conservation and emission reduction, to enhance the Group's management in energy conservation and emission reduction. We vigorously advanced clean production, green design, energy conservation and energy utilization efficiency and reduced pollution emissions, in an effort to secure sustainable development.

During the Year, the greenhouse gas emissions from the Group's headquarters office and production base in Suzhou are as follows:

		Unit	2021
Scope 1:	Direct greenhouse gas emissions	tCO2e	22.07
Scope 2:	Indirect greenhouse gas emissions	tCO2e	458.10
Total greenhouse gas emissions		tCO2e	480.17
Intensity of greenhouse gas emissions		tCO2e/m2	0.06

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 implements energy-saving and emission reduction measures at all levels of its business operations to manage greenhouse gas emissions as follows:

- Schedule regular inspections and maintenance for the fleet to see that the engines and other components function properly;
- Monitor the fuel consumption of wheels used in the Group's name;
- Encourage employees to use public transportation whenever possible;
- Advocate the use of video conferencing instead of non-essential business trips.

In addition, the Group also implements measures to conserve electricity and promote energy awareness among employees in our office areas, which are as follows.

- The office is divided into different lighting zones with independently controllable lighting switch systems for flexible use;
- The brightness of each area of the office is regularly monitored to minimize the number of lamps required in areas with excessive brightness and to reduce unnecessary energy consumption;
- Energy-efficient lighting and air conditioning systems are regularly maintained, such as cleaning the filters of the lighting and cooling systems, to improve energy efficiency;

- Water-cooled air-conditioning systems with variable speed drives are used, to control the temperature of the office area according to actual demand;

- We regularly remind employees of turning off unnecessary electronic devices and turning on energy systems and laboratory equipment according to actual needs, and arrange for constant inspections to see that employees turn off air conditioning units, lighting systems and laboratory equipment after leaving the office or after experiments.

5.2 Water Resource Management

Being aware of the water scarcity crisis worldwide, the Group monitors water consumption in business operations on an ongoing basis, and implement a slew of measures to promote the habit of saving water among our employees. Pure water system can only be turned on with the permission of the Production Department or during regular drainage or waterway inspection, to keep water from running away unnecessarily. Save-water signs are posted in the restrooms to remind employees of turning off the taps and making good use of the dual-flush toilets, to strengthen the education on water conservation for employees. Water meter readings are checked and water pipe leakage tests are conducted on a regular basis, so that qualified operations can carry out maintenance in a timely manner to avoid water wastage due to leakage.

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

5.3 Waste Management

The Group supports reducing waste at the source. We adopt an electronic office system (ERP system) 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. Whenever possible, we encourage employees to use double-sided printing to reduce paper waste. We also encourage employees to transmit information with the electronic communication technology as much as possible, reuse stationeries such as envelopes and binders, and reduce the use of disposable or non-recyclable products. The consumption of materials is assessed before procurement, to avoid unnecessary waste due to the purchase of an excessive amount of these materials.

As to waste disposal, we have worked out the Waste Treatment Procedures to govern the waste generated in the Group's business activities, including the 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. This aims to reduce the pollution of waste to the environment and avoid adverse effects on human health.

In disposing of non-hazardous waste, we have waste separation bins or other suitable facilities to collect paper, metal and plastic 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 protection company with a Hazardous Waste Business License to recycle and treat hazardous waste in time, to step up pollution prevention and control. We will sustain efforts in disposing of and reducing waste properly, to minimize its impact on the environment.

5.4 Tackling Climate Change

The global impact of climate change is becoming increasingly conspicuous. Being conscious of the importance of tackling climate change, the Group conducts climate risk assessments to identify and evaluate potential risks in its business operations and develop climate risk mitigation measures. The Group contributes to the mitigation of climate change by setting targets of greenhouse gas emissions and reducing our carbon footprint.

With the above approach, the Group has identified the following climate risks that may affect our business:

Physical Risk

Rising temperatures and frequent extreme weather events, such as typhoons and heavy rains, may wreak havoc on offices, production sites, laboratories, etc., and cause safety issues, interrupting production and operation and incurring property damage. The use of more cooling devices in office areas due to rising temperatures may increase energy use and economic expenses. As part of its emergency response policy, the Group maps out contingency plans specific to extreme weather.

Transition Risk

As countries commit to achieve carbon neutrality, we expect that governments may implement more stringent policies and measures to the achieve carbon reduction target. However, in case of delayed response, we may incur costs and fines for non-compliance. To ensure compliance, we may turn to more efficient equipment and therefore expect higher costs. We may be confronted with changes in market demand due to the inability to respond to climate change, resulting in tarnished reputation, declining competitiveness and property damage. In view of this, the Group will monitor all updates to relevant environmental laws, regulations and policies and respond accordingly in time.

5.5 Sustainable Development Goal

During the Reporting Period, the Group set an initial target for energy efficiency, water efficiency, waste reduction and greenhouse gas emissions to monitor energy and water conservation, waste reduction and greenhouse gas emissions more effectively. Going forward, we will renew efforts to review the progress of each environmental protection target and identify more opportunities for energy saving and emission reduction. We will set more specific quantitative environmental targets to ensure the rational use of resources, contribute our share to climate change mitigation.

Environmental	Target
Energy use efficiency	We will implement the Group's energy conservation measures to strive for a 5% reduction in total energy use in 2022.
Water use efficiency	We will implement the Group's water conservation measures to strive for a 5% reduction in total water use in 2022.
Waste reduction	We will implement the Group's waste reduction measures to strive for an 8% reduction in total waste emissions in 2022.
Greenhouse Gas Emission	We have set initial targets for greenhouse gas reductions. In the future, we will maintain or reduce greenhouse gas emissions at a similar level of business operations.

6 GIVING BACK TO THE SOCIETY

The Group places considerable value on establishing stable and effective communication with the community. While seeking development, we pay full attention to the needs of the community and give back to the community by fulfilling our corporate social responsibility. We encourage our employees to participate in various community activities to enhance the team spirit and care for the underprivileged. During the Year, by leveraging our resources and strengths, we focused on community activities related to our medical profession and contributing to a sound and harmonious social environment.

In February 2021, Basecare Medical participated in the public welfare activity of “Dreams of Reproductive Health Come True to 1000 Families with Rare Diseases” initiated by the Chinese Association for Improving Birth Outcome and Child Development, providing free test kits to help families with rare diseases block the transmission of disease-causing genes. The Company also participated various projects such as the Save the Wild Kids Program, Anti-epidemic Supplies Donation and Children Charity Fund.

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	2021[1]
Emission[2]		
Nitrogen oxides	kg	99.77
Sulphur oxides	kg	0.19
Suspended particles	kg	9.56
Greenhouse gas emission		
Direct greenhouse gas emission (Scope 1)	tCO_2e	22.07
Indirect greenhouse gas emission (Scope 2)	tCO_2e	458.10
Total greenhouse gas emissions	tCO_2e	480.17
Greenhouse gas emission intensity	tCO_2e/m^2	0.06
Energy consumption		
Gasoline consumption	L	12,950.00
Purchased electricity consumption	kWh	750,865.50
Purchased electricity consumption intensity	kWh/m^2	107.62
Water consumption		
Total water consumption	m^3	2,994.00
Water consumption intensity	m^3/m^2	0.43
Waste production		
Total non-hazardous waste produced	tonnes	16.30
Intensity of non-hazardous waste produced	$tonnes/m^2$	0.002
Total hazardous waste produced	tonnes	2.00
Intensity of hazardous waste produced	$tonnes/m^2$	0.0003
Packaging materials		
Carton	kg	480.00
Paper	kg	55.00

1 As the total number of employees and production volume increased this year compared to the previous year, the greenhouse gas emissions, energy use, water use and waste generation increased accordingly. Nevertheless, we will continue taking measures to reduce emissions and save energy.

2 We calculate the Group's air pollutant emissions with reference to "Appendix II: Guidelines for Reporting Environmental Key Performance Indicators to the How to Prepare Environmental, Social and Governance Reports" issued by the Hong Kong Stock Exchange.

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

	Unit	2021
Total number of employees	Person	373
Employees by gender		
Female	Person	208
Male	Person	165
Employees by employment type		
Junior staff	Person	335
Middle management	Person	24
Senior management	Person	14
Employees by age group		
Below 30	Person	211
30–50	Person	162
Employees by geographical region		
Eastern China	Person	289
Central China	Person	19
Southern China	Person	33
Northwestern China	Person	19
Northern China	Person	5
Northeastern China	Person	7
Other regions (including Hong Kong, Macau and Taiwan)	Person	1

	Unit	2021
Total employee turnover rate[3]	%	16.62
Employee turnover rate by gender[3]		
Female	%	7.50
Male	%	9.12
Employee turnover rate by age group[3]		
Below 30	%	8.58
30–50	%	8.04
Employee turnover rate by geographical region[3]		
Eastern China	%	13.40
Central China	%	0.80
Southern China	%	1.61
Northwestern China	%	0.27
Northern China	%	0.54
Northeastern China	%	0
Other regions (including Hong Kong, Macau and Taiwan)	%	0

[3] Employee turnover rate = Number of separations÷ Total number of employees as at the end of the Year

	Unit	2021
Development and training		
Percentage of employees trained by gender[4]		
Female	%	55.76
Male	%	44.24
Percentage of employees trained by employee category[4]		
Junior staff	%	90.35
Middle management	%	6.17
Senior management	%	3.49
Average training hours completed per employee by gender[5]		
Female	Hour	55.33
Male	Hour	55.33
Average training hours completed per employee by employee category[5]		
Junior staff	Hour	30.89
Middle management	Hour	47.82
Senior management	Hour	58.73

4 Percentage of employees trained = Number of employees trained in this category ÷Number of employees trained x 100%

5 Average training hours = Total training hours of employees in this category ÷Total number of employees in this category

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

			Relevant Section
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.	5 Green environment— 5.1 Energy Conservation and Emissions Reduction; 5.3 Waste management
	A1.1	The types of emissions and respective emissions data.	Appendix I: Sustainability Data Highlight
	A1.2	Direct (scope 1) and indirect energy (scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5 Green environment- 5.1 Energy Conservation and Emissions Reduction; Appendix I: Sustainability Data Highlight
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Highlight
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Highlight
	A1.5	Description of emissions targets and the steps taken to achieve such targets.	5 Green environment- 5.1 Energy Conservation and Emissions Reduction; 5.5 Sustainable Development Goals
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5 Green environment- 5.3 Waste management; 5.5 Sustainable Development Goals

			Relevant Section
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5 Green environment- 5.1 Energy Conservation and Emissions Reduction; 5.2 Water Resource Management
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Highlight
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Highlight
	A2.3	Description of energy use efficiency initiatives and results achieved.	5 Green environment- 5.1 Energy Conservation and Emissions Reduction; 5.5 Sustainable Development Goals
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5 Green environment- 5.2 Water Resource Management; 5.5 Sustainable Development Goals
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix I: Sustainability Data Highlight
A3: Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5 Green environment
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5 Green environment
A4: Climate Change	General Disclosure	Identification of policies on the significant climate-related issues which have impacted, and those which may impact, the issuer.	5 Green environment- 5.4 Tackling climate change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them.	5 Green environment- 5.4 Tackling climate change

			Relevant Section
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.	4 Quality professional team- 4.1 Employment; 4.2 Employee Benefits
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Sustainability Data Highlight
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Highlight
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.	4 Quality professional team- 4.3 Employee Health and Safety
	B2.1	Number and rate of work-related fatalities in each of the past three years (including the reporting year).	4 Quality professional team- 4.3 Employee Health and Safety
	B2.2	Lost days due to work injury.	4 Quality professional team- 4.3 Employee Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4 Quality professional team- 4.3 Employee 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.	4 Quality professional team- 4.4 Employee Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Sustainability Data Highlight

			Relevant Section
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Sustainability Data Highlight
B4: Labor 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.	4 Quality professional team- 4.1 Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	4 Quality professional team- 4.1 Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	4 Quality professional team- 4.1 Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3 Compliant Operation- 3.6 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	3 Compliant Operation- 3.6 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3 Compliant Operation- 3.6 Supply Chain Management
	B5.3	Description of practices relating to identifying environmental and social risks at each link of the supply chain where the practices are being implemented, how they are implemented and monitored.	3 Compliant Operation- 3.6 Supply Chain Management
	B5.4	Description of practices relating to selecting suppliers to promote the use of green products and services where the practices are being implemented, how they are implemented and monitored.	3 Compliant Operation- 3.6 Supply Chain Management

			Relevant Section
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.	3 Compliant Operation- 3.1 Product Quality Control; 3.2 Customer Service; 3.3 Information Security and Privacy Protection
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3 Compliant Operation- 3.1 Product Quality Control
	B6.2	Number of products and service related complaints received and how they are dealt with.	3 Compliant Operation- 3.2 Customer Service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3 Compliant Operation- 3.4 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	3 Compliant Operation- 3.1 Product Quality Control
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3 Compliant Operation- 3.3 Information Security and Privacy Protection
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.	3 Compliant Operation- 3.5 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.	3 Compliant Operation- 3.5 Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3 Compliant Operation- 3.5 Anti-corruption
	B7.3	Description of anti-corruption trainings provided to directors and employees.	3 Compliant Operation- 3.5 Anti-corruption

			Relevant Section	
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.	6	Giving Back to Society
	B8.1	Focus areas of contribution.	6	Giving Back to Society
	B8.2	Resources contributed to the focus area.	6	Giving Back to Society

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 (together, the "**Group**") set out on pages 87 to 150, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 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 106.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's revenue is derived from sales of testing kits, genetic testing devices and instruments. The Group recognises revenue from sales of testing kits, testing devices and instruments at the point in time when control of the goods is transferred to the customer. This point in time will be when the goods are delivered to the customer's premises or a location designated by the customer for sales of testing kits, testing devices and instruments. 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 the 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)*

Expected credit loss allowances for trade receivables	
Refer to Note 16 to the consolidated financial statements and the accounting policies on page 98.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2021, the Group's gross trade receivables amounted to RMB121.1 million, against which an allowance of RMB9.3 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.	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 2021 based on the Group's credit loss allowance policies.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	2021 RMB'000	2020 RMB'000
Continuing Operations			
Revenue	4	**107,299**	81,109
Cost of sales		**(56,152)**	(53,395)
Gross profit		**51,147**	27,714
Other incomes	5	**32,787**	2,790
Other losses		**(20,073)**	(7,631)
Selling and distribution costs		**(62,524)**	(16,616)
Administrative expenses		**(52,112)**	(25,244)
Research and development expenses		**(73,711)**	(34,481)
Loss from operations		**(124,486)**	(53,468)
Finance costs	6(a)	**(1,260)**	(1,472)
Share of profit of associates		**–**	250
Changes in the carrying amount of financial instruments issued to investors	22	**–**	(826,828)
Loss before taxation	6	**(125,746)**	(881,518)
Income tax	7	**(18,332)**	7,394
Loss for the year from continuing operations		**(144,078)**	(874,124)
Discontinued operations			
Loss for the year from discontinued operations	24	**–**	(3,835)
Loss for the year		**(144,078)**	(877,959)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(144,078)**	(877,959)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	2021 RMB'000	2020 RMB'000
Loss for the year attributable to equity shareholders of the Company:			
— from continuing operations		**(143,651)**	(874,124)
— from discontinued operations		**—**	(2,928)
Loss for the year attributable to equity shareholders of the Company		**(143,651)**	(877,052)
Loss for the year attributable to non-controlling interests:			
— from continuing operations		**(427)**	—
— from discontinued operations		**—**	(907)
Loss for the year attributable to non-controlling interests		**(427)**	(907)
Loss for the year		**(144,078)**	(877,959)
Other comprehensive income		**—**	—
Total comprehensive income for the year		**(144,078)**	(877,959)
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**(143,651)**	(877,052)
Non-controlling interests		**(427)**	(907)
Total comprehensive income for the year		**(144,078)**	(877,959)
Loss per share	10		
Basic and diluted (RMB)		**(0.5)**	(5.1)

The notes on pages 93 to 150 form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	11	**41,640**	18,618
Right-of-use assets	12	**12,563**	1,440
Other non-current assets	14	**42,477**	—
Deferred tax assets	7(c)	**1,515**	19,847
		98,195	39,905
Current assets			
Inventories	15	**33,308**	6,334
Trade and other receivables	16	**125,247**	87,483
Other current assets	17	**5,214**	24,255
Restricted cash	18	**15,730**	—
Cash and cash equivalents	18	**1,523,194**	192,321
		1,702,693	310,393
Current liabilities			
Trade and other payables	19	**37,283**	37,494
Bank loans	20	**20,000**	30,000
Lease liabilities	21	**3,049**	688
		60,332	68,182
Net current assets		**1,642,361**	242,211
Total assets less current liabilities		**1,740,556**	282,116
Non-current liabilities			
Bank loans	20	**23,645**	—
Lease liabilities	21	**1,872**	781
		25,517	781
NET ASSETS		**1,715,039**	281,335

Consolidated Statement of Financial Position

For the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
CAPITAL AND RESERVES	23		
Share capital		**273,526**	200,000
Reserves		**1,441,940**	81,335
Total equity attributable to equity shareholders of the Company		**1,715,466**	281,335
Non-controlling interests		**(427)**	—
TOTAL EQUITY		**1,715,039**	281,335

Approved and authorised for issue by the board of directors on 30 March 2022.

Liang Bo
Director

Kong Lingyin
Director

The notes on pages 93 to 150 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of 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	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 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	22	197	14,803	–	–	–	–	15,000	–	15,000
Recognition of financial instruments issued to investors as non-current liabilities	22	–	(15,000)	–	–	–	–	(15,000)	–	(15,000)
Reclassification of financial instruments issued to investors as equity	22	–	1,885,573	–	–	–	–	1,885,573	–	1,885,573
Capital contribution by equity shareholders of the Company	23(b)	3,688	266,507	–	–	(58,528)	–	211,667	–	211,667
Conversion into a joint stock company	23(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**
Changes in equity for 2021:										
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(143,651)**	**(143,651)**	**(427)**	**(144,078)**
Issuance of H shares through initial public offering, net of issuance costs	23(c)	**–**	**–**	**73,526**	**1,496,351**	**–**	**–**	**1,569,877**	**–**	**1,569,877**
Equity settled share-based payment	23(d)	**–**	**–**	**–**	**–**	**7,905**	**–**	**7,905**	**–**	**7,905**
Balance at 31 December 2021		**–**	**–**	**273,526**	**1,677,279**	**7,905**	**(243,244)**	**1,715,466**	**(427)**	**1,715,039**

The notes on pages 93 to 150 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Cash used in operations	18(b)	**(197,852)**	(64,288)
Net cash used in operating activities		**(197,852)**	(64,288)
Investing activities			
Payment for the purchase of property, plant and equipment		**(28,900)**	(8,087)
Proceeds from disposal of property, plant and equipment		**356**	123
Payment for acquisition of right-of-use assets		**(7,960)**	—
Payment for purchase of financial assets measured at fair value through profit or loss		**—**	(30,000)
Proceeds from sale of financial assets measured at fair value through profit or loss		**—**	60,677
Interest received from bank deposits		**17,278**	522
Payment for acquisition of equity interest	14	**(42,477)**	—
Loans to related parties		**—**	(7,100)
Loans repaid by a related party		**5,100**	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 (used in)/generated from investing activities		**(56,603)**	33,534
Financing activities			
Proceeds from bank loans	18(c)	**43,645**	30,000
Repayment of bank loans	18(c)	**(30,000)**	(30,000)
Proceeds from the issue of financial instruments to investors	18(c)	**—**	15,000
Capital injection received from equity shareholders of the Company		**—**	211,667
Proceeds from issuance of H shares		**1,678,315**	—
Bank borrowing cost paid	18(c)	**(1,016)**	(1,401)
Payment for capital element of lease liabilities	18(c)	**(2,632)**	(1,699)
Payment for interest element of lease liabilities	18(c)	**(237)**	(96)
Payment of listing expenses		**(92,440)**	(15,998)
Net cash generated from financing activities		**1,595,635**	207,473
Net increase in cash and cash equivalents		**1,341,180**	176,719
Cash and cash equivalents at the beginning of the year	18(a)	**192,321**	24,155
Effect of foreign exchange rate changes		**(10,307)**	(8,553)
Cash and cash equivalents at the end of the year	18(a)	**1,523,194**	192,321

The notes on pages 93 to 150 form part of these financial statements.

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 2021 comprise the Company and its subsidiaries.

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(e).

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2
- Amendments to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021

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.

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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(e)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(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) 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, 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 25(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(s)(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)*

(e) 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.

(f) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(h)), are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(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)*

(g) 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(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(h) 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(f) and Note 2(i)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(i) As a lessee (Continued)

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 1(e)(i) and 1(i)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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.

(i) 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 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).

Financial assets measured at fair value are not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments (Continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(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.

(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 in the Company's statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of other non-current assets (Continued)

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.

(j) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories *(Continued)*

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.

(k) 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(i)(i)).

(l) 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(i)(i).

(m) 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(s)). 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(k)).

(n) 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".

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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)).

(p) 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.

(q) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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.

(s) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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(i)(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.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(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 25 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 25.

(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(i)(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(h), 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.

(a) Disaggregation of revenue

	2021 RMB'000	2020 RMB'000
Continuing operations		
Revenue from contracts with customers within the scope of IFRS 15		
Genetic testing solutions		
— Sales of testing kits	**91,867**	62,596
— Provision of testing services	**—**	6,331
Sales of testing devices and instruments	**15,432**	12,182
	107,299	81,109

During the year ended 31 December 2021 and 2020, 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(s).

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:

	2021 RMB'000	2020 RMB'000
Continuing operations		
Customer A	**15,922**	9,689
Customer B	**14,904**	N/A*
Customer C	**N/A***	8,673
	30,826	18,362

* 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 INCOMES

	2021	2020
	RMB'000	RMB'000
Continuing operations		
Government grants (i)	**12,148**	1,499
Interest income from bank deposits	**18,203**	520
Net realised gains on financial assets measured at fair value through profit or loss	**—**	103
Others	**2,436**	668
	32,787	2,790

(i) Government grants primarily comprise subsidies received from the government for encouragement of research and development projects, compensation on the incurred rental expenditure and incentives for the Group's successful initial public offering.

6 LOSS BEFORE TAXATION

(a) Finance costs

	2021	2020
	RMB'000	RMB'000
Continuing operations		
Interest on bank loans	**1,041**	1,376
Interest on lease liabilities	**237**	96
Total finance costs on financial liabilities not at FVPL	**1,278**	1,472
Less: borrowing costs capitalised into properties under construction	**(18)**	—
	1,260	1,472

6 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs

	2021 RMB'000	2020 RMB'000
Continuing operations		
Salaries, wages and other benefits	**65,619**	34,557
Contributions to defined contribution retirement plan (i)	**6,357**	221
Equity-settled share-based payment expenses (Note 23(d))	**7,905**	—
	79,881	34,778

(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.

(c) Other items

	2021 RMB'000	2020 RMB'000
Continuing operations		
Depreciation of property, plant and equipment	**2,886**	4,963
Depreciation of right-of-use assets	**2,921**	1,592
Total amortisation and depreciation	**5,807**	6,555
Less: depreciation expense of land use rights capitalised into properties under construction	**(221)**	—
Amortisation and depreciation charged directly to profit or loss	**5,586**	6,555
Impairment losses on trade and other receivables	**8,885**	61
Auditors' remuneration	**1,712**	361
Research and development expenses (i)	**73,711**	34,481
Cost of inventories (ii)	**54,472**	42,338
Net foreign exchange losses	**10,307**	8,553
Donations	**9,698**	—

(i) During the year ended 31 December 2021, research and development expenses include staff costs and depreciation expenses of RMB30,867,000 (2020: RMB14,641,000), which amounts are also included in the respective total amounts disclosed separately above.

(ii) During the year ended 31 December 2021, cost of inventories includes staff costs and depreciation expenses of RMB2,880,000 (2020: RMB1,835,000), 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:

	2021 RMB'000	2020 RMB'000
Continuing operations		
Current tax — PRC Tax	**—**	—
Deferred tax	**18,332**	(7,394)
Total	**18,332**	(7,394)

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

	2021 RMB'000	2020 RMB'000
Continuing operations		
Loss before taxation	**(125,746)**	(881,518)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the PRC (i)	**(31,436)**	(220,380)
Effect of preferential tax rate (ii) & (iv)	**11,012**	3,315
Effect of additional deduction on research and development expenses (iii)	**(6,390)**	(2,754)
Tax effect of changes in the carrying amount of financial instruments issued to investors	**—**	206,707
Tax effect of other non-deductible expenses	**2,308**	272
Tax effect of non-taxable income	**—**	(3,325)
Tax effect of tax losses not recognised	**21,537**	8,071
Tax effect of reversal tax losses recognised in prior years	**19,095**	—
Tax effect of deductible temporary differences not recognised, net of utilisation of deductible temporary differences not recognised in prior years	**2,313**	(63)
Others	**(107)**	763
Actual tax expense	**18,332**	(7,394)

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%. Suzhou Basecare Medical Device Co., Ltd. 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) According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC from 2018 to 2020, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from the taxable income and an additional 100% of such qualified expenses incurred from 1 January 2021 onwards is allowed to be deducted.

(iv) According to the PRC income tax law and its relevant regulations issued in 2021, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 2.5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). Suzhou Basecare Intelligent Manufacturing Co., Ltd., Suzhou Industrial Park Basecare Biological Industry Co., Ltd., and Shanghai Basecare Biological Technology Co., Ltd. were qualified as small and low profit enterprises and entitled to the preferential income tax rate of 2.5% for the year ended 31 December 2021.

(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 RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Unrealised profit RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
Deferred tax assets/ (liabilities) arising from							
At 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 and 1 January 2021	62	(216)	220	(6)	19,095	692	19,847
Credited/(charged) to profit or loss	1,332	104	(103)	50	(19,095)	(620)	(18,332)
At 31 December 2021	1,394	(112)	117	44	–	72	1,515

(d) Deferred tax assets not recognised

As at 31 December 2021, the Group has not recognised deferred tax assets of certain entities in respect of their respective cumulative tax losses and temporary differences of RMB280,441,000 (2020: RMB41,817,000), in accordance with the accounting policy set out in Note 2(q), 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	2021 Total RMB'000
Executive directors					
Dr. Liang Bo	–	3,151	508	31	3,690
Mr. Kong Lingyin	–	540	144	31	715
Mr. Rui Maoshe	–	461	144	36	641
	–	4,152	796	98	5,046
Non-executive directors					
Mr. Xu Wenbo	–	–	–	–	–
Mr. Wang Weipeng	–	–	–	–	–
Mr. Zhang Jiecheng (i)	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Dr. Huang Taosheng (ii)	150	–	–	–	150
Dr. Kang Xixiong (ii)	150	–	–	–	150
Mr. Yu Kwok Kuen Harry (iii)	109	–	–	–	109
Mr. Chau Kwok Keung (iv)	32	–	–	–	32
	441	–	–	–	441
Supervisors					
Ms. Zhu Tingting (v)	–	207	36	24	267
Ms. Huang Bing (v)	–	141	27	17	185
Ms. Lin Yi (v)	–	–	–	–	–
	–	348	63	41	452

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	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)	—	—	—	—	—
	—	—	—	—	—

Notes:

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

(ii) Mr. Huang Taosheng and Mr. Kang Xixiong were appointed as independent non-executive directors of the Company on 5 February 2021.

(iii) Mr. Yu Kwok Kuen Harry were appointed as an independent non-executive director of the Company on 5 February 2021 and resigned on 6 September 2021.

(iv) Mr. Chau Kwok Keung were appointed as an independent non-executive director of the Company on 21 October 2021.

(v) Ms. Zhu Tingting, Ms. Huang Bing and Ms. Lin Yi were appointed as supervisors of the Company on 5 February 2021.

(vi) During the year ended 31 December 2021, 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, two (2020: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2020: two) individuals are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,779**	738
Discretionary bonuses	**258**	60
Retirement scheme contributions	**94**	4
Equity settled share-based payment	**7,905**	—
	10,036	802

The emoluments of the three (2020: two) individuals with the highest emoluments are within the following bands:

	2021	2020
	Number of Individuals	Number of Individuals
Nil — HKD1,000,000	**2**	2
HKD10,000,000 — HKD10,500,000	**1**	—

10 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2021 is based on the loss for the year attributable to shareholders of the Company of RMB143,651,000 (2020: RMB877,052,000) and the weighted average number of ordinary shares of 265,322,593 in issue during the year (2020:171,909,908). 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 23(c)), calculated as follows:

Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares at 1 January	**200,000,000**	149,432,866
Effect of capital contribution (Note 23(b))	**—**	22,477,042
Effect of initial public offering (Note 23(c))	**65,322,593**	—
Weighted average number of ordinary shares at 31 December	**265,322,593**	171,909,908

There were no potential dilutive ordinary shares for the year ended 31 December 2021 and 2020, and therefore dilutive loss per share are the same as the basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT

The Group	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 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 24)	–	–	(6,357)	–	(555)	(6,912)
At 31 December 2020 and 1 January 2021	1,347	1,091	25,059	2,876	6,981	37,354
Additions	1,254	504	7,954	19,427	–	29,139
Transfers	–	–	–	(2,876)	–	(2,876)
Disposals	(1)	(325)	(59)	–	–	(385)
At 31 December 2021	2,600	1,270	32,954	19,427	6,981	63,232
Accumulated depreciation:						
At 1 January 2020	(622)	(447)	(9,664)	–	(5,528)	(16,261)
Charge for the year	(174)	(176)	(3,101)	–	(1,647)	(5,098)
Written back on disposals	–	488	161	–	–	649
Disposal of subsidiaries (Note 24)	–	–	1,780	–	194	1,974
At 31 December 2020 and 1 January 2021	(796)	(135)	(10,824)	–	(6,981)	(18,736)
Charge for the year	(198)	(211)	(2,477)	–	–	(2,886)
Written back on disposals	1	28	1	–	–	30
At 31 December 2021	(993)	(318)	(13,300)	–	(6,981)	(21,592)
Net book value:						
At 31 December 2021	1,607	952	19,654	19,427	–	41,640
At 31 December 2020	551	956	14,235	2,876	–	18,618

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company	Office equipment and furniture RMB'000	Motor vehicle RMB'000	Medical equipment and instrument RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2020	149	271	345	—	765
Additions	—	416	—	—	416
Disposals	—	(270)	—	—	(270)
At 31 December 2020 and 1 January 2021	149	417	345	—	911
Additions	—	—	—	19,427	19,427
At 31 December 2021	149	417	345	19,427	20,338
Accumulated depreciation:					
At 1 January 2020	(142)	(197)	(322)	—	(661)
Charge for the year	—	(87)	(6)	—	(93)
Written back on disposals	—	210	—	—	210
At 31 December 2020 and 1 January 2021	(142)	(74)	(328)	—	(544)
Charge for the year	—	(99)	—	—	(99)
At 31 December 2021	(142)	(173)	(328)	—	(643)
Net book value:					
At 31 December 2021	7	244	17	19,427	19,695
At 31 December 2020	7	343	17	—	367

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is presented below:

The Group	Office Building RMB'000	Land use rights RMB'000	Total RMB'000
At 1 January 2020	1,959	—	1,959
Additions	2,074	—	2,074
Charge for the year	(1,624)	—	(1,624)
Early termination of tenancy agreement	(357)	—	(357)
Disposal of subsidiaries (Note 24)	(612)	—	(612)
At 31 December 2020 and 1 January 2021	1,440	—	1,440
Additions	6,084	7,960	14,044
Charge for the year	(2,700)	(221)	(2,921)
At 31 December 2021	4,824	7,739	12,563

The Company	Office Building RMB'000	Land use rights RMB'000	Total RMB'000
At 1 January 2020,31 December 2020 and 1 January 2021	—	—	—
Additions	6,084	7,960	14,044
Charge for the year	(2,010)	(221)	(2,231)
At 31 December 2021	4,074	7,739	11,813

The Group leases office buildings under leases expiring in no more than three years. The land use rights of the Group expired in no more than thirty years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

(Expressed in Renminbi Yuan unless otherwise indicated)

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 2021	As at 31 December 2020	
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	RMB300,000,000/ RMB300,000,000	**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
Shanghai Basecare Biological Technology Co., Ltd. ("**Basecare Shanghai**") ("上海貝康生物科技有限公司") (i)(ii)	9 Jul 2021 The PRC	RMB15,000,000/ RMB15,000,000	**100%**	–	Research and development, of software for medical devices and instruments
Suzhou Industrial Park Basecare Biological Industry Co., Ltd. ("**Basecare Industrial Park**") ("蘇州工業園區貝康生物產業有限公司") (i)(ii)	24 Jun 2021 The PRC	RMB10,000,000/ RMB8,000,000	**80%**	–	Provision of marketing service
Suzhou Huadun Medical Biological Technology Co., Ltd. ("**Suzhou Huadun**") ("蘇州華盾醫療生物科技有限公司") (i)(ii)	20 Dec 2021 The PRC	RMB10,000,000/–	**70%**	–	Research and development, of medical devices and instruments

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.

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Unlisted, at cost		
Basecare Medical Device	**300,000**	130,000
Basecare Intelligent Manufacturing	**1,000**	1,000
Basecare Shanghai	**15,000**	—
Basecare Industrial Park	**8,000**	—
	324,000	131,000

14 OTHER NON-CURRENT ASSETS

The Group and the Company

	2021 RMB'000	2020 RMB'000
Prepayment for equity investment	**42,477**	—

On 3 November 2021, the Company entered into an investment agreement with Zhejiang Cellpro Biotech Corporation Limited ("**Cellpro Biotech**") and its current shareholders, pursuant to which the Company agreed to acquire 51% of the equity interest in Cellpro Biotech at a consideration of RMB85 million. Upon completion of the acquisition, Cellpro Biotech will become a non-wholly owned subsidiary of the Company. As at 31 December 2021, the amount represented the prepayment for the above acquisition, and the transfer of the equity interests had not been completed.

15 INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**8,061**	1,420
Finished goods	**6,612**	2,753
Devices and instruments	**18,228**	1,899
Others	**407**	262
	33,308	6,334

15 INVENTORIES *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Carrying amount of inventories sold	**54,472**	42,338
Write-down of inventories	**—**	—
	54,472	42,338

16 TRADE AND OTHER RECEIVABLES

	2021 **RMB'000**	2020 RMB'000
Trade receivables		
Trade receivables from third parties	**71,348**	55,430
Trade receivables from related parties (Note 27(c))	**49,800**	20,793
Less: losses allowance on trade receivables	**(9,297)**	(412)
Trade receivables, net	**111,851**	75,811
Other receivables due from related parties (Note 27(c))	**—**	5,100
Prepayments to suppliers	**9,315**	3,610
Deposits	**883**	942
Other receivables	**3,198**	2,020
Trade and other receivables, net	**125,247**	87,483

(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:

	2021 **RMB'000**	2020 RMB'000
Within 6 months	**65,266**	52,389
6 ~ 12 months	**28,072**	18,684
12 ~ 18 months	**14,462**	4,715
18 ~ 24 months	**4,051**	23
Over 2 years	**—**	—
	111,851	75,811

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 25(a).

17 OTHER CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Deferred listing expenses	—	23,986
Value-added tax recoverable	5,214	269
	5,214	24,255

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group	2021 RMB'000	2020 RMB'000
Cash at banks	1,538,924	192,321
Less: Restricted cash (i)	(15,730)	—
Cash and cash equivalents	1,523,194	192,321

The Company	2021 RMB'000	2020 RMB'000
Cash at banks	1,512,867	183,994
Less: Restricted cash (i)	(15,730)	—
Cash and cash equivalents	1,497,137	183,994

(i) As at 31 December 2021, the restricted cash with the amount of RMB15,730,000 (2020: Nil) was released from bank loans and limited to use in the development of certain property projects, which are not available for the Company's use except for the procurement of construction materials and the payments of construction fees of the relevant property.

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

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

	2021 **RMB'000**	2020 RMB'000
Loss before taxation	**(125,746)**	(885,353)
— from continuing operations	**(125,746)**	(881,518)
— from discontinued operations	**–**	(3,835)
Adjustments for:		
Depreciation of property, plant and equipment	**2,886**	5,098
Depreciation of right-of-use assets	**2,700**	1,624
Net gain on disposal of property, plant and equipment and right-of-use assets	**(1)**	(953)
Finance costs	**1,260**	1,488
Changes in the carrying amount of financial instruments issued to investors	**–**	826,828
Equity-settled share-based payment expenses	**7,905**	—
Foreign exchange loss	**10,307**	8,553
Interest income	**(18,203)**	(522)
Share of profits of associates	**–**	(250)
Net realised gains from fair value changes on financial assets	**–**	(120)
Loss on disposal of subsidiaries	**–**	1,555
Operating loss before changes in working capital	**(118,892)**	(42,052)
Changes in working capital:		
(Increase)/decrease in inventories	**(24,098)**	4,128
Increase in operating receivables	**(46,885)**	(45,348)
Increase in operating payables	**7,753**	18,984
Increase in restricted cash	**(15,730)**	—
Cash used in operations	**(197,852)**	(64,288)

18 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 20)	Interest payables on bank loans RMB'000 (Note 19)	Leases liabilities RMB'000 (Note 21)	Total RMB'000
At 1 January 2021	30,000	22	1,469	31,491
Changes from financing cash flows:				
Proceeds from bank loans	43,645	–	–	43,645
Payments for bank loans	(30,000)	–	–	(30,000)
Bank borrowing cost paid	–	(1,016)	–	(1,016)
Payment for capital element of lease liabilities	–	–	(2,632)	(2,632)
Payment for interest element of lease liabilities	–	–	(237)	(237)
Total changes from financing cash flows	13,645	(1,016)	(2,869)	9,760
Other changes:				
Interest expense	–	1,023	237	1,260
Capitalised borrowing costs	–	18	–	18
Increase in lease liabilities from entering into new leases during the year	–	–	6,084	6,084
Total other changes	–	1,041	6,321	7,362
At 31 December 2021	43,645	47	4,921	48,613

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

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

	Bank loans RMB'000 (Note 20)	Interest payables on bank loan RMB'000 (Note 19)	Leases liabilities RMB'000 (Note 21)	Financial instruments issued to investors RMB'000 (Note 22)	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

18 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:

	2021 **RMB'000**	2020 RMB'000
Within financing cash flows	**2,869**	1,795

These amounts relate to the following:

	2021 **RMB'000**	2020 RMB'000
Lease rentals paid	**2,869**	1,795

19 TRADE AND OTHER PAYABLES

	2021 **RMB'000**	2020 RMB'000
Trade payables (i)	**10,700**	11,131
Amount due to related parties (Note 27(c))	**10,695**	—
Payroll payables	**12,261**	3,841
Payables for marketing expenses	**596**	1,726
Accrued listing expenses	**—**	15,435
Interest payables	**47**	22
Other payables and accruals	**2,984**	5,339
	37,283	37,494

(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:

	2021 **RMB'000**	2020 RMB'000
Within 3 months	**8,133**	4,159
3 ~ 6 months	**309**	4,626
6 ~ 9 months	**996**	1,706
9 ~ 12 months	**1,262**	—
Over 1 year	**—**	640
	10,700	11,131

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

20 BANK LOANS

(a) The analysis of the carrying amount of bank loans is as follows:

The Group	**2021**	2020
	RMB'000	RMB'000
Unsecured bank loans due with one year (i)	**20,000**	30,000
Secured bank loans due over one year (ii)	**23,645**	—
	43,645	30,000

The Company	**2021**	2020
	RMB'000	RMB'000
Secured bank loans due over one year (ii)	**23,645**	—

(i) As at 31 December 2021, the unsecured bank loans were guaranteed by a subsidiary of the Group, with interest at 4.20% — 4.35% per annum (2020: 4.35%).

(ii) As at 31 December 2021, the secured bank loans were pledged by the Group's land use right with an interest at 4.50% per annum.

(b) The analysis of the repayment schedule of bank loans is as follows:

The Group	**2021**	2020
	RMB'000	RMB'000
Within 1 year or on demand	**20,000**	30,000
After 5 years	**23,645**	—
	43,645	30,000

The Company	**2021**	2020
	RMB'000	RMB'000
Within 1 year or on demand	**—**	—
After 5 years	**23,645**	—
	23,645	—

21 LEASE LIABILITIES

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

	31 December 2021		31 December 2020	
	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	**3,049**	**3,192**	688	737
After 1 year but within 2 years	**1,872**	**1,897**	720	737
After 2 year but within 5 years	**—**	**—**	61	61
After 5 years	**—**	**—**	—	—
	1,872	**1,897**	781	798
	4,921	**5,089**	1,469	1,535
Less: total future interest expenses		**(168)**		(66)
Present value of lease liabilities		**4,921**		1,469

22 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.

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.

22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS *(Continued)*

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".

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

	2020 RMB'000
The Group and the Company	
At the beginning of the year	1,043,745
Issue	15,000
Changes in the carrying amount	826,828
Reclassify to equity	(1,885,573)
At the end of the year	–

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 year.

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.

23 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 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	22	197	14,803	–	–	–	–	15,000
Recognition of financial instruments issued to investors as non-current liabilities	22	–	(15,000)	–	–	–	–	(15,000)
Reclassification of financial instruments issued to investors as equity	22	–	1,885,573	–	–	–	–	1,885,573
Capital contribution by equity shareholders of the Company	23(b)	3,688	266,507	–	–	(58,528)	–	211,667
Conversion into a joint stock company	23(c)	(15,368)	(2,140,400)	200,000	180,928	–	1,774,840	–
Balance at 31 December 2020 and 1 January 2021		–	–	200,000	180,928	–	(18,142)	362,786
Changes in equity for 2020:								
Total comprehensive income for the year		–	–	–	–	–	(21,015)	(21,015)
Issuance of H shares through initial public offering, net of issuance costs	23(c)	–	–	73,526	1,496,351	–	–	1,569,877
Equity settled share-based payment		–	–	–	–	7,905	–	7,905
At 31 December 2021		–	–	273,526	1,677,279	7,905	(39,157)	1,919,553

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Paid-in capital

	Total
	RMB'000
At 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 23(c))	(15,368)
At 31 December 2020 and 2021	—

Notes:

(i) As disclosed in Note 22, 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 2020	—	—	—	—
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 and 31 December 2021	200,000,000	200,000	180,928	380,928
Issuance of H shares by initial public offering (ii)	73,526,000	73,526	1,496,351	1,569,877
At 31 December 2021	273,526,000	273,526	1,677,279	1,950,805

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital and share premium *(Continued)*

(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.

(ii) On 8 February 2021, the Company issued 66,667,000 new H shares of RMB1 each at a price of HK$27.36 per share by way of the offering to Hong Kong and overseas investors (the "**Offering**"). Consequently, RMB66,667,000 was recorded in share capital. On 8 March 2021, the Company issued 6,859,000 new H shares to cover over-allocations in the Offering. Consequently, RMB6,859,000 was recorded in share capital. The amount of total proceeds raised from the Offering was HK$2,011,671,360 (equivalent to approximately RMB1,678,315,000). The share capital was increased by RMB73,526,000 and corresponding premium of RMB1,496,351,000 (after deduction of listing expense) was recognized in share premium.

(d) Equity settled share-based transactions

On 31 March 2021 ("**Grant date**"), 600,000 shares of the Company as of the Grant date was granted to an eligible employee. For this grant, there were no service periods or performance target requirements for the eligible employee, and its estimated fair value was approximate RMB7,905,000 which was recognised as expense for the year ended 31 December 2021.

The fair value of the shares was determined based on the closing market price of HKD19.60 per share on the Grant date and lack of marketability discount of 20%. Best estimate of lack of marketability discount was determined by the management.

For the years ended 31 December 2020 and 2021, expenses arising from share-based payment transactions are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Administrative expenses	**7,905**	—

(e) Dividends

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

(f) 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 made no changes to its capital management objectives, policies or processes during 2020 and 2021.

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

24 DISCONTINUED OPERATIONS

During the year ended 2020, 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 Beikang Medical Laboratory Co., Ltd. ("**Suzhou Medical Laboratory**"), Shandong Beikang Medical Laboratory Co., Ltd. (formerly known as: Linyi Double Helix Medical Laboratory Co., Ltd.) ("**Shandong Medical Laboratory**") and Benxi Shengjing Medical Laboratory Co., Ltd. ("**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 Medical Equipment Co., Ltd. ("**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 Suzhou Fanghua Gene Technology Co., Ltd. ("**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.

25 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 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 2021 and 2020, 46.1% and 43.8% 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.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

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 2021 and 2020:

	2021		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.2%**	**68,576**	**(106)**
Within 6 months past due	**3.0%**	**28,925**	**(862)**
6 ~ 12 months past due	**16.8%**	**13,974**	**(2,343)**
12 ~ 18 months past due	**58.5%**	**8,891**	**(5,204)**
18 ~ 24 months past due	**100.0%**	**473**	**(473)**
Over 2 years past due	**100.0%**	**309**	**(309)**
		121,148	**(9,297)**

	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)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(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 2021					
	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	**3,192**	**1,897**	**–**	**–**	**5,089**	**4,921**
Trade and other payables	**37,283**	**–**	**–**	**–**	**37,283**	**37,283**
Bank loans	**21,407**	**1,064**	**3,192**	**28,971**	**54,634**	**43,645**
	61,882	**2,961**	**3,192**	**28,971**	**97,006**	**85,849**

	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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(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, 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.

	2021		2020	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate instruments:				
Lease liabilities	**4.50%**	**(4,921)**	4.50%	(1,469)
Bank loans	**4.20% – 4.50%**	**(43,645)**	4.35%	(30,000)
		(48,566)		(31,469)
Variable rate instruments:				
Cash at banks	**0.001% – 2.15%**	**1,538,924**	0.0001% – 1.76%	192,321
		1,490,358		160,852

25 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 2021			As at 31 December 2020		
	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**	**(14,904)**	**(14,904)**	100	(1,609)	(1,609)
	(100)	**14,904**	**14,904**	(100)	1,609	1,609

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.

	2021 USD RMB'000	2020 USD RMB'000
Cash and cash equivalents	**683,637**	121,429

(Expressed in Renminbi Yuan unless otherwise indicated)

25 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.

	2021		2020	
	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%**	**(68,364)**	10%	(12,143)
	(10%)	**68,364**	(10%)	12,143

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

25 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.

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 RMB'000
Bank's wealth management products	
At 1 January	32,088
Payment for purchases	30,000
Changes in fair value recognised in profit or loss during the year	
— from continuing operations	103
— from discontinued operations	17
Redemption of investment	(60,677)
Disposal of subsidiary	(1,531)
At 31 December	—

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 2021 and 2020.

26 COMMITMENTS

Capital commitments outstanding at 31 December 2021 and 2020 not provided for in the consolidation financial statements were as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Authorised and contracted for		
— Property, plants, and equipment	**75,546**	—
— Equity investment	**42,523**	—
	118,069	—

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 is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,714**	2,525
Discretionary bonuses	**925**	6,138
Retirement scheme contributions	**129**	10
Equity settled share-based payment	**7,905**	—
	13,673	8,673

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

During the relevant periods, 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) (ii)	Fellow subsidiary
Suzhou Fanghua Biotechnology Co., Ltd. ("**Fanghua Biotech**") 蘇州芳華生物科技有限公司 (i)(iv)	Fellow subsidiary
BaseCare Medical Technology Co., Limited ("**Basecare Technology**")(v)	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)(iii)	Associate of Liang Ping
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)(iii)	Associate of Liang Ping
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)(iii)	Associate of Liang Ping
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)(vi)	Associate of Liang Ping
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)	Associate of Liang Ping

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

(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) The Company disposed its interest in Suzhou Chaoyun on 24 April 2020. Upon completion of the disposal, Suzhou Chaoyun was not presented as a related party of the Group.

(iii) Benxi Medical Laboratory, Shandong Medical Laboratory and Suzhou Medical Laboratory were disposed by the Group as disclosed in Note 24. Upon completion of the disposal, these entities were transferred to Suzhou Double Helix, which was hold by Double Helix Partnership and Liang Ping and became the related parties of the Group.

(iv) The Group disposed its interest in Fanghua Biotech, 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.

(v) The directors of the Group disposed their interests in Basecare Technology in the end of 2020. Therefore, Basecare Technology has not been presented as a related party of the Group since the completion of the disposal.

(vi) On 5 March 2021, Liang Ping reduced her interest in Double Helix Partnership to 19% by entering into a sale and purchase agreement with independent third party and resigned the role of general partner. Upon the completion of the transaction, Double Helix Partnership was not presented as related parties of the Group.

During the reporting period, the Group entered into the following material related party transactions:

	2021	2020
	RMB'000	RMB'000
Sales of testing kits	**41,230**	19,106
Sales of testing devices and instruments	**–**	54
Service fee charged by related parties	**15,664**	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

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party balances

The outstanding balances arising from the above transactions are as follows:

	2021 RMB'000	2020 RMB'000
Amounts due from related parties		
Trade related:		
Basecare Technology	**–**	2,542
Shandong Medical Laboratory	**21,276**	8,599
Benxi Medical Laboratory	**15,344**	6,398
Suzhou Medical Laboratory	**13,180**	3,254
	49,800	20,793
Non-trade related:		
Suzhou Medical Laboratory	**–**	5,100
Amounts due to related parties		
Non-trade related:		
Shandong Medical Laboratory	**7,707**	–
Benxi Medical Laboratory	**2,988**	–
	10,695	–

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	11	**19,695**	367
Right-of-use assets	12	**11,813**	—
Interest in subsidiaries	13	**324,000**	131,000
Other non-current assets	14	**42,477**	—
		397,985	131,367
Current assets			
Trade and other receivables		**35,110**	41,006
Other current assets		**3,712**	24,255
Restricted cash	18	**15,730**	—
Cash and cash equivalents	18	**1,497,137**	183,994
		1,551,689	249,255
Current liabilities			
Trade and other payables		**2,336**	17,836
Lease liabilities		**2,329**	—
		4,665	17,836
Net current assets		**1,547,024**	231,419
Total assets less current liabilities		**1,945,009**	362,786
Non-current liabilities			
Bank loans	20	**23,645**	—
Lease liabilities		**1,811**	—
NET ASSETS		**1,919,553**	362,786
CAPITAL AND RESERVES	23		
Share capital		**273,526**	200,000
Reserves		**1,646,027**	162,786
TOTAL EQUITY		**1,919,553**	362,786

Approved and authorised for issue by the board of directors on 30 March 2022.

Liang Bo
Director

Kong Lingyin
Director

(Expressed in Renminbi Yuan unless otherwise indicated)

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 20 August 2021, the Company submitted an application in relation to H share full circulation to the China Securities Regulatory Commission ("**CSRC**") in order to convert 192,592,582 Domestic Shares and Unlisted Foreign Shares into H Shares. On 24 February 2022 and 3 March 2022, the approval for implementation of H share full circulation programme was granted to the Company by the CSRC and the Stock Exchange, respectively.

For the investment agreement with Cellpro Biotech and its current shareholders as disclosed in Note 14, the Company settled the consideration of RMB85 million in March 2022 and had not fully completed the acquisition as of the report date.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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 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
Annual Improvements to IFRSs 2018–2020 Cycle	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 IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	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.

Definitions

"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
"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) (寧波梅山保稅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)
"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

"CSRC"	the China Securities Regulatory Commission
"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
"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

Definitions

"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 ended December 31, 2021
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"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
"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
"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
"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