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

2022
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LIANG Bo (梁波) *(Chairman and General Manager)*
Mr. KONG Lingyin (孔令印)
Ms. YANG Ying (楊瑩) *(appointed on April 30, 2022)*
Mr. RUI Maoshe (芮茂社) *(resigned on April 30, 2022)*

Non-executive Directors

Mr. XU Wenbo (徐文博)
Mr. WANG Weipeng (王偉鵬)
Mr. ZHANG Jiecheng (張劼鋮) *(resigned on January 11, 2023)*

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)
Dr. HUANG Taosheng (黃濤生)
Mr. CHAU Kwok Keung (鄒國強)

AUDIT COMMITTEE

Mr. CHAU Kwok Keung *(Chairman)*
Dr. KANG Xixiong
Mr. WANG Weipeng

REMUNERATION AND APPRAISAL COMMITTEE

Dr. KANG Xixiong *(Chairman)*
Dr. LIANG Bo
Mr. CHAU Kwok Keung

NOMINATION COMMITTEE

Dr. LIANG Bo *(Chairman)*
Dr. KANG Xixiong
Mr. CHAU Kwok Keung

SUPERVISORS

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

AUTHORISED REPRESENTATIVES

Dr. LIANG Bo
Mr. CHUNG Ming Fai (鍾明輝) *(appointed on August 29, 2022)*
Mr. YIM Lok Kwan (嚴洛鈞) *(resigned on August 29, 2022)*

JOINT COMPANY SECRETARIES

Mr. YIN Lejun (殷樂駿) *(appointed on November 28, 2022)*
Ms. WANG Yan (王燕) *(appointed on April 19, 2022 and resigned on November 28, 2022)*
Ms. DAI Jing (戴靜) *(resigned on March 18, 2022)*
Mr. CHUNG Ming Fai *(Fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia) (appointed on August 29, 2022)*
Mr. YIM Lok Kwan *(Fellow member of The Hong Kong Chartered Governance Institute) (resigned on August 29, 2022)*

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

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PRC LEGAL ADVISER

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Beijing, China

AUDITOR

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STOCK CODE

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COMPANY WEBSITE

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PRINCIPAL BANK

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Jiangsu Province, PRC

Financial Summary

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

	Year ended December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**140,901**	107,299	81,109	55,685	32,609
Cost of sales	**(81,373)**	(56,152)	(53,395)	(29,432)	(24,472)
Gross profit	**59,528**	51,147	27,714	26,253	8,137
Loss from operations	**(126,118)**	(124,486)	(53,468)	(8,730)	(51,816)
Loss before taxation	**(126,614)**	(125,746)	(881,518)	(530,570)	(157,005)
Loss for the year	**(123,163)**	(144,078)	(877,959)	(533,997)	(157,700)

	As of December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Position					
Non-current assets	**252,262**	98,195	39,905	36,187	39,984
Current assets	**1,527,596**	1,702,693	310,393	114,941	108,274
Non-current liabilities	**73,774**	25,517	781	1,044,863	505,857
Current liabilities	**114,552**	60,332	68,182	52,161	54,300
Net assets/(liabilities)	**1,591,532**	1,715,039	281,335	(945,896)	(411,899)
Total equity attributable to equity shareholders of the Company	**1,592,802**	1,715,466	281,335	(938,853)	(407,517)
Non-controlling interests	**(1,270)**	(427)	—	(7,043)	(4,382)

Dear Shareholders,

2022 was an extremely unusual year. With the ups and downs of the pandemic, soaring cost of raw materials and prolonged capital return cycle coupling with various uncertainties, most domestic companies faced unprecedented difficulties, as if the market has entered an economic winter. However, we saw opportunities and challenges arising amid adversity, of which the best solutions are to lay a solid foundation for our business and step up our game amongst the difficulties.

In July, the Company collaborated with Haier Biomedical to develop cryopreservation solution for assisted reproduction; in August, the Company was shortlisted for the fourth batch of the Specialized and New "Little Giant" enterprises, representing an authoritative recognition for the Company in terms of technological innovation, product chain layout and industrial scale; in October, the headquarters building of the Company has successfully completed its topping out, accelerating the Company's industrialization process; in November, the Company's self-developed liquid nitrogen storage system (BCT38C) duly obtained the approval, and became the first smart liquid nitrogen storage dewar product to obtain medical device registration certificate in China. In 2022, the PGT series products of the Company recorded a sales revenue of RMB88.0 million, representing a growth rate of 34.6%, while PGT-A kit recorded a sales revenue of RMB37.9 million, representing a growth rate of 11.8%.

While the Company was under steady development, we also participated in various public welfare activities, conveying warmth and strength to society consistently. Over the years, Chinese economy has achieved tremendous development, but there is still a huge gap in the biomedical industry, especially in terms of innovative medicines and high-end medical devices, when compared with European and American countries, which have over 200 years of biomedical history. The Company will continue to improve multi-scenario solutions of assisted reproduction, boost domestic made products substitution and facilitate the "localization" layout for assisted reproduction institutes and laboratories, with a view to providing higher quality medical products for assisted reproductive institutions and striving to become a leading global medical technology company.

Dr. Liang Bo
Chairman of the Board and General Manager

March 30, 2023

Management Discussion and Analysis

OVERVIEW

We are an innovative medical device provider for assisted reproduction in China. Our mission is to help more families have healthy babies. Our vision is to become a leading global medical technology company.

Leveraging on our core advantages in the PGT field, the Company is gradually transforming to a comprehensive scenario solutions provider in the assisted reproduction industry. In addition to test kits, we have developed various innovative equipment and devices, adhering to the development direction of self-developed and PRC-made substitution. Through our "hardware + software" industry innovation model, we have created multi-scenario solutions including PGT laboratory, andrology laboratory, cryopreservation laboratory, embryology laboratory and software laboratory, which in turn facilitate the "localization" layout for other assisted reproduction institutes and laboratories, materialize standardization and automation, as well as intelligent hardware and software upgrades. In particular:

1. PGT Laboratory

As the core technology of third-generation in vitro fertilization (IVF), PGT technology requires assisted reproduction institutes to possess higher standard of genetic counselling and molecular genetic testing capabilities. Based on the practical experience and technicians accumulated through the first NMPA-approved PGT kit in the PRC, we provide various solutions such as PGT test kits, high-throughput gene sequencer and laboratory information management system for PGT laboratories, with an aim to assist clinical institutes to satisfy the requirements of the National Clinical Inspection Center regarding localized deployment.

Our self-developed PGT-A kit obtained the first Class III medical device registration certificate — "National Special Approval for Innovative Medical Devices (國家創新醫療器械特別審批)" in February 2020. We have participated in the drafting of the PGT-A kit quality control and technology assessment guide, and establishing the national industry standard of PGT-A kit, filling the clinical gap of third-generation IVF kit in China. In addition, we are currently developing PGT-M and PGT-SR kits, which are key R&D products under the "14th Five-Year national key research and development plan". This materializes the PRC-made products substitution in the assisted reproduction industry. These testing kits are all based on next-generation sequencing (NGS) technologies and form a complete test kit line-up to occupy the PGT field. We have developed our PGT-M kit with better sensitivity and specificity, which detects single-gene defects prior to embryos' implantation, 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, and has begun patient enrolment for clinical tests in June 2022. Our self-developed PGT-SR kit is the first technology world-wide 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 would become the first standardized commercial product of its kind in China with potential for mass clinical application. Our PGT-SR kit has high 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 only two weeks and significantly lower the testing cost. We expect to obtain NMPA registration approval for PGT-M kits in 2024, and PGT-SR kits will obtain NMPA registration in 2025, which would further strengthen our dominance in the third-generation IVF genetic test kit market in China, well ahead of our competitors in potential competition.

In terms of equipment, the Company could provide three types of high-throughput gene sequencers with different throughputs, namely DA500, DA8600 and DA5000. Based on the number of cycles and different testing needs, the reproductive centers shall choose the most suitable sequencing platform with the automated workstation BS1000 to create a standardized, automated and intelligent PGT laboratory with advanced testing capabilities for clinical use. Our DA500 genetic sequencing machine is the first integrated fully-automatic high throughput sequencing system for PGT inspection in the world. It can perform sample processing, high-throughput sequencing and data analysis three-in-one, reducing time needed for manual operation by 95% and inspection site requirement by 60%. The machine completed performance verification in 2021 and is expected to obtain its medical device registration approval in 2023. Our DA5000 high-throughput sequencing machine is an all-round desktop sequencing machine that can be widely adopted in the reproductive and genetic sector, including pre-pregnancy, pre-natal, pre-implantation of embryo, genetic disease screening for new-born and other stages of the reproductive cycle. It is expected to obtain its registration in 2024.

2. Andrology Laboratory

As a crucial part of reproductive science and eugenic testing, the andrology laboratory provides comprehensive information on male fertility assessment and advice on clinical treatment. Sperm quality tests standards, testing methods and quality control standards are key factors to the male fertility assessment. As such, we have been equipped with intelligent semen quality analyzer, sperm function tests, flow test platform and laboratory quality control, in order to provide overall solution including automated test, intelligent analysis, standardized quality control and PRC-made equipment for the andrology laboratory. This would help clinical institutes to provide professional and precise male fertility assessment services.

Our self-developed intelligent semen quality analyzer is based on the World Health Organization 6th edition manual standards and the morphological interpretation standards jointly formulated by 18 clinical units including the Shanghai First Maternity and Infant Hospital. We provide the self-developed and manufactured intelligent semen quality analyzer to andrology laboratory. Our self-developed BKA-210 fully-automatic semen quality analyzer is based on our self-developed and global advanced technology of intelligent semen quality analysis without damaging the quality of the semen. This technology is an innovative breakthrough from zero to one in many aspects and fills four technological gaps: 1. sperm morphology test could not be performed with live sperms; 2. sperm morphology test would damage the quality of the semen; 3. non-intelligent sperm morphology test; and 4. concentration, motility and morphology test could not be carried out at the same time. In the clinical aspect, this would assist the dynamic tracking of live sperms and completes real-time synchronous analysis of sperm morphology, concentration and motility, which not only subverts the morphological detection method of manual microscopy, but also increases the accuracy rate of equipment testing results to 95%. At the same time, analysis results can be promptly obtained, making testing more efficient, convenient and objective. Registration certificate of our intelligent semen quality analyzer is expected to be obtained in 2023. Hospitals in China grading 2A or above with andrology laboratory will need this core product to carry out semen tests.

We provide comprehensive sperm function test kit and relevant quality control products, covering special tests including semen completeness (DFI) test, reaction ability test and active oxygen test. This offers diversified assessments for clinical semen function tests. Meanwhile, together with our quality control products, accuracy of testing results is further guaranteed, providing a strong basis for clinical diagnosis and treatment judgement. In terms of end users, we focus on developing the first household semen quality analyzer. It is a precise, rapid, convenient and intelligent semen quality monitoring equipment, which could be connected to mobile devices for carrying out semen quality analysis. We expect to introduce this product to healthy users beyond those who require fertility tests. Registration certificate for this product is expected to be obtained in 2024. This product pipeline extends from high-end fertility clinics to local hospitals. It is also a complete andrology core product pipeline which focus on enterprises and end users.

3. Cryopreservation Laboratory

In the recent years, the number of embryo, egg and sperm cryopreservation increased year by year as the assisted reproductive technology advances and the preservation of our fertility becomes more important. This means that assisted reproductive centers will have to invest substantially in storage resources and such investment will increase year by year. Storage resources include containers, storage space, management and maintenance, etc. For institutes with larger storage space, the heavy workload relating to registration, entry and retrieval as well as management will require manpower, not to mention human errors such as sample misplacement, mistaken or omission. In order to enhance efficiency of management personnel, eliminate errors and ensure the safety of cryopreservation, we have established, based on the IoT platform, an intelligent cryopreservation scenario solution that covers all aspects from equipment to consumables and system software. Such solution materializes cryopreservation automation and digital information management, it also monitors the storage equipment in a real time manner and could remotely set off the alarm. The solution covers a large variety of samples storage from 4 degree Celsius to -96 degree Celsius low temperature storage and -196 degree Celsius liquid nitrogen storage.

Our BCT38C smart liquid nitrogen storage dewar is the first PRC-made smart liquid nitrogen storage dewar in the world. It materializes real time temperate monitoring, password unlock and log keeping, ensuring the safety of samples in every aspect. It completed the performance verification and registration evaluation in 2021, and obtained Class II medical device registration certificate in 2022, becoming the first liquid nitrogen storage dewar with clinical registration. Our BSG800A automatic cryopreservation system is the first domestic automatic cryopreservation system with CE certification in the world. Commercial sales of the system began in 2021. We also built the first sample laboratory for automatic biological sample cryopreservation system in Chongqing Maternal and Child Health Care Hospital. We developed a vitrified cryovial for use with our cryopreservation system. The bottom of each vitrified cryovial has a laser-etched QR code, allowing for accurate positioning of each sample. It is expected to obtain registration in 2023. Leveraging on our advantage being the only company owning such highly-automated cryopreservation system in the industry, we have successfully developed the automated egg cryopreservation system (AOCS). In order to tackle the storage management difficulties faced by all fertility laboratories, we have developed a full-automated and digitalized storage solution, to carry out intelligent upgrade for storage software and hardware.

4. Embryology Laboratory

In the backdrop of embryo cultivating products being monopolized by foreign companies, we are actively developing PRC-made embryo cultivating consumables and equipment based on our consolidated R&D capabilities under the comprehensive scenario solutions, to offer PRC-made products that satisfy international standards at a lower price. Our products under development include carbon dioxide incubator, program controlled cooling device, refrigerating/thawing solution and cultivating solution. We offer solution, ancillary equipment and consumables for embryo cultivation and cryopreservation to establish an advanced intelligent embryo laboratory and materialize real time monitoring of embryo cultivation, with an aim to ensure the safety of embryology cultivation. We have developed the BE106 CO2 incubator and the BPC1000 program-controlled cooling instrument in collaboration with Qingdao Haier Biomedical. The former is expected to obtain its registration certificate in 2025 and the latter is expected to obtain its registration certificate in 2026. In addition, we are concurrently developing the vitrified solution, thawing solution and the oil for assisted reproductive culture, which are expected to obtain registration certificates in 2026.

5. **Software Laboratory**

In light of the standardization of assisted reproductive procedures and medical technology enhancement, together with new ancillary equipment, the traditional clinical reproductive medical management system will face issues such as aging of original systematic framework, low level of intelligence and digital capability, and limitation on device and equipment and data interconnection. They may not satisfy the requirements for whole birth cycle health management. Meanwhile, the state's requirement on safety on personal information is constantly elevating as well as the precision of sample audit for the assisted reproductive industry. Under these circumstances, we cooperated with local domestic experts on assisted reproduction to develop the next generation ART smart decision making platform: iARMS (a full reproductive cycle health management platform), which covers reproductive outpatient service, cycle management, sample cryopreservation, laboratory monitoring and control, sample verification and other business scenarios. With this platform as the core, we can provide next generation comprehensive assisted reproduction solution (software+service), which will completely address problems such as time-consuming medical recording process, unconnected business information, high communication cost between laboratories, inaccurate statistics and low level of data structure. Through digitalization and smart technology, iARMS strengthens the process and verification of operation and adopts structured information to provide theoretical and digital support for the development of laboratories and disciplines. When paired with smart 5G, block chain and IoT technology that improve medical development and advantageous disciplines, smart business module allows doctors more accurate services for their patients, while at the same time significantly raises satisfaction and improves user experience of our medical services. We are able to achieve high level of connection between all pipeline equipment and systems through our advanced assisted reproductive management system. We are able to boost efficiency of the reproductive center from the clinical perspective and provide the safest experience for patients.

Currently, we cooperate with over 300 assisted reproductive centers in the PRC, including 65 leading assisted reproductive centers, accounting for 73% of the market share among leading customers. We have established 58 local laboratories. Through our "localization" layout among the assisted reproductive institutes, together with the approval and delivery of our self-developed products and pipeline in the next three year, we will be able to satisfy the evolving needs of the assisted reproductive market and customers' needs on various assisted reproductive scenario, better serve the infertile and eugenic public and create additional value for our customers. Looking at the international pioneering medical industry development from a broader perspective, the industry development comprised of accumulated experience from the early development to the robust growth in the latter stage. We consider the continuous R&D innovation concerning clients and customer value created by our rich product pipelines as the greatest highlight of the Company's future growth.

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.

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. 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 cryopreservation 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 the only NMPA-approved product for aneuploidy in China, with comprehensive chromosome screening, or CCS, capabilities, as compared with conventional technologies, which can only screen a portion of chromosomes at a time. We have developed a proprietary SDWGA technology to lower amplification bias, a major clinical challenge, enabling our PGT-A kit to demonstrate 100% sensitivity and specificity in its registration clinical trial. With the help of our PGT-A kit, pregnancy and miscarriage rates from our clinical trial were 72.0% and 6.9%, respectively. By reference, pregnancy and miscarriage rates in IVF without aneuploidy screening were 45.0% and 32.0%, respectively, according to various unrelated studies (Schoolcraft et al. 2010; Wang et al. 2010). Further, due to our technological superiority, our PGT-A kit can generate results within one day, shortening the results turnaround time from the two weeks required by conventional technologies. In 2022, we recorded revenue of RMB37.9 million from sales of our PGT-A kits with gross profit margin of 69.5%.

- **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 genetic-related disorders, including thalassemia, deafness and hereditary cancers. By identifying and choosing to avoid embryos with certain monogenic defects, clinicians can not only help reduce chances for the baby to be born with or develop the relevant hereditary diseases, but also effectively stop the traits from being passed down to future generations in the patient family, which can be highly significant and encouraging for the patient. A major challenge in PGT-M is the ability to accurately flag disease-causing genetic mutations with a limited amount of DNA samples. Under conventional methods, pre-exam validation must be conducted to analyze the DNA of parents or other family members in order to select suitable single nucleotide polymorphisms, or SNPs, for different genetic disorders, before patient embryos can be tested. The SNPs selected may fail pre-exam validation, requiring re-selection and re-testing that take as long as two to three months and making standardized, mass clinical application difficult. We have developed a PGT-M kit that leverages highly informative SNPs we have identified through extensive studies and adopts a cutting-edge multiplex PCR sequencing library by capture, or MSLCap, technology that can comprehensively detect the relevant SNPs in one test with improved sensitivity and specificity. Leveraging this technology, our PGT-M kit eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time from approximately two months to less than two weeks and reducing testing costs for patients by about 60%. To date, our PGT-M kit is the first and only product of its kind 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 2024.

- **PGT-SR kit**

  Our PGT-SR kit is designed to detect chromosome structural rearrangements, which are common causes of recurrent miscarriage. By identifying and choosing to avoid embryos with chromosomal structural re-arrangement, clinicians can, similar to the PGT-M scenario, not only help the patient avoid miscarriage and give birth successfully, but also stop this hereditary trait from running in the same family in future generations. However, there have been no effective clinical solutions for testing of this kind due to many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests, making mass clinical application difficult. Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. Our PGT-SR kit adopts a proprietary ReTSeq technology that utilizes target capture technologies to focus on sequencing key genomic regions and conduct a haplotype linkage analysis to determine the parent-of-origin of a chromosome and detect carriers of chromosomal translocations. Our PGT-SR kit has high mass market potential, offering one test with broad disease detectability and eliminating the need for patient-specific pre-exam validation, which translates to faster result turnaround time, from several months to just 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). We entered NMPA registration testing in September 2021 and expect to obtain NMPA approval in 2025.

- **CNV kit**

  To lower the rate of recurrent miscarriage during pregnancies, we are developing a reagent kit to test abortive tissues for a comprehensive panel of copy number variations, or CNVs, commonly associated with miscarriage, with the ability to analyze the risk of miscarriage and lower miscarriage rates. Leveraging our proprietary EDCBS algorithm and data library, our CNV kit is designed to overcome long-standing challenges faced by prevailing technologies, including low sensitivity and accuracy. During the Reporting Period, we upgraded our CNV kit through technical optimization, which enabled the CNV kit to effectively detect triploids and haploids. To evaluate the detection ability, sensitivity and specificity of the CNV kit, we had conducted preliminary R&D test of CNV kit with more than one hundred reactions verified as of the date of this annual report.

- **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 was approved by the NMPA as a Class II medical device in November 2022.

- **Cryopreservation system**

  Our self-developed cryopreservation 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 obtain the state registration certificate in 2025.

- **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 analytical 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 obtain its registration certificate in 2023.

THE GROUP'S FACILITIES

We are headquartered in Suzhou, Jiangsu province, PRC. As of the date of this annual report, we owned a land use right with a total site area of 21,626.14 sq.m., which was intended to be used for the construction of the headquarters, R&D center and plant with a gross floor area of approximately 70,000 sq.m., and leased properties with an aggregate gross floor area of 4,757 sq.m. from Independent Third Parties in China.

Management Discussion and Analysis

We own a manufacturing center in Suzhou with an area of 1,364 sq.m., the manufacturing facility of which is designed in compliance with the GMP requirements. We have designed two purifying rooms which satisfy the ISO7/8 requirements under the ISO14644 cleaning standard with an annual production capacity of 400,000 reactions for testing kit production. In order to satisfy the potential market needs, we have set up an instrument production area in the manufacturing center for our devices production. The manufacturing center has passed both the ISO9001 and ISO13485 quality standards.

MANUFACTURING

We commenced the construction project of the Company's headquarters in September 2021. The planned gross floor area of the project is 71,850 sq.m., with 21,700 sq.m. for research and development office use and 32,800 sq.m. for production use. The construction covered the research and development and production capacity of the products in the entire industrial chain of assisted reproduction such as testing kits, consumables, instruments and equipment. We aim at building a high-end manufacturing cluster covering the entire industrial chain of assisted reproduction, adhering to the industrial development of independent research and development and domestic substitution, and providing domestic patients with testing kits, consumables, instruments and equipment that meet global quality standards and with more affordable price. In 2022, we overcame the impact of the delayed construction due to the pandemic and the impact of high temperature and extreme weather, and successfully completed the construction of the main building structure in October. We expect to complete the interior renovation and production line construction in the middle of 2023, with a view to achieving the improvement in high quality and large-scale delivery.

Before the new headquarters of the Company commences operations, we manufacture and assemble all of our in-house developed products in our 1,364 sq.m. 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. Our production lines are designed to be highly automated.

COMMERCIALIZATION

We currently adopt the sales model of direct sales and distributors' sales. As of December 31, 2022, we have a total of 168 sales personnel and 20 distributors, covering nearly 300 assisted reproductive institutions in aggregate. We have an outstanding marketing team that serves our customers, such as third-generation IVF licensed hospitals, testing institutions, small and medium-sized hospitals, specialized hospitals and regional hospitals that have not yet obtained the third-generation IVF licenses. Our marketing team is also responsible for the promotion of our products to hospitals through academic marketing activities and interactions with KOLs as well as other industry professionals.

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. The gists of our commercialization strategy include not only continuing to expand our coverage and penetration of hospitals licensed to conduct PGT, but also further immersing in channels to expand to small and medium-sized hospitals, specialized hospitals and regional hospitals that have not yet obtained the third-generation IVF licenses and establish sound relationship with them. We promote our product portfolios under multiple scenarios to these institutions so as to increase our share of wallet, and we provide new products that target other medical specialties, such as neonatal and pediatrics units, in these institutions.

RESEARCH AND DEVELOPMENT

On July 13, 2022, the Company entered into a strategic collaboration framework agreement with Qingdao Haier Biomedical Co., Ltd. (青島海爾生物醫療股份有限公司) (“**Haier Biomedical**”), pursuant to which, Haier Biomedical authorized the Company as its in-depth strategic partner in assisted reproduction industry in the PRC to jointly offer comprehensive solutions for the assisted reproduction sector. Both parties will jointly carry out collaborative development in assisted reproduction sector by using the cryogenic refrigeration technology.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2022, the Group had 479 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 staff cost incurred by the Group for the year ended December 31, 2022 was approximately RMB115.1 million, as compared to approximately RMB79.9 million for the year ended December 31, 2021, primarily attributable to an increase in staff costs for our research and development team and selling and distribution team.

In 2022, 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.

The remuneration of the Directors, Supervisors and senior management is decided by the Board with reference to recommendations by the Remuneration and Appraisal Committee in respect of the overall remuneration policy and structure of the Directors, Supervisors and senior management of the Company (including but not limited to the performance appraisal criteria, procedures and key appraisal system, and major incentive plans, etc.) and based on the major scope, responsibility and importance of the respective positions of the Directors, Supervisors and senior management and the remuneration of the same position paid by comparable companies.

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 on-job training 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, 2022, we had registered 88 patents, 124 trademarks, 43 software copyrights and 15 domain names in China. We had also registered four trademark applications in Hong Kong. As of the same date, we had filed 50 patent applications in China.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Proposed A Share Offering

On January 11, 2023, the Board resolved to commence relevant preparatory work in respect of the proposed initial public offering of ordinary shares of the Company to be traded in Renminbi on the Shanghai Stock Exchange STAR Market (the "**Proposed A Share Offering**") in order to optimize the Company's capital structure, enhance self-development capabilities and achieve strategic development goals.

As of the date of this report, the Company has not formulated the offering plan or determined the structure of the Proposed A Share Offering, and has not applied to any relevant regulatory authorities in the PRC or anywhere else for approval of the Proposed A Share Offering, and the Proposed A Share Offering will be subject to, among others, the formal approvals of the Board and the Shareholders and the approval of the CSRC and other relevant regulatory authorities. For details of any of the foregoing, please refer to the Company's announcement published on the websites of the Stock Exchange and the Company on January 11, 2023.

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

FUTURE AND OUTLOOK

To accomplish the Company's vision, we intend to implement the following business strategies:

(i) On the basis of continuing to promote various products in all scenarios to our existing sales channels and customers, we also promote solutions under multiple scenarios of our andrology laboratory, embryology laboratory and software laboratory to small and medium-sized hospitals, specialized hospitals and regional hospitals that have not yet obtained the third-generation IVF licenses, with a view to boosting their enhancement in software and hardware equipment and assisting those institutions to complete the platform construction of their assisted reproductive laboratories;

(ii) We plan to invest in domestic and foreign target companies that are closely related to the multiple scenarios of assisted reproduction sector where we are located, and consider acquiring companies with strong research and development capabilities, more patented products and high-quality production capacity, so as to help us enrich our patented product portfolio and expand our core research and development capabilities and synergy with the existing sales network;

(iii) We will build a high-end manufacturing cluster covering the entire industrial chain of assisted reproduction through the construction of the Company's headquarters. We adhere to the industrialization development of independent research and development and domestic substitution, and provides domestic patients with testing kits, instruments, equipment and consumables that meet global quality standards and are lower in price; and

(iv) We will continue to promote national academic conferences and public welfare projects to further enhance the Company's brand awareness and promote industrial progress.

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

FINANCIAL REVIEW

Revenue

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

Our revenue increased by 31.3% from RMB107.3 million for the year ended December 31, 2021 to RMB140.9 million for the year ended December 31, 2022. This increase was primarily driven by (i) the revenue in respect of PGT laboratory increased by 34.6% from RMB65.4 million for the year ended December 31, 2021 to RMB88.0 million for the year ended December 31, 2022, among which the revenue generated from sales of PGT-A kits increased by 11.8% from RMB33.9 million to RMB37.9 million, and the revenue generated from the sales on high-throughput sequencing platform increased by 95.3% from RMB12.9 million to RMB25.2 million; (ii) the revenue in respect of cryopreservation laboratory increased by 237.5% from RMB1.6 million to RMB5.4 million, mainly attributable to the increase in revenue generated from our self-developed cryopreservation system; and (iii) revenue in respect of andrology laboratory increased from nil for the year ended December 31, 2021 to RMB1.2 million for the year ended December 31, 2022.

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; and (iv) others, which primarily include utility fees, logistics expenses and equipment maintenance expenses.

Our cost of sales increased by 44.8% from RMB56.2 million for the year ended December 31, 2021 to RMB81.4 million for the year ended December 31, 2022, which was in line with the growth in revenue.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 16.4% from RMB51.1 million for the year ended December 31, 2021 to RMB59.5 million for the year ended December 31, 2022. The overall gross profit margin of the Group decreased from 47.7% for the year ended December 31, 2021 to 42.2% for the year ended December 31, 2022, primarily due to (i) the slight decline in selling price of our self-developed reagent products caused by the pandemic throughout 2022; and (ii) our self-developed instrument products have achieved high sales, but have not yet been mass-produced on an economic scale, leading to a relatively low gross profit.

Other Net Income

Our other net income increased by 329.8% from RMB22.5 million for the year ended December 31, 2021 to RMB96.7 million for the year ended December 31, 2022, primarily due to (i) we recorded exchange gains of RMB62.9 million for the year ended December 31, 2022, as compared to exchange losses of RMB10.3 million for the year ended December 31, 2021; and (ii) interest income from bank deposits increased by 29.7% from RMB18.2 million for the year ended December 31, 2021 to RMB23.6 million for the year ended December 31, 2022.

Selling and Distribution Costs

Our selling and distribution costs increased by 28.2% from RMB62.5 million for the year ended December 31, 2021 to RMB80.1 million for the year ended December 31, 2022, primarily due to the Company's strategy of recruiting additional staff to our marketing team to better prepare for sales of new products, resulting in an increase in staff costs of selling and distribution team by 76.5% from RMB22.1 million for the year ended December 31, 2021 to RMB39.0 million for the year ended December 31, 2022.

Administrative Expenses

Our administrative expenses increased by 56.2% from RMB52.1 million for the year ended December 31, 2021 to RMB81.4 million for the year ended December 31, 2022, primarily due to (i) the rising risk of credit loss from our customers because of the COVID-19 pandemic, resulting in the increase in provisions for bad debts from RMB8.9 million for the year ended December 31, 2021 to RMB26.7 million for the year ended December 31, 2022 based on overall consideration; and (ii) the fact that staff costs of administration departments increased by 53.6% from RMB17.9 million for the year ended December 31, 2021 to RMB27.5 million for the year ended December 31, 2022.

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,			
	2022		2021	
	RMB'000	Percentages of revenue	RMB'000	Percentages of revenue
Staff costs	**42,780**	**30.4%**	29,199	27.2%
Clinical trial expenses	**49,761**	**35.3%**	25,166	23.4%
Consumables expenses	**22,034**	**15.6%**	15,784	14.7%
Depreciation expenses	**2,890**	**2.1%**	1,668	1.6%
Others	**2,308**	**1.6%**	1,894	1.8%
Total	**119,773**	**85.0%**	73,711	68.7%

Our research and development expenses increased by 62.6% from RMB73.7 million for the year ended December 31, 2021 to RMB119.8 million for the year ended December 31, 2022, primarily due to the progressed product research and development resulting in (i) an increase in research and development staff costs by 46.6% from RMB29.2 million for the year ended December 31, 2021 to RMB42.8 million for the year ended December 31, 2022; and (ii) an increase in clinical trial and consumables expenses by 75.1% from RMB41.0 million for the year ended December 31, 2021 to RMB71.8 million for the year ended December 31, 2022.

Finance Costs

Our financial costs consist of (i) interest on interest-bearing bank loans, and (ii) interest on lease liabilities. We recorded finance costs of RMB1.3 million and RMB0.5 million for the years ended December 31, 2021 and 2022, respectively.

Income Tax

We recorded income tax expenses of RMB18.3 million and RMB6.0 million for the years ended December 31, 2021 and 2022, respectively. The decrease in income tax expenses was primarily due to 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 kits and distributed kits. We also maintain laboratory related testing devices and instruments.

Our inventories increased from RMB33.3 million as of December 31, 2021 to RMB48.1 million as of December 31, 2022, primarily due to the advance in stocking of raw materials and finished goods of instruments based on the expectation of the rising demands.

Trade and Other Receivables

Our trade and other receivables increased from RMB125.2 million as of December 31, 2021 to RMB145.7 million as of December 31, 2022, primarily due to (i) an increase in our revenue from sales; and (ii) our customer's delayed payment affected by the pandemic and economic environment.

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 increased from RMB10.7 million as of December 31, 2021 to RMB16.0 million as of December 31, 2022, primarily due to the Company increased its inventory procurement based on its expectation of a rising demand in sales.

Our other payables increased from RMB26.6 million as of December 31, 2021 to RMB90.3 million as of December 31, 2022, primarily attributable to an increase in payables in relation to the construction of our headquarters building.

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 decreased from RMB1,642.4 million as of December 31, 2021 to RMB1,413.0 million as of December 31, 2022, primarily due to the construction of the headquarters building.

As of December 31, 2022, we did not have any unsecured bank loans. As of the same date, we had secured long-term bank loans of RMB73.4 million with an interest rate of 4.15%–4.50% per annum, which is determined based on LPR (loan prime rate). The secured long-term bank loans were pledged by the Group's land use right. The secured bank loans were denominated in RMB.

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 and further revised and disclosed in the circulars of the Company dated November 16, 2021 and April 7, 2022 under the sections headed "Ordinary Resolution — Proposed Change in Use of Proceeds".

The Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks. The Group endeavors to maintain an adequate level of cash and cash equivalents to address short term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's funding and treasury policy from time to time to ensure its adequacy and effectiveness.

Significant Investments, Material Acquisitions and Disposals

On March 1, 2022, we have fully settled the consideration of RMB85 million for acquisition of 51% of the equity interest in Cellpro Biotech. For further details on the acquisition, please refer to the announcements of the Company dated November 3, 2021 and November 16, 2021.

On July 29, 2022, we entered into the Share Transfer Agreement with the Purchaser whereby the Company as transferor, agreed to sell shares representing our 35% equity interest in Cellpro Biotech, to the Purchaser (the "**Disposal**"). Upon completion of the Disposal in accordance with the Share Transfer Agreement, Cellpro Biotech is held by the Company as to 16%. For further details on the Disposal, please refer to the announcement of the Company dated July 29, 2022.

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

Future Plans for Material Investments or Capital Assets

Save as disclosed in the section headed "— Capital Commitments" in this annual report, the Group had no material capital expenditure plan as of the date of this report.

Contingent Liabilities

As of December 31, 2022, we did not have any contingent liabilities.

Capital Commitments

Capital commitments outstanding as of December 31, 2021 and December 31, 2022 not provided for in the consolidated financial statements were as follows:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Authorised and contracted for		
— Property, plants, and equipment	**64,725**	75,546
— Subscription of limited partnership interests in the fund	**8,004**	—
— Equity investment	**—**	42,523
Total	**72,729**	118,069

Charge on Assets

Save for the secured long-term bank loans of RMB73.4 million pledged by the Group's land use right, there was no charge on other assets of the Group as of December 31, 2022.

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, 2022, the Company was in a net cash position and thus, gearing ratio is not applicable.

EXECUTIVE DIRECTORS

Dr. LIANG Bo (梁波), aged 42, 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 43, 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.

Ms. YANG Ying (楊瑩), aged 41, joined our Company in September 2018 and has been serving as our chief quality officer since then. She was appointed as our executive Director with effect from April 30, 2022. 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.

NON-EXECUTIVE DIRECTORS

Mr. XU Wenbo (徐文博), aged 38, was appointed as a non-executive 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. WANG Weipeng (王偉鵬), aged 34, was appointed as a non-executive Director on September 2, 2016. Mr. Wang is primarily responsible for supervising and providing independent advice to our Board. Mr. Wang has been working at Shenzhen Qianhai Hengrui Fangyuan Investment Management Co., Ltd. (深圳前海恒瑞方圓投資管理有限公司) since April 2015 and has been serving as the general manager since March 2019. From July 2011 to April 2015, Mr. Wang worked at the Harbin Sales Department of China Minze Securities Co., Ltd. (中國民族證券有限責任公司), currently known as Founder Securities Underwriting Sponsor Co., Ltd. (方正證券承銷保薦有限責任公司). Mr. Wang received his bachelor's degree in accounting from Harbin University of Commerce (哈爾濱商業大學) in the PRC in July 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. KANG Xixiong (康熙雄), aged 70, 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 61, 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.

Directors, Supervisors and Senior Management

Mr. CHAU Kwok Keung (鄒國強), aged 46, 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 Limited (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 Limited, 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 of China Tobacco International (HK) Company Limited, a company listed on the Stock Exchange (stock code: 6055.HK), since December 2018; (iv) 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; (v) 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; and (vi) an independent non-executive director and chairman of audit committee of China Xinhua Education Group Ltd., a company listed on the Stock Exchange (stock code: 2779) from October 2017 to November 2022. 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 30, 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 intellectual property specialist.

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 53, 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 29, 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 42, 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 43, 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.

Ms. YANG Ying (楊瑩), aged 41, was appointed as our chief quality officer in September 2018. Ms. Yang is primarily responsible for establishing and maintaining our quality management system and leading quality control department of our Group. Please see "— Executive Directors — Ms. YANG Ying" above for details of her biography.

Mr. RUI Maoshe (芮茂社), aged 35, was appointed as an executive Director on November 5, 2018 and was resigned as an executive Director on April 30, 2022. 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. Mr. Rui 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.

Mr. YIN Lejun (殷樂駿), aged 37, was appointed as our chief financial officer with effect from November 28, 2022. Mr. Yin is primarily responsible for the finance, budgeting and internal controls of our Group.

Prior to joining our Group, he served in PricewaterhouseCoopers Zhong Tian LLP from July 2008 to November 2022 with his last position as a senior manager of the audit department of Shanghai office. Mr. Yin has more than 14 years of experience in auditing, accounting, financial management, knowledge in listing rules and relevant compliance. Mr. Yin received his bachelor's degree in shipping management from Shanghai Maritime University (上海海事大學) in China in 2008. Mr. Yin is a member of the Chinese Institute of Certified Public Accountants.

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

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

JOINT COMPANY SECRETARIES

Mr. YIN Lejun (殷樂駿) was appointed as our joint company secretary with effect from November 28, 2022. Please see "— Senior Management— Mr. YIN Lejun" above for details of his biography.

Mr. CHUNG Ming Fai (鍾明輝) was appointed as our joint company secretary with effect from August 29, 2022. Mr. Chung is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 18 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Mr. Chung is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in Australia in December 2003.

The Board is pleased to present this corporate governance report of the Group for the year ended December 31, 2022.

CORPORATE MISSION, CULTURE AND VALUES

Letting More Families Have Healthy Children

The Company is committed to the product development and clinical application of biotechnology in reproductive health. It aims to help infertile couples have babies, and enable patients with family genetic diseases have healthy babies. The Company emphasizes the harmonious coexistence of man and nature, and man and life, highlighting the medical technology company attributes and the corporate mission of "letting more families have healthy children".

The Company follows the philosophy of "product development" and insists on independent research and development and substitution for import products. The Company boasts a whole-scenario solutions of assisted-reproductive health covering embryology laboratory, PGT laboratory, andrology laboratory, cryopreservation laboratory and software laboratory. It co-builds standard and intelligent laboratories with local hospitals and medical institutions.

In the future, the Company will continue to adhere to technology innovation and deliver high-quality and large-scale medical products, trying to become a global leading medical technology company with integrity and in accordance with the relevant laws and regulations.

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 for the year ended December 31, 2022, except for a deviation from the code provision C.2.1 of the CG Code, the roles of chairman and general manager of the Company are not separate and are both performed by Dr. Liang.

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

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

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 Reporting Period.

No incident of non-compliance of the Model Code or relevant Laws and Regulations was noted by the Company during the Reporting Period.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, 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 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 the 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 BOARD

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 coordinating 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. For the purpose of implementation of the Board Diversity Policy, we have the following measurable objectives:

1. at least one third of the Directors shall be independent non-executive Directors;

2. at least one Director is female; and

3. at least one Director shall have obtained accounting or other professional qualifications.

During the year ended December 31, 2022, all the measurable objectives have been fulfilled.

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 (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 Director candidates to our Board for its consideration on appointment of a new Director when needed. Among the 479 employees of our Group as of December 31, 2022, 218 are males (45.5%) and 261 are females (54.5%), which was fairly balance in terms of gender diversity. The Board and the Nomination Committee is of the view that our gender diversity at Board level and across workforce is appropriate.

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 34 years old to 70 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, 2022.

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 record of professional training received by the Directors for the year ended December 31, 2022, 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
Ms. YANG Ying *(appointed on April 30, 2022)*	A and B
Mr. XU Wenbo	A and B
Mr. WANG Weipeng	A and B
Mr. ZHANG Jiecheng *(resigned on January 11, 2023)*	A and B
Dr. KANG Xixiong	A and B
Dr. HUANG Taosheng	A and B
Mr. CHAU Kwok Keung	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 risk management 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 Reporting Period, the Audit Committee has mainly performed the following duties:

- reviewed the Group's audited annual results for the year ended December 31, 2021, 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, 2022;

- 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 Reporting Period, 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	2/2
Dr. KANG Xixiong	2/2
Mr. WANG Weipeng	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 Appraisal 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 Appraisal 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 Reporting Period, 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 Reporting Period, 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	1/1

Details of the remuneration of each of the Directors, Supervisors and the five highest paid employees for the year ended December 31, 2022 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, 2022 are set out below.

Remuneration to the senior management by bands (HKD)	Number of senior management
HKD0 — HKD500,000	1
HKD500,001 — HKD1,000,000	1
HKD1,000,001 — HKD1,500,000	1
HKD2,500,001 — HKD3,000,000	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 and to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board.

During the Reporting Period, 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 Reporting Period, two meetings have 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	2/2
Dr. KANG Xixiong	2/2
Mr. CHAU Kwok Keung	2/2

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 A.2.1 of the CG Code and such duties have been delegated to the Audit Committee.

During the Reporting Period, the Board reviewed the Company's corporate governance policies and practices, reviewed and monitored training and continuous professional development of the Directors, Supervisors and senior management, reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, developed, reviewed and monitored the code of conduct for Directors, Supervisors and employees, and reviewed 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

During the Reporting Period, the Board consists of the following members:

Executive Directors
Dr. LIANG Bo (梁波) *(Chairman and General Manager)*
Mr. KONG Lingyin (孔令印)
Ms. YANG Ying (楊瑩) *(appointed on April 30, 2022)*
Mr. RUI Maoshe (芮茂社) *(resigned on April 30, 2022)*

Non-executive Directors
Mr. XU Wenbo (徐文博)
Mr. WANG Weipeng (王偉鵬)
Mr. ZHANG Jiecheng (張劼鋮) *(resigned on January 11, 2023)*

Independent Non-executive Directors
Dr. KANG Xixiong (康熙雄)
Dr. HUANG Taosheng (黃濤生)
Mr. CHAU Kwok Keung (鄒國強)

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, Supervisor 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 14 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 Reporting Period, the chairman of the Company held one meeting with the independent non-executive Directors without the presence of other Directors.

Four Board meetings and two general meetings were held during the Reporting Period. The attendance records of each Director at the Board meetings and general meetings 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	4/4	2/2
Mr. KONG Lingyin	4/4	2/2
Ms. YANG Ying *(appointed on April 30, 2022)*	2/2	1/1
Mr. RUI Maoshe *(resigned on April 30, 2022)*	2/2	1/1
Mr. XU Wenbo	4/4	2/2
Mr. ZHANG Jiecheng *(resigned on January 11, 2023)*	4/4	2/2
Mr. WANG Weipeng	4/4	2/2
Dr. KANG Xixiong	4/4	2/2
Dr. HUANG Taosheng	4/4	2/2
Mr. CHAU Kwok Keung	4/4	2/2

MECHANISMS FOR THE BOARD TO OBTAIN INDEPENDENT VIEWS AND OPINIONS

The Company has established a mechanism for the Board to obtain independent views and opinions (including but not limited to the Articles of Association, terms of reference of Board committees) to ensure the Board has an independent element as a key measure to improve the efficiency of the Board. The mechanism covers the channels for the Directors to seek advice from external professional advisors; the right for Directors to obtain further information and documents from the management in connection with the matters to be discussed at the Board meetings; the procedures and criteria for election of Directors (including independent non-executive Directors); and the number of independent non-executive Directors and their time commitments and contributions to the Board. The Board has reviewed the implementation and effectiveness of the mechanism and believed that the mechanism can ensure the Board to obtain the independent views and opinions.

ANTI-CORRUPTION POLICY

The Company has adopted an anti-corruption policy to create a self-discipline, clean and efficient working environment. The Company makes its effort to against any behavior related to bribery, fraud and money laundering, and has set out the standards of behavior for our employees. To deliver a fair, open and just business environment, we strive to uphold the highest ethics and governance standards in our business operations. The Company strictly abides by the Company Law of the PRC, the Criminal Law of the PRC, the Anti-Money Laundering Law of the PRC and other laws and regulations relating to bribery, fraud and money laundering.

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 during the Reporting Period.

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 during the Reporting Period, 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 Audit Committee and the Board have reviewed the risk management and internal control system of the Group and were satisfied with the existing risk management and internal controls system.

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, 2022, 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, 2022. A statement by KPMG about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 85 to 90.

	RMB'000
Audit services	2,575
Non-audit services	—
Total	2,575

JOINT COMPANY SECRETARIES

Ms. WANG Yan, who is also the chief financial officer of the Company, was appointed as the joint company secretary on April 19, 2022 in place of Ms. DAI Jing who resigned as a joint company secretary on March 18, 2022. Mr. YIN Lejun was appointed as the joint company secretary with effect from November 28, 2022 in place of Ms. WANG Yan who resigned as a joint company secretary on November 28, 2022. For details of Mr. Yin's biography, please see in the section headed "Directors, Supervisors and Senior Management" of this annual report.

The Company has also appointed, externally, Mr. CHUNG Ming Fai as the joint company secretary with effect from August 29, 2022 and in place of Mr. YIM Lok Kwan who resigned as the joint company secretary of the Company with effect from August 29, 2022. For details of Mr. Chung's biography, please see in the section headed "Directors, Supervisors and Senior Management" of this annual report. Mr. Chung's primary contact with the Company is Mr. YIN Lejun, the joint company secretary of the Company.

During the year ended December 31, 2022, Mr. YIN Lejun and Mr. CHUNG Ming Fai 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 and put forward Proposals

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.

Shareholders may put forward proposals for consideration at extraordinary general meeting of the Company in accordance with the Articles of Association. 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. The Board of Directors shall give a written reply on agreeing or disagreeing to convene an extraordinary general meeting of Shareholders within 10 days upon receipt of the request in accordance with the laws, administrative regulations, the Listing Rules and the Articles of Association.

Where the Board of Directors agrees to hold an extraordinary general meeting of Shareholders, it shall send out a notice within 5 days upon receipt of the request, any changes made to the original proposal in the notices shall obtain the consent of the relevant Shareholders.

Where the Board of Directors does not agree to hold an extraordinary general meeting of Shareholders or fails to give a reply within 10 days upon receipt of the proposal, the Shareholders that solely or collectively hold 10% or more Shares shall have the right to propose the Board of Supervisors to hold an extraordinary general meeting of Shareholders, and shall put forward the request to the Board of Supervisors in written form.

Where the Board of Supervisors agrees to hold an extraordinary general meeting of Shareholders, it shall send out a notice within 5 days upon receipt of the request, any changes made to the original proposal in the notices shall obtain the consent of the relevant Shareholders.

Where the Board of Supervisors fails to send out a notice on the extraordinary general meeting of Shareholders within the prescribed time limit, it shall be regarded that the Board of Supervisors will not convene or preside over the meeting, and the Shareholders that solely or collectively hold 10% or more Shares for consecutively 90 or more days may hold or preside over the meeting on their own initiatives.

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 so as to actively engage and promote regular, effective and fair communication with 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, 2022 and confirmed its effectiveness.

The Company continues to promote investor relations and enhance communication with its Shareholders, investors and other stakeholders. The Company welcomes suggestions from investors, shareholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

With the above measures in place, the shareholders communication policy is considered to have been effectively implemented.

Corporate Governance Report

Change in Constitutional Documents

There were changes in the constitutional documents of the Company for the year ended December 31, 2022. Details of the changes were set out in the circular of the Company dated April 6, 2022 and all the changes were approved by the Shareholders at the 2022 first extraordinary general meeting held on April 30, 2022.

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 F.1.1 of the CG Code, such details has also set out in its Articles of Association and summarized as follows:

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

(1) cash;

(2) shares.

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

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

REPORT OF THE SUPERVISORS

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

The work of the Board of Supervisors in 2022 and the work plan for 2023 are hereby reported as follows:

WORK OF THE BOARD OF SUPERVISORS

In 2022, the Board of Supervisors convened and held 2 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 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, 2022, 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.

Supervisors' Report

WORK PLAN FOR 2023

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 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, 2023

The Board is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2022.

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 Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2022. (2021: nil).

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 depend 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 16.9% (2021: 15.9%) of its total purchases, and the five largest suppliers accounted for 49.6% of its total purchases (2021: 62.7%); and

(ii) the Group's largest customer accounted for 17.1% (2021: 14.8%) of its total sales, and the five largest customers accounted for 44.8% of its total sales (2021: 54.1%).

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, 2022 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 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company did not have any distributable reserves.

CHARITABLE DONATIONS

The Group made charitable donations of approximately RMB1.04 million during the Reporting Period.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as of December 31, 2022 are set out in note 22 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 nil (2021: 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.

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 (梁波) *(Chairman and General Manager)*
Mr. KONG Lingyin (孔令印)
Ms. YANG Ying (楊瑩) *(appointed on April 30, 2022)*
Mr. RUI Maoshe (芮茂社) *(resigned on April 30, 2022)*

Non-executive Directors

Mr. XU Wenbo (徐文博)
Mr. WANG Weipeng (王偉鵬)
Mr. ZHANG Jiecheng (張劼鋮) *(resigned on January 11, 2023)*

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)
Dr. HUANG Taosheng (黃濤生)
Mr. CHAU Kwok Keung (鄒國強)

Supervisors

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

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

Mr. RUI Maoshe has tendered his resignation as an executive Director of the Company with effect from April 30, 2022 due to the Group’s internal re-designation and Mr. Rui’s intention to devote more time to his role as our chief operating officer. Ms. YANG Ying has been nominated as an executive Director to fill the casual vacancy with effect from April 30, 2022.

Mr. ZHANG Jiecheng has tendered his resignation as a non-executive Director of the Company with effect from January 11, 2023 in order to devote more time to other business priorities.

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

No transaction, arrangement or contract existed which should be disclosed in accordance with paragraph 15 of Appendix 16 to the Listing Rule during the Reporting Period.

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, 2022 based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that our Controlling Shareholders have duly complied with the Non-competition Undertaking.

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

MANAGEMENT CONTRACTS

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

REMUNERATION POLICY

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

None of the Directors or Supervisors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or Supervisors 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 2022, 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 57 to 84 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 65 hospitals.

We procure raw materials from suppliers to manufacture our product and support our R&D activities. As of December 31, 2022, we had a total of 363 suppliers of different raw materials. In 2022, 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, 2022, 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%	28.95%
		Interest in a controlled corporation	36,090,379 Domestic Shares	13.19%	18.91%
Mr. XU Wenbo (2)	Non-executive Director	Interest in a controlled corporation	22,196,511 Domestic Shares	8.11%	11.63%

Notes:

(1) As of December 31, 2022, 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, 2022, 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, 2022, being 273,526,000.

(4) Calculated based on the aggregate number of the Domestic Shares and the Unlisted Foreign Shares of the Company as of December 31, 2022, being 190,812,165.

Save as disclosed above and as of December 31, 2022, 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, 2022, 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 (10)	Approximate percentage of interest in the relevant class of Shares of our Company (11)
Hillhouse HK (1)	Beneficial owner	6,006,010 H Shares;	2.20%	7.26%
		7,630,348 Unlisted Foreign Shares	2.79%	4.00%
Dawn Capital Limited (2)	Investment Manager	4,652,000 H Shares	1.70%	5.62%
OrbiMed Capital LLC (3)	Investment Manager	8,116,500 H Shares	2.97%	9.81%
Basecare Investment (4)	Beneficial Owner	36,090,379 Domestic Shares	13.19%	18.91%
Zhongcheng Fangyuan Phase II (5)	Beneficial Owner	15,189,172 Domestic Shares	5.55%	7.96%
Oriza Seed (6)	Beneficial Owner	12,299,422 Domestic Shares	4.50%	6.45%
Broad Vision Investment (7)	Beneficial Owner	11,969,242 Domestic Shares	4.38%	6.27%
Suzhou Sungent (8)	Beneficial Owner	11,418,525 Domestic Shares	4.17%	5.98%
Broad Vision Harmony (9)	Beneficial Owner	10,227,269 Domestic Shares	3.74%	5.36%
Lake Bleu Prime Healthcare Master Fund Limited (10)	Interest of corporation controlled	5,648,500 H Shares	2.07%	6.83%

Notes:

(1) As of December 31, 2022, 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) As of December 31, 2022, Dawn Capital Limited is the investment manager of Dawn Capital Fund, which holds 4,652,000 H Shares. Therefore, Dawn Capital Limited was deemed to be interested in the Shares in which Dawn Capital Fund was interested under the SFO.

(3) As of December 31, 2022, OrbiMed Capital LLC is the investment manager of (i) The Biotech Growth Trust Plc which holds 2,204,900 H Shares; (ii) OrbiMed Genesis Master Fund, L.P. which holds 980,000 H Shares; (iii) OrbiMed New Horizons Master Fund, L.P. which holds 514,500 H Shares; and (iv) OrbiMed Partners Master Fund Limited which holds 4,417,100 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., OrbiMed Partners Master Fund Limited were interested under the SFO.

(4) As of December 31, 2022, Basecare Investment was held as to approximately 58.31% by Dr. Liang (as the sole general partner). Therefore, Dr. Liang was deemed to be interested in the Shares in which Basecare Investment was interested under the SFO.

(5) As of December 31, 2022, Shenzhen Qianhai Hengrui Fangyuan Investment Management Co., Ltd. ("**Hengrui Fangyuan**", 深圳前海恒瑞方圓投資管理有限公司) was the general partner of Zhongcheng Fangyuan Phase II. Hengrui Fangyuan was held as to 70.00% by Mr. WANG Rui. Therefore, each of Hengrui Fangyuan and Mr. WANG Rui was deemed to be interested in the Shares in which Zhongcheng Fangyuan Phase II was interested under the SFO.

(6) As of December 31, 2022, 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 59.98% by Suzhou Industrial Park Economic Development Co., Ltd. ("**SIP Development**", 蘇州工業園區經濟發展有限公司). SIP Development was owned as to around 71.29% by Suzhou Industrial Park Administration Committee (蘇州工業園區管理委員會). Suzhou Industrial Park Seed Zhengze Venture Capital Management Center (Limited Partnership) ("**Seed Management**", 蘇州工業園區原點正則創業投資管理中心(有限合夥)) was the general partner of Oriza Seed. Suzhou Industrial Park Zhengze Equity Investment Management Center (General Partnership) ("**Zhengze Management**", 蘇州工業園區正則股權投資管理中心(普通合夥)) was the general partner of Seed Management. The general partner of Zhengze Management was Mr. FEI Jianjiang (費建江). Seed Management was held as to 99.00% by Suzhou Industrial Park Oriza Seed Venture Capital Management Co., Ltd. ("**Suzhou Oriza**", 蘇州工業園區元禾原點創業投資管理有限公司). Suzhou Oriza was held as to 51.00% and 49.00% by Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. ("**Zhengze Jiming**", 蘇州工業園區正則既明股權投資管理有限公司) and Oriza Holdings. Zhengze Jiming was held as to approximately 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) As of December 31, 2022, Zhangjiagang Broad Vision Glory Investment Partnership (Limited Partnership) ("**Broad Vision Glory**", 張家港博華耀世投資合夥企業(有限合夥)) was the general partner of Broad Vision Investment. Broad Vision Glory was ultimately controlled by Mr. XU Wenbo, our non-executive Director, directly and indirectly through Beijing Broad Vision Funds Co., Ltd. ("**Broad Vision Funds**", 北京博華資本有限公司). Therefore, each of Broad Vision Glory, Broad Vision Funds and Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Investment was interested under the SFO.

(8) As of December 31, 2022, 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. 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 72.00% 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) As of December 31, 2022, 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, 2022, being 273,526,000.

(12) Calculated based on the number of the H Shares of the Company as of December 31, 2022, being 82,713,835, or the aggregate number of the Domestic Shares and the number of the Unlisted Foreign Shares of the Company as of December 31, 2022, being 190,812,165.

Save as disclosed above and as of December 31, 2022, 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 Executive's Interests and Short Positions in Shares, 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 THE GLOBAL OFFERING

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$ in million*	Percentage of total Proceeds	Actual amount of proceeds utilized as of December 31, 2022 *HK$ in million*	Percentage of proceeds from the Global Offering expected to be used in 2023	Expected timeframe for unutilized net proceeds
Core Product – PGT-A kit	**379.7**	**20%**	**156.3**	**3.25%**	**Within the next one to three years**
Ongoing sales and marketing activities of our PGT-A kit and planned commercialization in China, in order to expand our sales channels, continue market coverage expansion, conduct patient education and clinical knowledge of physicians and increase the penetration rate of our PGT-A kit	151.9	8%	123.5	0.25%	
Upgrading our existing manufacturing machinery and equipment, as well as procuring and installing new automated operational equipment and instruments to optimize the production process of PGT-A kits to increase the production efficiency of PGT-A kits, and optimize and upgrade PGT-A kits	227.8	12%	32.8	3.00%	
Clinical trial, registration filing and commercialization of PGT-M kit	**189.9**	**10%**	**46.5**	**2.00%**	**Within the next one to three years**
Clinical trial and registration filing of our PGT-M kit (including the relevant labor and consumables costs)	132.9	7%	28.2	1.00%	
Commercialization, sales and marketing activities of our PGT-M kit	57.0	3%	18.3	1.00%	
Development, clinical trials, registration filings and commercialization of our other products	**569.6**	**30%**	**179.9**	**5.10%**	**Within the next one to three years**
Development, clinical trials, registration filings and commercialization of our other genetic test kit products	227.8	12%	84.3	1.60%	
Research, development, manufacturing and commercialization of our genetic testing devices and instruments	341.8	18%	95.6	3.50%	

Use of Proceeds	Planned applications *HK$ in million*	Percentage of total Proceeds	Actual amount of proceeds utilized as of December 31, 2022 *HK$ in million*	Percentage of proceeds from the Global Offering expected to be used in 2023	Expected timeframe for unutilized net proceeds
Improving our research and development capabilities and enhancing our technologies, including (i) introducing and acquiring new technologies in businesses upstream and downstream of genetic testing, to expand our product portfolio; (ii) recruiting talent in genetic testing, particularly senior R&D personnel with a high level of influence in the industry and with extensive international R&D and product development experience; (iii) funding our collaborations with academic and research institutions on joint research projects	284.8	15%	77.5	2.60%	Within the next one to three years
Constructing and decorating of our R&D center and expanding the manufacturing plant for our test kit products, testing devices and instruments	189.9	10%	38.9	4.84%	Within the next one to three years
Working capital and general corporate purposes	284.8	15%	198.5	3.24%	Within the next one to three years
Total	1,898.7	100%	697.6	21.03%	

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. 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 circulars of the Company dated November 16, 2021 and April 7, 2022 under the sections headed "Ordinary Resolution — Proposed Change in Use of Proceeds".

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

During the Reporting Period, there is no 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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Among the related party transactions disclosed in note 29 to the consolidated financial statements, no transaction constitutes a connected transaction or continuing connected transaction for the Company under Rule 14A.31 of the Listing Rules and is required to be disclosed in this annual report.

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 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 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 five 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.

REVIEW OF ANNUAL RESULTS BY 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 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, 2022.

AUDITOR

The financial statements for the year ended or as of December 31, 2022 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. The auditor has not changed in the past three financial years.

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

Hong Kong, March 30, 2023

1. ABOUT THIS REPORT

This report is the third 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. We have also identified and disclosed stakeholders' engagement process and the results in the ESG report. The management has confirmed the suitability of the materiality assessment of 2021 in this year.

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, 2022 to December 31, 2022 (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, 2023.

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 a world's top medical technology company", 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. In 2022, the headquarter of Basecare Medical with a total area of over 70,000m^2 has successfully completed. The Company will construct an advanced production base for reagents, consumables and apparatus, in order to achieve full domestic production for all assisted reproduction products in the industrial chain. In the future, Basecare Medical will insist on using technological innovation as the driving force to achieve large scale delivery of high-quality medical products and become a leading medical technology company of the world.

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 last 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. During the Year, the Group has reviewed its ESG management policies, strategies, material issues and progress towards environmental goals. It undertook to continue monitoring the progress in fulfilling such goals, and formulate corresponding measures when needed to lead the Company in fulfilling its sustainability goals.

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 risks, policies, strategies, objectives and annual works of ESG management • Regularly review and monitor the ESG risk, performance and progress in achieving the objectives
Organization level: Chief officers (ESG Working Group)	• Identify, evaluate, review and oversee major ESG risks and issues • Coordinate and promote the implementation of each ESG policy by each department, and monitor the ESG-related work of each functional department • 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 places much emphasis on communicating with its stakeholders, and is committed to building a regular communication mechanism with stakeholders, in order to proactively understand the expectations and demands of stakeholders and uphold their interest. 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.

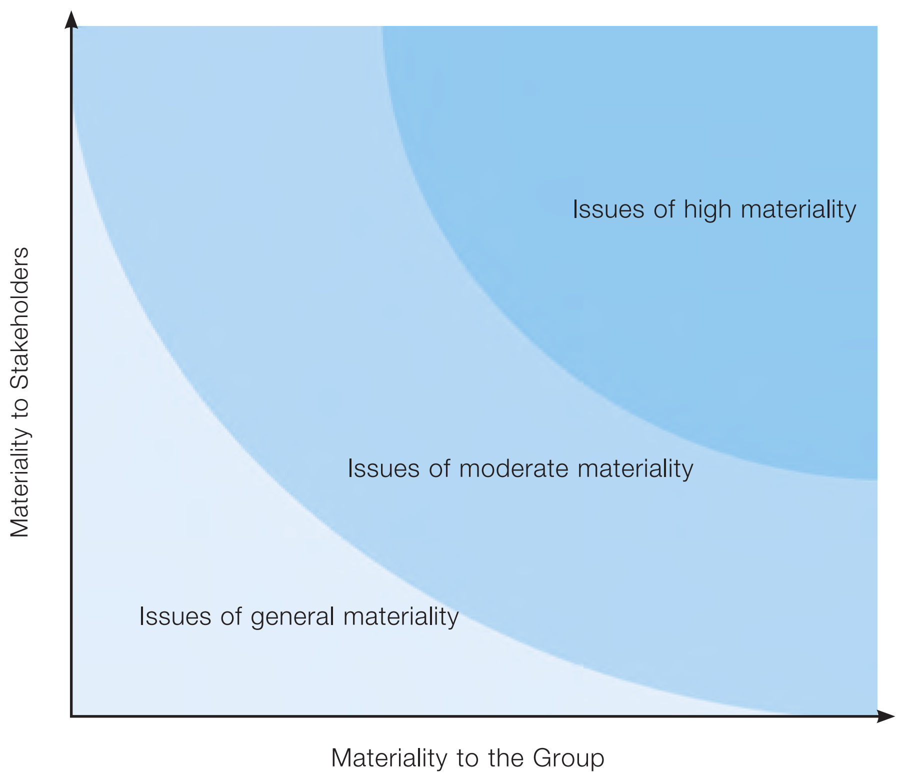
Stakeholders	Communication Channels	Relevant ESG Issues
Shareholders/Investors	• AGM • Investor conference • Interim and annual reports • Company newsletter • Results announcement • Shareholder visiting activities	• Business growth • Investment return • Investor education and protection • Corporate investment and financing
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	• Business growth • Product innovation and R&D • Product quality and safety • Mutually-beneficial cooperation with suppliers • International strategic cooperation
Employees	• Employee feedback survey • Performance assessment • Group discussion/Meeting and interview • Seminar/Workshop/Lecture • Business briefing • Employee communication conference • Employee intranet	• Protection of employees' rights • Sense of belonging among employees • Employee development and training • Affordable healthcare • Data privacy and protection
Business partners/Peers	• Cooperation project • Meeting • Visit • Lecture	• Compliant operation • Business growth • Responsible marketing
Suppliers	• Supplier assessment system/ Management procedure • Field visit and inspection • Meeting	• Sustainable development of supply chain • Product quality and safety • Compliant operation
Regulatory agencies	• Work report	• Product quality and safety • Product innovation and R&D • Protection of intellectual property right • Anti-corruption
Media	• News conference/News release • Senior management visit	• Sense of belonging among employees • Protection of Intellectual Property Right • Product innovation and R&D • Participation in social charity
Community/Non-governmental organizations	• Donation • Seminar/Lecture/Workshop	• Promotion of community development • Participation in social charity • Diversity and inclusivity

2.4 Materiality Assessment

We have conducted materiality assessment in 2021. The ESG Working Group and the management confirm that the results in 2021 is still applicable to the Year, since (i) there are no material changes in the business and operation environment during the Year; (ii) the results of the materiality assessment in 2021 can still address the expectations of stakeholders; and (iii) there are not material changes in the order of the material issues. Readers can refer to ESG Report 2021 for the methods and process of the materiality assessment.

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. RESPONSIBLE OPERATION

We are convinced that responsible operation is the cornerstone of stable development. The medical device industry is distinctive and requires better quality control and security. To this end, we strengthen quality control and security of products to ensure that our products would be in compliance with industrial standard and regulations. Meanwhile, we are committed to safeguarding customer information and privacy to uphold our operation responsibility. While protecting trade secrets, the Group insists on timely and adequate information disclosure to build a responsible corporate image and bring more value and innovation for the medical device industry.

3.1 Product Quality Control

The Group prioritizes the safety and health of customers, improving the quality and safety of our products through tireless effort and providing better products and services for customers, in order to ensure that all products would comply with the quality standards and regulations. Our Suzhou manufacturing facility and all of our in-house developed products manufactured and assembled adopt technology and equipment that complies with production guidelines, standards and regulations as stipulated in the Drug Administration Law of the People's Republic of China. Meanwhile, we make use of a highly automated production line with an annual production capacity of 400,000 reactions. Our manufacturing facility 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 to ensure their compliance with quality standards and regulations. For reagents and other materials used in studies and trials, we have established detailed quality control standard and requirements to prevent substandard products reaching the next procedure or the unexpected use of such products. 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. In addition, we conduct regular internal audits on the quality management system in compliance with the Internal Audit Control Procedures, while also updating and conducting training on a regular basis to ensure that our operation would meet the requirements. We will continue to improve our quality management system to meet customers' demands and expectations and provide products and services of better quality to customers.

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 places the intermediates in the inspection area, and fills 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 grant quality certificate 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 intermediate 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

Upholding our "customer-oriented" philosophy, 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 experts 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. By the end of 2022, we have helped assisted reproductive center establish a total of 59 local laboratories. We also provide training to clinicians and staff to enhance their knowledge of genetic testing. We will commit to providing high-quality products and services to customers while improving our technology and capability, in order to meet the demands and expectations of our customers.

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.

To further secure efficient communication and feedback channels, we formulated the Customer Feedback Control Process which regulates the process and regulation for handling product complaints and recalls, in order to timely understand and address the shortcomings of our products. After receiving complaints, the Marketing Department will fill out the Customer Feedback Process Form and deliver said form together with the sample product in question (if any) to the Quality Department. After confirming the establishment of the complaint, the Quality Department will coordinate with relevant departments to form a customer complaint investigation group to analyze the reason for such complaints and assist the responsible department in formulating corresponding rectification and preventive measures. Finally, the Quality Department will monitor such measures and relay the improvement to customers in a timely manner.

During the Reporting Period, the Group did not receive any complaints in relation to its products and services.

3.3 Information Security and Privacy Protection

The Group puts a high 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 also regulate the management and safe use of the Group's software, hardware and network. We 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, which is 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.

We insist on the principles of truthfulness, objectivity and accuracy in terms of business information disclosure. We strictly complies with the Advertising Law of the People's Republic of China to regulate the process and standard for information disclosure and ensure timely and accurate information disclosure, in order to prevent any false and misleading description of goods and deceptive conduct. To further improve the consistency of our brand, we also formulated the Policy on Brand Publicity Management, which outlines the logo and meaning of our brand. This can improve our brand marketing system, regulate and unify our corporate brand image, raise our brand recognition and competitiveness and further enhance our 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 best protect the intellectual property from infringement. We also 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 and ensure the core and market competitiveness of the Company.

During the Reporting Period, the Group had a total of 88 registered patents and obtained 31 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 Operation Integrity

The Group attaches great importance to business ethics and upholds the principles of integrity, fairness and transparency. 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. We have 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. To further improve anti-corruption and integrity management, we formulated the Whistleblowing Management System to regulate and encourage employees and other parties with business relationship with the Group to report any suspected misconducts, frauds, and illegal or unethical behaviors via phone, e-mail, letter or other channels, in order to promptly rectify such misconducts. We will try our best in timely addressing all reports and making necessary rectifications to protect the legal rights of whistleblowers.

To effectively strengthen the compliance training for major risks, the Company organizes regular compliance training for all employees. Through internal e-mail and system, the Company provides education on relevant laws and regulations, cases and corporate policies. During the Reporting Period, we launched the Anti-bribery in Business training sessions, while arrange the sales, marketing and technique support staff of the Company to study laws and regulations related to anti-business bribery, featuring themes like Anti-Unfair Competition Law and Pharmaceutical Industry Compliance Management Practices. During the Reporting Period, we provide anti-corruption trainings for all Directors and employees to improve the anti-corruption and integrity education.

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 strictly complies with the Bidding Law of the People's Republic of China, the Regulation on the Implementation of the Bidding Law of the People's Republic of China and other laws and regulations, and has 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 similar products, 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 in sufficient volumes and with high quality.

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, while 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. Through this, we can ensure our raw materials would meet our quality standard and our products could fulfill customers' expectations and market demands.

Our major suppliers are primarily those who supply raw materials and machinery and equipment. During the Reporting Period, the Group had a total of 69 suppliers located in the regions as follows:

Region	Number of Suppliers
Jiangsu Province	30
Shanghai Municipality	26
Guangdong Province	13

4. PEOPLE-ORIENTED

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, 2022, the Group had 479 employees in total.

4.1 Employment

The Group is 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, the Performance Management Policy and the Internal Employee Appointment and Reassignment Policy formulated by us, in order to create a workplace environment for our employees that is fair, equitable, inclusive, and diverse and sufficiently uphold the interest and benefit of the employees.

We advocate equal employment and recruit employees in the principles of "openness, equality, competition and merit" by considering whether the candidates' academic qualifications, work experience and skills meet the requirements of the post. The Human Resources Department is required to submit annual recruitment plans to support the strategic development of the Company. All candidates will be subject to dual assessment by our Human Resources Department and relevant department managers. We prohibit discrimination against candidates in relation to gender, age, nationality, religion, family status and race as well as other background factors such as certain categories subject to legal protection. While recruitment and hiring, we verify the backgrounds of candidates, including but not limited to identity, 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 enters into employment contracts with employees to specify their wages, benefits, dismissal and other terms. 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. The Company places emphasis on cultivating and developing talents. When there are any vacancies within the Company, we prioritize internal promotion of employees with good performance and development potential. To optimize our human resources management we arrange interviews with our departing employees to better understand the reasons for their departure and make relevant records. 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 was there any employment of child labor or forced labor found within the Group.

4.2 Employee Benefit

The Group aims at building a remuneration system that is business objective-oriented, performance-linked, fair and reasonable to provide competitive remuneration and benefits for employees, in order to attract and retain quality talents. Our remuneration structure is based on employees' appraisal and performance evaluation, which ensures fair remuneration for employees. We evaluate market environment on a regular basis and adjust remuneration based on 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, which would inspire employees to demonstrate their proactivity and creativity.

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, and condolence gifts due to sickness and hospitalization will be offered to our employees, as appropriate. Besides, we have adopted the "EAP Employee Caring Scheme" to provide our employees with long-term support and welfare, covering aspects such as disease care, psychological counseling and legal aid. Such scheme provides guidance, trainings and consultation to 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 a safe and healthy 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 measures to reduce exposure to occupational hazards, including the Policy Governing Occupational Health and Safety, the Policy Governing Safety Warning Signs and Safety Protection and Accident Contingency Plan, to define the responsibilities of each unit for the management of production safety. We 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. We also provide new employees with Third Level Safety Education and Training to enhance their comprehensive safety knowledge. During the Year, in response to the National Fire Safety Day, we organized a fire emergency evacuation drill on November 11, 2022 to strengthen the fire safety awareness of our employees, improve their evacuation skills in a fire and capability in handling contingencies.

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.

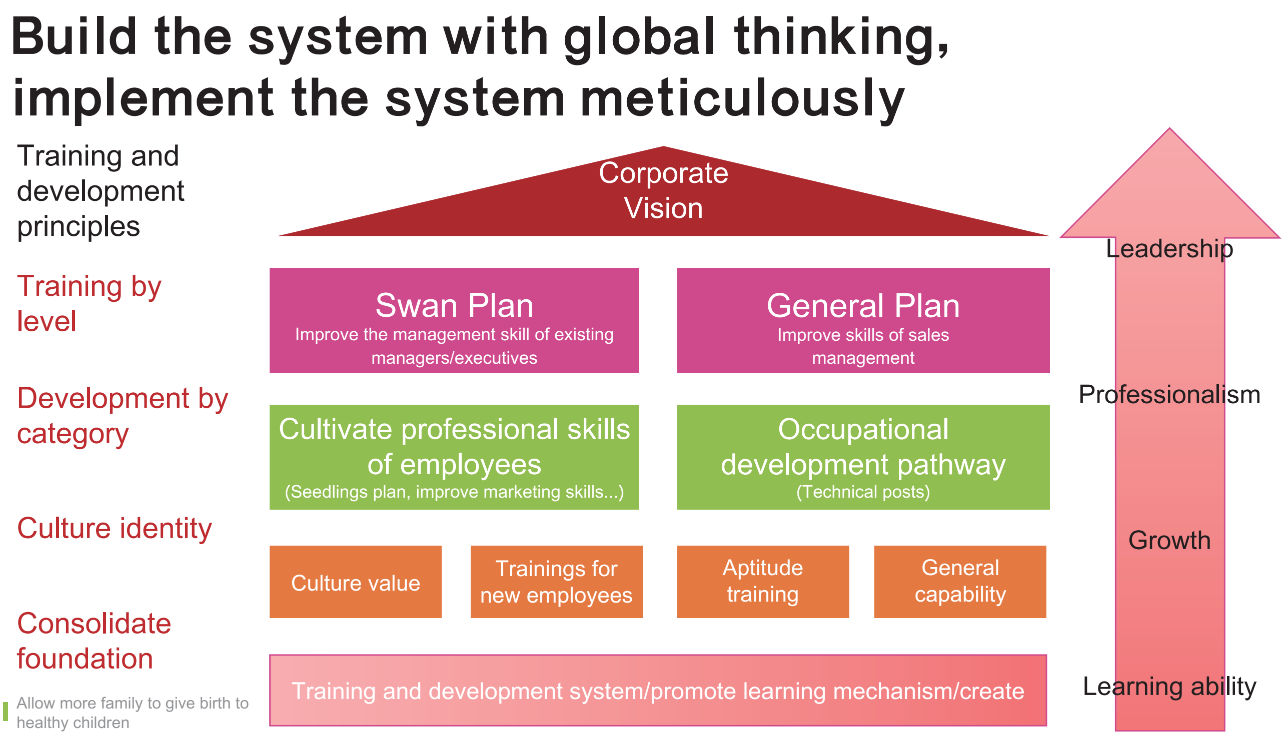
Moreover, the Group pays close attention to the mental health of employees. Through organizing various employee activities, we can consolidate team cohesion, enrich employees' spare time and increase their happiness. During the Reporting Period, the various departments of the Group held team-building events and arranged employees to participate in festival celebration to improve their relations.

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 further improved our complete employee training system and carried out diversified training activities to acquaint the employees with knowledge and skills applicable to the Group's development, as well as encourage personal growth and occupational 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 Reporting Period, by combining offline training and seminars with trainings on the online Basecare Academy platform through the construction of a job training system and customized key talent development projects, the Group arranged a total of 630 trainings with 12,291 participants, amounted to 1,186.5 hours. This has comprehensively improved the leadership of middle managers and the management capability, professional skills, universal skills and corporate culture of employees in various departments. Not only would this facilitate the formation of a high-performing team and talent reserve, but would also build a solid talent foundation for improving our professional clinical services and comprehensive business expansion, which leads to maximized use of human resources and therefore achieves the Company's strategic goals. Moreover, we also incentivize employees to meet their targets with monthly performance appraisals.

To ensure the effectiveness of employee training, we adopt a variety of assessments methods, including raising questions on the spot, holding theoretical examinations or actual operations in order to evaluate the knowledge and skills of employees. Moreover, the Human Resources Department will distribute a Training Questionnaire after training to collect feedback from the trained employees as a reference for the training instructors, evaluation of handouts and the training plan.

5. ENVIRONMENTAL PROTECTION

The Group stays committed to achieving green operations 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 further optimize our resources consumption structure and promote energy conservation and emission reduction, so as to reduce the environmental impact of the Company's operation.

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.

The Group set the initial targets for energy efficiency, water efficiency, waste reduction and greenhouse gas emissions last year. For more details on such targets, please refer to the "Sustainable Development Goal" in the ESG Report 2021 of the Group. However, as the number of employees and the types and amount of products produced increased in the Year, the resources consumption and total emissions also increased. During the Year, the Group has adjusted its environmental protection targets based on previous energy consumption and emission record and with reference to relevant business development. We will maintain the intensity of energy consumption, water consumption, greenhouse gas emission and waste generation based on the data in 2022. We will continuously monitor the progress for fulfilling the target and implement energy saving and emission reduction measures.

5.1 Energy Conservation and Emissions Reduction

In response to important national policies like "carbon neutrality and carbon peak", the Group is committed to mitigating the impact of global warming. We carry out greenhouse gas emission inspection with reference to the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064–1 set by the International Organization for Standardization. We are committed to reducing carbon emissions during the Group's business operations and conducting low-carbon businesses.

The greenhouse gas emissions of the Group are from direct greenhouse gas emissions (scope 1) and indirect greenhouse gas emissions (scope 2). Scope 1 includes direct greenhouse gas emissions from sources owned and controlled by the Group. Scope 2 includes greenhouse gas emissions generated indirectly by power generation, heating and cooling, or steam purchased by the Group. Greenhouse gas emissions under each scope are from the fuel consumption of the Group and fuel used by its vehicles (scope 1) and power consumption during operation (scope 2).

To reasonably improve energy utilization, we implemented the Policy on the Management of Energy Conservation and Emission Reduction and established the leading group of energy conservation and emission reduction, in order to optimize the energy structure, monitor energy consumption data and improve management methods and construct an efficient energy management mechanism. We also implement the idea of low-carbon and energy-saving in the operation of the Company and the whole cycle of product R&D to reduce the impact on the environment.

After the inspection, the greenhouse gas emissions from the Group's headquarters office and production base in Suzhou during the Reporting Period are as follows:

		Unit	2022
Scope 1:	Direct greenhouse gas emissions	tCO_2e	29.60
Scope 2:	Indirect greenhouse gas emissions	tCO_2e	542.40
Total greenhouse gas emissions		tCO_2e	572.00[1]
Intensity of greenhouse gas emissions		tCO_2e/m^2	0.08

Our direct air pollutant emissions are mainly attributable to our vehicles. We took the following measures to reduce emissions from vehicles:

- Arrange regular inspection and maintenance for the fleet to ensure that normal operation of engines and other components;
- Proactively monitor the fuel consumption of its vehicles;
- Encourage employees to take public transport when travelling;
- Promote the use of video conference in place of unnecessary business trips.

To protect natural resources and minimize the impact on the environment, we implement multiple 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;
- Select energy-efficient lighting and regularly maintain the lighting and air conditioning systems, 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;
- 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.

[1] Due to rounding, the figures may not add up to the respective totals.

5.2 Water Resource Management

The Group understands the importance of water resources for the sustainable development of a company. We monitor 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, which are as follows:

- 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;
- Water meter readings are checked and water pipe leakage tests are conducted on a regular basis. Once a leakage is discovered, qualified staff will be dispatched to carry out maintenance in a timely manner to avoid water wastage due to leakage.

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

5.3 Waste Management

Waste from the Group mainly includes hazardous waste and non-hazardous waste. Among this, hazardous waste includes medical waste and chemical reagents. Non-hazardous waste includes general domestic waste and recyclables. To effectively manage the waste disposal of the Group, we formulated 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 protection companies on the disposal of waste, in order to reduce the environmental pollution of the waste and avoid any adverse impact 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 separately. Moreover, in certain circumstances, hazardous waste is put into sterilization containers for autoclaving to prevent any harm to the environment and human health. 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 ensure effective pollution control. We will sustain efforts in reducing the amount of waste and its impact on the environment to achieve sustainable development targets.

Furthermore, we support reducing waste at the source. To achieve that goal, we adopt an electronic office system (ERP system) to replace traditional paper records, fundamentally reducing documents printed and paper consumption. We encourage employees to use double-sided printing to reduce paper waste. We also encourage employees to transmit information with the electronic communication technology like e-mail and communication tools as much as possible to decrease the use of paper letter. During procurement, the consumption of materials is assessed to avoid unnecessary waste due to the purchase of an excessive amount of such materials. Meanwhile, we also encourage employees to reuse stationeries such as envelopes and binders, and reduce the use of disposable or non-recyclable products. We will continue to adopt these measures to achieve the goals of waste reduction and resources recycle.

5.4 Tackling Climate Change

Global climate change significantly affects human survival and limits corporate sustainable development. Expediting climate change adaptation measure is a common issue of the world. As a leading enterprise within the pharmaceutical industry, we are fully aware of the potential impact of climate change to our business operation. We have begun climate risk assessment to identify and evaluate the potential risks in our business operation and formulate measures to address climate risks. Meanwhile, 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. Furthermore, the use of more cooling devices in office areas due to rising temperatures may increase energy use and economic expenses.

As a response to these risks, the Group proactively maps out contingency plans to minimize the impact of extreme weather events. Meanwhile, we will continue to promote energy-saving and emission reduction to lower energy consumption and emission, adopt sustainable operation approaches, and reduce the impact on the environment to contribute to the road towards sustainable development.

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 future 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.

6. GIVING BACK TO THE SOCIETY

The Group places considerable value on establishing stable and effective communication with the community. While seeking development, we insist on serving and giving back to the community by fulfilling our corporate social responsibility. The Group is also committed to build a mutually-beneficial relationship with the community. While extending help to the community, we can also raise the sense of belongings of employees in the society. During the Year, by leveraging our business and technological advantages, we focused on community activities related to our medical profession and contributing to a sound and harmonious social environment.

In January 12, 2022, with the full support of the Female Worker Committee of Suzhou Industrial Park, Suzhou Dushu Lake Technology and Education Innovative Zone, the Social Affair Bureau of Suzhou Industrial Park and the Dushu Lake Hospital Affiliated to Soochow University, the "Sunshine and Family Health" charity project was officially launched. This project involves multiple doctors with rich reproductive and genetic clinical experience to provide professional and customized genetic inspection services, genetic consultation and scientific contraception education for couples in the park. The project lasted a year, with a total of 1,233 pairs of couples applied. We assigned 30 employees and invested a total of over RMB3 million in this event to facilitate community development in this event.

In February 2022, while the festive vibe of the new year still persisted, sudden notice on pandemic control sent Suzhou into full alert, marking the beginning of a war against the pandemic. After receiving a notice from the Bureau of Medical Administration of the Suzhou Health Commission, Basecare Medical immediately arranged the first team with infectious disease PCR certification that can conduct nucleic acid tests to join the frontline medical staff in hospitals in conducting nucleic acid tests. The team consisted of 10 employees, with 4 of which being volunteers from laboratory. On February 16, Basecare Medical once again sent 21 employees to join the community's pandemic control effort. Volunteers activity against the pandemic lasted till May, mounting a solid defence against the pandemic for citizens in Suzhou. Furthermore, we immediately donated protective clothing, isolation gowns, medical face masks, disinfectants and other pandemic materials amounted to over RMB150,000, which secure the supply for the fight against the pandemic.

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 Reporting Period is as follow:

	Unit	2022[1]
Emission[2]		
Nitrogen oxides	kg	89.45
Sulphur oxides	kg	0.16
Suspended particles	kg	8.57
Greenhouse gas emission		
Direct greenhouse gas emission (Scope 1)	tCO_2e	29.60
Indirect greenhouse gas emission (Scope 2)	tCO_2e	542.40
Total greenhouse gas emissions	tCO_2e	572.00[3]
Greenhouse gas emission intensity	tCO_2e/m^2	0.08
Energy consumption		
Gasoline consumption	L	11,130.00
Purchased electricity consumption	kWh	933,557.00
Purchased electricity consumption intensity	kWh/m^2	130.26
Water consumption		
Total water consumption	m^3	4,527.00
Water consumption intensity	m^3/m^2	0.63
Waste production		
Total non-hazardous waste produced	tonnes	24.66
Intensity of non-hazardous waste produced	$tonnes/m^2$	0.004
Total hazardous waste produced	tonnes	2.00
Intensity of hazardous waste produced	$tonnes/m^2$	0.0003
Packaging materials		
Carton	kg	720.00
Paper	kg	80.00

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.

3 Due to rounding, the figures may not add up to the respective total.

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

	Unit	2022
Total number of employees	Person	479
Employees by gender		
Female	Person	261
Male	Person	218
Employees by employment type		
Junior employee	Person	441
Middle management	Person	27
Senior management	Person	11
Employees by age group		
Below 30	Person	269
30–50	Person	210
Employees by geographical region		
Eastern China	Person	369
Central China	Person	22
Southern China	Person	55
Northwestern China	Person	20
Northern China	Person	6
Northeastern China	Person	7

	Unit	2022
Total employee turnover rate[4]	%	19.21
Employee turnover rate by gender[4]		
Female	%	9.39
Male	%	9.81
Employee turnover rate by age group[4]		
Below 30	%	10.86
30–50	%	8.35
Employee turnover rate by geographical region[4]		
Eastern China	%	13.57
Central China	%	1.67
Southern China	%	2.51
Northwestern China	%	0.63
Northern China	%	0.84
Northeastern China	%	0.00

[4] Employee turnover rate = number of separations ÷ total number of employees as at the end of the Year

	Unit	2022
Development and training		
Percentage of employees trained by gender[5]		
Female	%	54.49
Male	%	45.51
Percentage of employees trained by employee category[5]		
Junior employee	%	92.07
Middle management	%	5.64
Senior management	%	2.30
Average training hours completed per employee by gender[6]		
Female	Hour	56.92
Male	Hour	56.92
Average training hours completed per employee by employee category[6]		
Junior employee	Hour	31.46
Middle management	Hour	51.00
Senior management	Hour	59.50

5 Percentage of employees trained = number of employees trained in this category ÷ total number of employees x 100%(the formula is adjusted and is different from the formula disclosed in the ESG Report in 2021)

6 Average training hours = Total training hours of employees in this category ÷ total number of employees x 100% (the formula is adjusted and is different from the formula disclosed in the ESG Report in 2021)

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

			Relevant Section
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5 Environmental Protection — 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 Environmental Protection — 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 Environmental Protection — 5.1 Energy Conservation and Emissions Reduction
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5 Environmental Protection — 5.3 Waste Management

			Relevant Section
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5 Environmental Protection — 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 Environmental Protection — 5.1 Energy Conservation and Emissions Reduction
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5 Environmental Protection — 5.2 Water Resource Management
	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 Environmental Protection
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5 Environmental Protection
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 Environmental Protection — 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 Environmental Protection — 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, antidiscrimination, and other benefits and welfare.	4 People-oriented — 4.1 Employment 4.2 Employee Benefit
	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 People-oriented — 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 People-oriented — 4.3 Employee Health And Safety
	B2.2	Lost days due to work injury.	4 People-oriented — 4.3 Employee Health And Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4 People-oriented — 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 People-oriented — 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
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Sustainability Data Highlight

			Relevant Section
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 People-oriented — 4.1 Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	4 People-oriented — 4.1 Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	4 People-oriented — 4.1 Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3 Responsible Operation — 3.6 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	3 Responsible 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 Responsible 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 Responsible 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 Responsible 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 Responsible 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 Responsible Operation — 3.1 Product Quality Control
	B6.2	Number of products and service related complaints received and how they are dealt with.	3 Responsible Operation — 3.2 Customer Service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3 Responsible Operation — 3.4 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	3 Responsible Operation — 3.1 Product Quality Control
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3 Responsible 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 Responsible Operation — 3.5 Operation Integrity
	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 Responsible Operation — 3.5 Operation Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3 Responsible Operation — 3.5 Operation Integrity
	B7.3	Description of anti-corruption trainings provided to directors and employees.	3 Responsible Operation — 3.5 Operation Integrity
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 91 to 157, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting 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 110.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's revenue is derived from sales of testing kits, 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, on a sample basis, 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 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 to confirm the 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 17 to the consolidated financial statements and the accounting policies on page 102.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2022, the Group's gross trade receivables amounted to RMB163.1 million, against which an allowance of RMB31.1 million for expected credit losses (ECLs) was recorded. Management measures the loss allowance at an amount equal to lifetime ECLs 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 ECLs 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 ECLs 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 2022 based on the Group's ECL model.

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 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	2022 RMB'000	2021 RMB'000
Continuing Operations			
Revenue	4	**140,901**	107,299
Cost of sales		**(81,373)**	(56,152)
Gross profit		**59,528**	51,147
Other net income	5	**96,686**	22,480
Selling and distribution costs		**(80,099)**	(62,524)
Administrative expenses		**(81,396)**	(52,112)
Research and development expenses		**(119,773)**	(73,711)
Other operating expenses		**(1,064)**	(9,766)
Loss from operations		**(126,118)**	(124,486)
Finance costs	6(a)	**(496)**	(1,260)
Loss before taxation	6	**(126,614)**	(125,746)
Income tax	7	**(6,013)**	(18,332)
Loss for the year from continuing operations		**(132,627)**	(144,078)
Discontinued operations			
Profit for the year from discontinued operations		**9,464**	–
Loss for the year		**(123,163)**	(144,078)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(123,163)**	(144,078)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	2022 RMB'000	2021 RMB'000
Loss for the year attributable to equity shareholders of the Company:			
— from continuing operations		**(131,784)**	(143,651)
— from discontinued operations		**9,120**	—
Loss for the year attributable to equity shareholders of the Company		**(122,664)**	(143,651)
Loss for the year attributable to non-controlling interests:			
— from continuing operations		**(843)**	(427)
— from discontinued operations		**344**	—
Loss for the year attributable to non-controlling interests		**(499)**	(427)
Loss for the year		**(123,163)**	(144,078)
Other comprehensive income		**—**	—
Total comprehensive income for the year		**(123,163)**	(144,078)
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**(122,664)**	(143,651)
Non-controlling interests		**(499)**	(427)
Total comprehensive income for the year		**(123,163)**	(144,078)
Loss per share	10		
Basic and diluted			
— from continuing operations (RMB)		**(0.5)**	(0.5)
— from discontinued operations (RMB)		**—***	—

* This represents an amount less than RMB0.05.

The notes on pages 97 to 157 form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	11	**207,113**	41,640
Right-of-use assets	12	**9,739**	12,563
Intangible assets		**51**	—
Financial assets measured at fair value through profit or loss (FVPL)	14	**35,359**	—
Deferred tax assets	24(b)	**—**	1,515
Other non-current assets	15	**—**	42,477
		252,262	98,195
Current assets			
Inventories	16	**48,124**	33,308
Trade and other receivables	17	**145,716**	125,247
Other current assets	18	**1,610**	5,214
Restricted cash	19	**—**	15,730
Cash and cash equivalents	19	**1,332,146**	1,523,194
		1,527,596	1,702,693
Current liabilities			
Trade and other payables	20	**106,291**	37,283
Contract liabilities	21	**1,617**	—
Bank loans	22	**—**	20,000
Lease liabilities	23	**2,146**	3,049
Income tax payable	24(a)	**4,498**	—
		114,552	60,332
Net current assets		**1,413,044**	1,642,361
Total assets less current liabilities		**1,665,306**	1,740,556
Non-current liabilities			
Bank loans	22	**73,394**	23,645
Lease liabilities	23	**—**	1,872
Deferred Income		**380**	—
		73,774	25,517
NET ASSETS		**1,591,532**	1,715,039

Consolidated Statement of Financial Position

For the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
CAPITAL AND RESERVES	25		
Share capital		**273,526**	273,526
Reserves		**1,319,276**	1,441,940
Total equity attributable to equity shareholders of the Company		**1,592,802**	1,715,466
Non-controlling interests		**(1,270)**	(427)
TOTAL EQUITY		**1,591,532**	1,715,039

Approved and authorised for issue by the board of directors on 30 March 2023.

Liang Bo
Directors

Kong Lingyin
Directors

The notes on pages 97 to 157 form part of these financial statements.

		Attributable to equity shareholders of the Company						
	Note	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 2021		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	25(b)	73,526	1,496,351	–	–	1,569,877	–	1,569,877
Equity settled share-based payment	25(c)	–	–	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**
Changes in equity for 2022:								
Total comprehensive income for the year		**–**	**–**	**–**	**(122,664)**	**(122,664)**	**(499)**	**(123,163)**
Acquisition of a subsidiary with non-controlling interests	26	**–**	**–**	**–**	**–**	**–**	**13,672**	**13,672**
Disposal of a subsidiary		**–**	**–**	**–**	**–**	**–**	**(14,016)**	**(14,016)**
Balance at 31 December 2022		**273,526**	**1,677,279**	**7,905**	**(365,908)**	**1,592,802**	**(1,270)**	**1,591,532**

The notes on pages 97 to 157 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations	19(b)	**(188,769)**	(197,852)
Net cash used in operating activities		**(188,769)**	(197,852)
Investing activities			
Payment for the purchase of property, plant and equipment		**(128,452)**	(28,900)
Proceeds from disposal of property, plant and equipment		**77**	356
Payment for acquisition of right-of-use assets		**(243)**	(7,960)
Payment for the purchase of Intangible assets		**(56)**	—
Payment for financial assets measured at FVPL		**(77,425)**	—
Proceeds from financial assets measured at FVPL		**75,414**	—
Interest received from bank deposits		**20,899**	17,278
Payment for acquisition of equity interest	26	**(32,512)**	(42,477)
Loans repaid by a related party		**—**	5,100
Net cash inflow on disposal of a subsidiary	26	**53,600**	—
Net cash used in investing activities		**(88,698)**	(56,603)
Financing activities			
Proceeds from bank loans	19(c)	**49,749**	43,645
Repayment of bank loans	19(c)	**(20,000)**	(30,000)
Proceeds from issuance of H shares		**—**	1,678,315
Bank borrowing cost paid	19(c)	**(2,895)**	(1,016)
Payment for capital element of lease liabilities	19(c)	**(3,150)**	(2,632)
Payment for interest element of lease liabilities	19(c)	**(190)**	(237)
Payment of listing expenses		**—**	(92,440)
Net cash generated from financing activities		**23,514**	1,595,635
Net (decrease)/increase in cash and cash equivalents		**(253,953)**	1,341,180
Cash and cash equivalents at the beginning of the year	19(a)	**1,523,194**	192,321
Effect of foreign exchange rate changes		**62,905**	(10,307)
Cash and cash equivalents at the end of the year	19(a)	**1,332,146**	1,523,194

The notes on pages 97 to 157 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 accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 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 IAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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).

(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 27(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(r)(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 through 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 over leasehold properties, plants and equipment (see Note 2(h)), are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment comprises its purchase price, the direct costs of construction, capitalised borrowing costs (see Note 2(t)) and any other costs directly attributable 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.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

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.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— software	5–10 years

Both the period and method of amortisation are reviewed annually.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(i) ***As a lessee*** *(Continued)*

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)).

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 2(e)(i) and 2(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 that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, 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(r)(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, including right-of-use assets;

— intangible assets; and

— 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. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *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). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *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. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. 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 subsequent to initial recognition, trade and other payables are 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(r)). 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) 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(t)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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.

(p) 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)*

(p) 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)*

(q) 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) 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.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

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 standalone selling price basis.

(ii) Service income

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

(iii) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

(s) 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.

(t) 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.

(u) 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, if earlier. It also occurs if the operation is abandoned.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Discontinued operations *(Continued)*

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.

(v) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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 27(e) 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.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

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

(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 27(a).

(iii) 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.

(iv) 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.

4 REVENUE

The Group derives revenue from the sales of testing kits and sales of testing devices and instruments.

(a) Disaggregation of revenue

	2022 **RMB'000**	2021 RMB'000
Continuing operations		
Revenue from contracts with customers within the scope of IFRS 15		
Sales of testing kits	**97,281**	91,867
Sales of testing devices and instruments	**43,620**	15,432
	140,901	107,299

During the year ended 31 December 2022 and 2021, 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(r).

(b) Information about major customers

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

	2022 **RMB'000**	2021 RMB'000
Continuing operations		
Customer A	**17,938**	15,922
Customer B	**24,101**	14,904
	42,039	30,826

(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 NET INCOME

	2022 RMB'000	2021 RMB'000
Continuing operations		
Government grants (i)	**4,528**	12,148
Interest income from bank deposits	**23,616**	18,203
Net realised and unrealised gains on financial assets measured at FVPL	**3,399**	—
Net foreign exchange gains/(losses)	**62,905**	(10,307)
Others	**2,238**	2,436
	96,686	22,480

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

6 LOSS BEFORE TAXATION

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Continuing operations		
Interest on bank loans	**2,950**	1,041
Interest on lease liabilities	**159**	237
Total finance costs	**3,109**	1,278
Less: borrowing costs capitalised into properties under construction	**(2,613)**	(18)
	496	1,260

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Continuing operations		
Salaries, wages and other benefits	**105,596**	65,619
Contributions to defined contribution retirement plan (i)	**9,527**	6,357
Equity-settled share-based payment expenses (Note 25(c))	**—**	7,905
	115,123	79,881

6 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs *(Continued)*

(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

	2022 RMB'000	2021 RMB'000
Continuing operations		
Depreciation of property, plant and equipment	**4,755**	2,886
Depreciation of right-of-use assets	**3,021**	2,921
Amortisation of intangible assets	**5**	—
Total amortisation and depreciation	**7,781**	5,807
Less: depreciation expense of land use rights capitalised into properties under construction	**(280)**	(221)
Amortisation and depreciation charged directly to profit or loss	**7,501**	5,586
Impairment losses on trade and other receivables	**26,725**	8,885
Auditors' remuneration	**2,575**	1,712
Research and development expenses (i)	**119,773**	73,711
Cost of inventories (ii)	**77,258**	54,472
Expense relating to short-term leases	**1,449**	1,278
Donations	**1,041**	9,698

(i) During the year ended 31 December 2022, research and development expenses include staff costs and depreciation expenses of RMB45,670,000 (2021: RMB30,867,000), which amounts are also included in the respective total amounts disclosed separately above.

(ii) During the year ended 31 December 2022, cost of inventories includes staff costs and depreciation expenses of RMB6,510,000 (2021: RMB2,880,000), 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:

	2022 RMB'000	2021 RMB'000
Continuing operations		
Current tax — PRC Tax	**4,498**	—
Deferred tax	**1,515**	18,332
Total	**6,013**	18,332

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

	2022 RMB'000	2021 RMB'000
Continuing operations		
Loss before taxation	**(126,614)**	(125,746)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the PRC (i)	**(31,653)**	(31,436)
Effect of preferential tax rate (ii) & (iv)	**19,714**	11,012
Effect of additional deduction on research and development expenses (iii)	**(7,221)**	(6,390)
Tax effect of other non-deductible expenses	**168**	2,308
Tax effect of tax losses not recognised	**29,712**	21,537
Tax effect of reversal of tax losses recognised in prior years	**—**	19,095
Tax effect of utilisation of tax losses not recognised in prior years	**(10,823)**	—
Tax effect of deductible temporary differences not recognised	**3,850**	2,313
Others	**2,266**	(107)
Actual tax expense	**6,013**	18,332

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-year period.

(iii) According to the tax incentive policies promulgated by the State Tax Bureau of the PRC, which were effective from 1 January 2018 to 30 September 2022, an additional 75% of qualified research and development expenses incurred would be allowed to be deducted from the taxable income.

According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2022, an additional 100% of qualified expenses incurred from 1 October 2022 to 31 December 2022 is allowed to be deducted from the taxable income.

(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). Certain entities of the Group 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 2022.

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	2022 Total RMB'000
Executive directors					
Dr. Liang Bo	–	2,769	231	43	3,043
Mr. Kong Lingyin	–	588	255	43	886
Mr. Rui Maoshe (i)	–	175	117	14	306
Ms. Yang Ying (ii)	–	334	206	29	569
	–	3,866	809	129	4,804
Non-executive directors					
Mr. Xu Wenbo	–	–	–	–	–
Mr. Wang Weipeng	–	–	–	–	–
Mr. Zhang Jiecheng	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Dr. Huang Taosheng (iii)	172	–	–	–	172
Dr. Kang Xixiong (iii)	172	–	–	–	172
Mr. Chau Kwok Keung (iv)	172	–	–	–	172
	516	–	–	–	516
Supervisors					
Ms. Zhu Tingting (v)	–	213	33	39	285
Ms. Huang Bing (v)	–	185	28	27	240
Ms. Lin Yi (v)	–	–	–	–	–
	–	398	61	66	525

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	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 (i)	—	461	144	36	641
	—	4,152	796	98	5,046
Non-executive directors					
Mr. Xu Wenbo	—	—	—	—	—
Mr. Wang Weipeng	—	—	—	—	—
Mr. Zhang Jiecheng	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors					
Dr. Huang Taosheng (iii)	150	—	—	—	150
Dr. Kang Xixiong (iii)	150	—	—	—	150
Mr. Yu Kwok Kuen Harry (vi)	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)*

Notes:

(i) Mr. Rui Maoshe was resigned as an executive director of the Company on 30 April 2022.

(ii) Ms. Yang Ying was appointed as an executive director of the Company on 30 April 2022.

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

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

During the year ended 31 December 2022, 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 (2021: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2021: three) individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**2,708**	1,779
Discretionary bonuses	**1,365**	258
Retirement scheme contributions	**127**	94
Equity settled share-based payment	**—**	7,905
	4,200	10,036

The emoluments of the two (2021: three) individuals with the highest emoluments are within the following bands:

	2022 Number of Individuals	2021 Number of Individuals
Nil — HKD1,000,000	**—**	2
HKD1,000,000 — HKD1,500,000	**2**	—
HKD2,500,000 — HKD3,000,000	**1**	—
HKD10,000,000 — HKD10,500,000	**—**	1

(Expressed in Renminbi Yuan unless otherwise indicated)

10 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2022 is based on the loss attributable to equity shareholders of the Company of RMB131,784,000 from continuing operations (2021: RMB143,651,000) and profit attributable to equity shareholders of the Company of RMB9,120,000 from discontinued operations (2021: Nil) and the weighted average of 273,526,000 ordinary shares (2021: 265,322,593) in issue, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares at 1 January	**273,526,000**	200,000,000
Effect of capital contribution	**—**	—
Effect of initial public offering (Note 25(b))	**—**	65,322,593
Weighted average number of ordinary shares at 31 December	**273,526,000**	265,322,593

There were no potential dilutive ordinary shares for the year ended 31 December 2022 and 2021, 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 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 and 1 January 2022	2,600	1,270	32,954	19,427	6,981	63,232
Additions	2,294	–	21,199	146,950	–	170,443
Transfers	–	–	–	(606)	606	–
Disposals	(212)	–	(275)	–	–	(487)
At 31 December 2022	4,682	1,270	53,878	165,771	7,587	233,188
Accumulated depreciation:						
At 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 and 1 January 2022	(993)	(318)	(13,300)	–	(6,981)	(21,592)
Charge for the year	(649)	(225)	(3,814)	–	(67)	(4,755)
Written back on disposals	158	–	114	–	–	272
At 31 December 2022	(1,484)	(543)	(17,000)	–	(7,048)	(26,075)
Net book value:						
At 31 December 2022	3,198	727	36,878	165,771	539	207,113
At 31 December 2021	1,607	952	19,654	19,427	–	41,640

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 2021	149	417	345	—	911
Additions	—	—	—	19,427	19,427
At 31 December 2021 and 1 January 2022	149	417	345	19,427	20,338
Additions	—	—	—	144,994	144,994
Disposals	(86)	—	(2)	—	(88)
At 31 December 2022	63	417	343	164,421	165,244
Accumulated depreciation:					
At 1 January 2021	(142)	(74)	(328)	—	(544)
Charge for the year	—	(99)	—	—	(99)
At 31 December 2021 and 1 January 2022	(142)	(173)	(328)	—	(643)
Charge for the year	—	(99)	—	—	(99)
Written back on disposals	82	—	2	—	84
At 31 December 2022	(60)	(272)	(326)	—	(658)
Net book value:					
At 31 December 2022	3	145	17	164,421	164,586
At 31 December 2021	7	244	17	19,427	19,695

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 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 and 1 January 2022	4,824	7,739	12,563
Additions	768	243	1,011
Lease modification	(814)	—	(814)
Charge for the year	(2,741)	(280)	(3,021)
At 31 December 2022	2,037	7,702	9,739

The Company	**Office Building** RMB'000	**Land use rights** RMB'000	**Total** RMB'000
At 1 January 2021	—	—	—
Additions	6,084	7,960	14,044
Charge for the year	(2,010)	(221)	(2,231)
At 31 December 2021 and 1 January 2022	4,074	7,739	11,813
Additions	188	243	431
Lease modification	(814)	—	(814)
Charge for the year	(1,796)	(280)	(2,076)
At 31 December 2022	1,652	7,702	9,354

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 **RMB'000**	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:		
Land use rights	**280**	221
Properties leased for own use	**2,741**	2,700
	3,021	2,921
Interest on lease liabilities (Note 6(a))	**159**	237
Expense relating to short-term leases	**1,449**	1,278

The Group leases office buildings under leases expiring in no more than three years. The useful lives of the land use rights of the Group are 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	Date of incorporation/ establishment	Place of incorporation and business	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
				As at 31 December 2022	As at 31 December 2021	
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	RMB600,000,000/ RMB600,000,000	**100%**	100%	Research, development, manufacturing, and sales of testing kits, testing devices and instruments
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	RMB10,000,000/ RMB1,000,000	**100%**	100%	Research, development, manufacturing and sale of testing 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%**	100%	Research and development, of software for testing 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%**	80%	Provision of marketing service
Basecare Guoxin (Chongqing) Translational Medicine Technology Co., Ltd. ("**Basecare Guoxin**") ("貝康國信 (重慶) 轉化醫學科技有限公司") (i)(ii)	18 Dec 2022	The PRC	RMB10,000,000/ RMB5,100,000	**51%**	–	Research and development, of testing 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:

	2022	2021
	RMB'000	RMB'000
Unlisted, at cost		
Basecare Medical Device	**600,000**	300,000
Basecare Intelligent Manufacturing	**1,000**	1,000
Basecare Shanghai	**15,000**	15,000
Basecare Industrial Park	**8,000**	8,000
Basecare Guoxin	**5,100**	–
	629,100	324,000

14 FINANCIAL ASSETS MEASURED AT FVPL

	2022	2021
	RMB'000	RMB'000
Non-current assets		
Unlisted fund investment (i)	**2,576**	–
Unlisted equity investment (ii)	**17,808**	–
Derivative financial instrument (ii)	**14,975**	–
	35,359	–

(i) On 10 August 2022, the Group entered into a subscription agreement with an independent third party pursuant to which the Group agreed to subscribe the limited partnership interest in TruMed Health Innovation Fund LP, a Cayman Islands exempted limited partnership (the "**Fund**") represented by a total commitment of USD1.50 million (equivalent to approximately RMB10,447,000). The Fund principally makes equity and equity-related investments in healthcare industry. As at December 31 2022, the Group has contributed USD350,000 (equivalent to approximately RMB2,425,000) to the fund, representing 1.26% of the total subscription amount of the Fund. The fair value of unlisted fund investment was RMB2,576,000 as at 31 December 2022 with the fair value change being recognised in unrealised gains on financial assets measured at FVPL of RMB151,000.

(ii) As at December 31, 2022, the unlisted equity investment and the derivative financial instrument represent the Group's remaining interests in Zhejiang Cellpro Biotech Corporation Limited ("**Cellpro Biotech**") and a put option granted by Cellpro Biotech and its original shareholders, which were recognised as financial assets measured at FVPL (see Note 26).

As at 31 December 2022, the fair value of the unlisted equity investment and the derivative financial instrument were RMB17,808,000 and RMB14,975,000 with the fair value change being recognised in unrealised gains on financial assets measured at FVPL (see Note 27(e)).

15 OTHER NON-CURRENT ASSETS

The Group and the Company

	2022 RMB'000	2021 RMB'000
Prepayment for equity investment	–	42,477

On 3 November 2021, the Company entered into an investment agreement with 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. The amount as at 31 December 2021 represented the prepayment for the above acquisition, and the rest of the consideration was fully settled in 2022.

16 INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	12,923	8,061
Finished goods	5,218	6,612
Devices and instruments	29,341	18,228
Others	642	407
	48,124	33,308

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

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	77,258	54,472

17 TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables		
Trade receivables from third parties	**100,946**	71,348
Trade receivables from related parties (Note 29(c))	**62,154**	49,800
Less: losses allowance on trade receivables	**(31,068)**	(9,297)
Trade receivables, net	**132,032**	111,851
Prepayments to suppliers	**8,732**	9,315
Deposits	**1,269**	883
Interest receivables	**3,679**	925
Other receivables	**4**	2,273
Trade and other receivables, net	**145,716**	125,247

(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:

	2022 RMB'000	2021 RMB'000
Within 6 months	**79,775**	65,266
6 ~ 12 months	**35,042**	28,072
12 ~ 18 months	**13,564**	14,462
18 ~ 24 months	**3,651**	4,051
	132,032	111,851

Trade receivables are generally due within 60 to 360 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 27(a).

18 OTHER CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Value-added tax recoverable	**1,610**	5,214

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group	2022 RMB'000	2021 RMB'000
Cash at banks (i)	**1,190,301**	1,030,294
Time deposits with banks	**141,845**	508,630
Less: Restricted cash	**–**	(15,730)
Cash and cash equivalents	**1,332,146**	1,523,194

(i) As at 31 December 2022, cash and cash equivalents situated in Mainland China amounted to RMB700,779,000 (2021: RMB450,129,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

The Company	2022 RMB'000	2021 RMB'000
Cash at banks	**1,125,478**	1,004,237
Time deposits with banks	**141,845**	508,630
Less: Restricted cash	**–**	(15,730)
Cash and cash equivalents	**1,267,323**	1,497,137

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

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

	Note	2022 RMB'000	2021 RMB'000
Loss before taxation		**(117,150)**	(125,746)
— from continuing operations		**(126,614)**	(125,746)
— from discontinued operations		**9,464**	—
Adjustments for:			
Depreciation of property, plant and equipment		**5,415**	2,886
Depreciation of right-of-use assets		**2,941**	2,700
Amortisation of intangible assets		**31**	—
Net losses/(gains) on disposal of property, plant and equipment and right-of-use assets		**64**	(1)
Finance costs		**527**	1,260
Equity-settled share-based payment expenses	6(b)	**—**	7,905
Foreign exchange (gains)/losses	5	**(62,905)**	10,307
Interest income		**(23,634)**	(18,203)
Net realised gains from fair value changes on financial assets	5	**(3,399)**	—
Net gains on disposal of a subsidiary	26	**(8,761)**	—
Operating loss before changes in working capital		**(206,871)**	(118,892)
Changes in working capital:			
Increase in inventories		**(14,738)**	(24,098)
Increase in operating receivables		**(15,069)**	(46,885)
Increase in operating payables		**30,182**	7,753
Increase in contract liabilities		**1,617**	—
Increase in deferred income		**380**	—
Decrease/(Increase) in restricted cash		**15,730**	(15,730)
Cash used in operations		**(188,769)**	(197,852)

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

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans RMB'000 (Note 22)	Interest payables on bank loans RMB'000 (Note 20)	Leases liabilities RMB'000 (Note 23)	Total RMB'000
At 1 January 2022	**43,645**	**47**	**4,921**	**48,613**
Changes from financing cash flows:				
Proceeds from bank loans	49,749	–	–	49,749
Repayments of bank loans	(20,000)	–	–	(20,000)
Bank borrowing cost paid	–	(2,895)	–	(2,895)
Payment for capital element of lease liabilities	–	–	(3,150)	(3,150)
Payment for interest element of lease liabilities	–	–	(190)	(190)
Total changes from financing cash flows	29,749	(2,895)	(3,340)	23,514
Other changes:				
Interest expense	–	337	159	496
Capitalised borrowing costs	–	2,613	–	2,613
Increase in lease liabilities from entering into new leases during the year	–	–	768	768
Lease modification	–	–	(814)	(814)
Disposal of a subsidiary	–	–	452	452
Total other changes	–	2,950	565	3,515
At 31 December 2022	73,394	102	2,146	75,642

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

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

	Bank loans RMB'000 (Note 22)	Interest payables on bank loans RMB'000 (Note 20)	Leases liabilities RMB'000 (Note 23)	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
Repayments of 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

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

(d) Total cash outflow for leases

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

	2022	2021
	RMB'000	RMB'000
Within operating cash flows	**1,976**	1,812
Within financing cash flows	**3,340**	2,869
	5,316	4,681

These amounts relate to the following:

	2022	2021
	RMB'000	RMB'000
Lease rentals paid	**5,316**	4,681

20 TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	RMB'000
Trade payables (i)	**16,038**	10,700
Amount due to related parties (Note 29(c))	**6,005**	10,695
Payroll payables	**16,223**	12,261
Payables for marketing expenses	**6,476**	596
Interest payables	**102**	47
Payables for purchases of property, plant and equipment	**40,338**	—
Other payables and accruals	**21,109**	2,984
	106,291	37,283

(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:

	2022	2021
	RMB'000	RMB'000
Within 3 months	**15,654**	8,133
3 ~ 6 months	**5**	309
6 ~ 9 months	**240**	996
9 ~ 12 months	**123**	1,262
Over 1 year	**16**	—
	16,038	10,700

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

21 CONTRACT LIABILITIES

	2022 **RMB'000**	2021 RMB'000
Advanced receipts from customers for sales of medical devices and instruments	**1,617**	—

Movements in contract liabilities

	2022 **RMB'000**	2021 RMB'000
Balance at 1 January	**–**	—
Increase in contract liabilities as a result of receiving advance payments during the year	**1,617**	—
Balance at 31 December	**1,617**	—

22 BANK LOANS

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

The Group	**2022** **RMB'000**	2021 RMB'000
Secured bank loans due over one year (i)	**73,394**	23,645
Unsecured bank loans due with one year	**–**	20,000
	73,394	43,645

The Company	**2022** **RMB'000**	2021 RMB'000
Secured bank loans due over one year (i)	**73,394**	23,645

(i) As at 31 December 2022, the secured bank loans were pledged by the Group's land use right with an interest at 4.15% – 4.50% per annum (2021: 4.50%).

22 BANK LOANS *(Continued)*

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

The Group	2022 RMB'000	2021 RMB'000
Within 1 year or on demand	–	20,000
After 5 years	73,394	23,645
	73,394	43,645

The Company	2022 RMB'000	2021 RMB'000
Within 1 year or on demand	–	–
After 5 years	73,394	23,645
	73,394	23,645

23 LEASE LIABILITIES

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

	31 December 2022		31 December 2021	
	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	2,146	2,174	3,049	3,192
After 1 year but within 2 years	–	–	1,872	1,897
After 2 year but within 5 years	–	–	–	–
After 5 years	–	–	–	–
	–	–	1,872	1,897
	2,146	2,174	4,921	5,089
Less: total future interest expenses		(28)		(168)
Present value of lease liabilities		2,146		4,921

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents

The Group and the Company

	2022 RMB'000	2021 RMB'000
Provision for the year	**4,498**	–

(b) 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 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 and 1 January 2022	1,394	(112)	117	44	–	72	1,515
Credited/(charged) to profit or loss	(1,394)	112	(117)	(44)	–	(72)	(1,515)
At 31 December 2022	–	–	–	–	–	–	–

(c) Deferred tax assets not recognised

As at 31 December 2022, the Group has not recognised deferred tax assets of certain entities in respect of their respective cumulative tax losses and temporary differences of RMB491,491,000 (2021: RMB280,441,000), in accordance with the accounting policy set out in Note 2(p), 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.

25 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	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 2021		200,000	180,928	–	(18,142)	362,786
Changes in equity for 2021:						
Total comprehensive income for the year		–	–	–	(21,015)	(21,015)
Issuance of H shares through initial public offering, net of issuance costs	25(b)	73,526	1,496,351	–	–	1,569,877
Equity settled share-based payment	25(c)	–	–	7,905	–	7,905
Balance at 31 December 2021 and 1 January 2022		273,526	1,677,279	7,905	(39,157)	1,919,553
Changes in equity for 2021:						
Total comprehensive income for the year		–	–	–	64,805	64,805
At 31 December 2022		273,526	1,677,279	7,905	25,648	1,984,358

(b) Share capital and share premium

	Numbers of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid				
At 1 January 2021	200,000,000	200,000	180,928	380,928
Issuance of H shares by initial public offering	73,526,000	73,526	1,496,351	1,569,877
At 31 December 2021 and 31 December 2022	273,526,000	273,526	1,677,279	1,950,805

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.

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Equity settled share-based transactions

On 31 March 2021 (the "**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 2021 and 2022, expenses arising from share-based payment transactions are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Administrative expenses	**–**	7,905

(d) Dividends

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

(e) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group made no changes to its capital management objectives, policies or processes during 2021 and 2022.

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

26 DISCONTINUED OPERATIONS

On 3 November 2021, the Company entered into an investment agreement with Zhejiang Cellpro Biotech Corporation Limited ("**Cellpro Biotech**") and its original shareholders, pursuant to which the Company agreed to acquire 51% of the equity interest in Cellpro Biotech at a cash consideration of RMB85 million. The transaction was completed on 1 March 2022 and Cellpro Biotech became a non-wholly owned subsidiary of the Company.

An analysis of the fair value of the identifiable net assets of Cellpro Biotech as at the acquisition date and consideration were as follows:

	RMB'000
Fair value of total identifiable net assets	27,904
Non-controlling interests	(13,672)
Goodwill on acquisition	53,335
Consideration transferred for equity investment	67,567
Add: Derivative financial instruments (i)	17,433
Total consideration paid	85,000

(i) Pursuant to the above investment agreement, the Company has been granted with a put option to require Cellpro Biotech and its original shareholders to repurchase any or all of the investments in Cellpro Biotech held by the Company upon the occurrence of certain specific events at a consideration of the original investment amount plus an annual compound rate of 10% for the period commencing from the initial investment payment date to the settlement date of total repurchase consideration. The Group recognised the put option as derivative financial instruments measured at fair value through profit or loss.

An analysis of the cash flows in respect of the acquisition of Cellpro Biotech is as follows:

	RMB'000
Cash consideration paid	85,000
Less: balance of cash and cash equivalents acquired	(10,011)
Less: prepaid consideration in prior year	(42,477)
Net outflow of cash and cash equivalents included in cash flows from investing activities	32,512

On 29 July 2022, the Company entered into a share transfer agreement with Ningbo Huoke Investment Management Partnership (Limited Partnership) ("**Huoke Investment**") to sell its 35% of the equity interests in Cellpro Biotech for a cash consideration of RMB64,170,000. Upon the completion of the disposal on 29 July 2022, the Group's equity interest in Cellpro Biotech decreased from 51% to 16%.

The transaction was accounted for as a disposal of Cellpro Biotech with a gain of RMB8,761,000 recognised in profit from discontinued operations for the year ended 31 December 2022 and the Group's remaining interests in Cellpro Biotech together with the put option granted by Cellpro Biotech and its original shareholders were recognised as a financial asset measured at FVPL.

26 DISCONTINUED OPERATIONS *(Continued)*

The Company has engaged an external valuer to perform valuations for the unlisted equity investment and the put option with the carrying amount of RMB17,808,000 and RMB14,975,000 as at 31 December 2022 with the fair value change being recognised in unrealised gains on financial assets measured at FVPL (see Note 27(e)).

An analysis of the gains from disposal of Cellpro Biotech is set out below:

	RMB'000
Cash consideration received	64,170
Fair value of 16% equity investment on disposal date	20,601
Fair value of 16% put option on disposal date	9,348
Less: net assets of Cellpro Biotech on disposal date (51%)	(14,590)
Less: goodwill disposed	(53,335)
Less: fair value of 51% put option on acquisition date	(17,433)
Net gains from disposal of a subsidiary	8,761

An analysis of the cash flows in respect of the disposal of Cellpro Biotech is as follows:

	RMB'000
Cash consideration received	64,170
Less: balance of cash and cash equivalents disposed	(10,570)
Net cash inflow of cash and cash equivalents included in cash flows from investing activities	53,600

27 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 2022 and 2021, 52.6% and 46.1% of the total trade receivables were due from the Group's top five largest customers. Trade receivables are generally due within 60 to 360 days from the date of billing.

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

(a) Credit risk *(Continued)*

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at lifetime ECL. The Group determines ECL by using a provision matrix, estimated based on historical credit loss experience, the past default experience of the debtor, general economic conditions of the industry and country in which the debtors operates and an assessment of both the current and the forecast duration of condition as of the end of the reporting period. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021:

	2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	5.6%	90,877	(5,076)
Within 6 months past due	18.9%	49,725	(9,389)
6 ~ 12 months past due	66.7%	15,819	(10,551)
12 ~ 18 months past due	72.1%	2,247	(1,620)
18 ~ 24 months past due	100.0%	1,182	(1,182)
Over 2 years past due	100.0%	3,250	(3,250)
		163,100	(31,068)

	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)

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

(a) Credit risk *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	Losses allowance on trade receivables RMB'000
Balance at 1 January 2021	412
Impairment losses recognised	8,885
At 31 December 2021 and 1 January 2022	9,297
Amounts written off	(4,954)
Impairment losses recognised	26,725
At 31 December 2022	31,068

27 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 2022					
	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	2,174	–	–	–	2,174	2,146
Trade and other payables	106,291	–	–	–	106,291	106,291
Bank loans	3,281	3,290	9,844	86,430	102,845	73,394
	111,746	3,290	9,844	86,430	211,310	181,831

	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

27 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.

	2022		2021	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate instruments:				
Lease liabilities	**4.50%**	**(2,146)**	4.50%	(4,921)
Bank loans	**4.15% — 4.50%**	**(73,394)**	4.20% — 4.50%	(43,645)
		(75,540)		(48,566)
Variable rate instruments:				
Cash at bank	**0.001% — 0.3%**	**1,190,301**	0.001% — 0.3%	1,030,294
Time deposits with banks	**2.15% — 4.22%**	**141,845**	2.15%	508,630
		1,256,606		1,490,358

27 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 2022			As at 31 December 2021		
	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**	**(9,559)**	**(9,559)**	100	(14,904)	(14,904)
	(100)	**9,559**	**9,559**	(100)	14,904	14,904

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.

	2022 USD RMB'000	2021 USD RMB'000
Cash and cash equivalents	**748,180**	683,637

(Expressed in Renminbi Yuan unless otherwise indicated)

27 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.

	2022		2021	
	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%**	**(74,818)**	10%	(68,364)
	(10%)	**74,818**	(10%)	68,364

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

27 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 with assistance of external valuers, performing valuation for the financial instruments, including wealth management products, unlisted equity investment, put options and unlisted fund investment, 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.

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Unlisted fund investment	2,576	—	2,576	—
Derivative financial instrument	14,975	—	—	14,975
Unlisted equity investment	17,808	—	—	17,808
	35,359	—	2,576	32,783

During the years ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

27 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)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted fund investment is determined by the financial institution based on the observable quoted price of the underlying investment portfolio.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Derivative financial instrument	Black-Scholes model	Expected volatility	55.35%	1% increase/(decrease) in expected volatility would result in increase/ (decrease) in fair value by RMB63,000.
Unlisted equity investment	Market method	LoMD	20%	1% increase/(decrease) in discount rate would result in (decrease)/ increase in fair value by RMB1,325,000.

The movements during the period in the balance of these Level 2 and 3 financial assets at fair value through profit or loss was as follows:

	2022 RMB'000
Bank's wealth management products	
At 1 January	**–**
Payment for purchases	**75,000**
Net realised gains during the year	**407**
Redemption of investment	**(75,407)**
At 31 December	**–**
Total gains or losses for the year included in profit or loss from continuing operations	**407**

27 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)

Information about Level 3 fair value measurements (Continued)

	2022 RMB'000
Derivative financial instrument	
At 1 January	–
Addition from disposal of a subsidiary (Note 26)	9,348
Changes in fair value recognised in profit or loss during the year	5,627
At 31 December	14,975
Total gains or losses for the year included in profit or loss from continuing operations	5,627

	2022 RMB'000
Unlisted equity investment	
At 1 January	–
Addition from disposal of a subsidiary (Note 26)	20,601
Changes in fair value recognised in profit or loss during the year	(2,793)
At 31 December	17,808
Total gains or losses for the year included in profit or loss from continuing operations	(2,793)

(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 2022 and 2021.

28 COMMITMENTS

Capital commitments outstanding at 31 December 2022 and 2021 not provided for in the consolidation financial statements were as follows:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Authorised and contracted for		
— Property, plants and equipment	**64,725**	75,546
— Fund investment (Note 14)	**8,004**	—
— Equity investment	**—**	42,523
	72,729	118,069

29 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	
	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**6,070**	4,714
Discretionary bonuses	**1,919**	925
Retirement scheme contributions	**228**	129
Equity settled share-based payment	**—**	7,905
	8,217	13,673

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

During the reporting period, the directors are of the view that the following companies are related parties:

Name of party	Relationship
Liang Bo	Controlling Shareholder
Liang Ping	Close family member of the Controlling Shareholder
Benxi Shengjing Medical Laboratory Co., Ltd. ("**Benxi Medical Laboratory**") 本溪盛京醫學檢驗所有限公司(i)	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)	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)	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

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

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

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

Sales of testing kits

	2022 RMB'000	2021 RMB'000
Shandong Medical Laboratory	**20,493**	14,904
Suzhou Medical Laboratory	**10,802**	15,922
Benxi Medical Laboratory	**4,938**	10,404
	36,233	41,230

Sales of testing devices and instruments

	2022 RMB'000	2021 RMB'000
Shandong Medical Laboratory	**3,608**	—
Suzhou Medical Laboratory	**7,136**	—
Benxi Medical Laboratory	**442**	—
	11,186	—

Service fee charged by related parties

	2022 RMB'000	2021 RMB'000
Shandong Medical Laboratory	**7,701**	5,283
Suzhou Medical Laboratory	**9,511**	7,562
Benxi Medical Laboratory	**884**	2,819
	18,096	15,664

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party balances

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

	2022 RMB'000	2021 RMB'000
Amounts due from related parties		
Trade related:		
Shandong Medical Laboratory	**29,937**	21,276
Benxi Medical Laboratory	**8,505**	15,344
Suzhou Medical Laboratory	**23,712**	13,180
	62,154	49,800

	2022 RMB'000	2021 RMB'000
Amounts due to related parties		
Non-trade related:		
Shandong Medical Laboratory	**1,223**	7,707
Benxi Medical Laboratory	**884**	2,988
Suzhou Medical Laboratory	**3,898**	—
	6,005	10,695

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	11	**164,586**	19,695
Right-of-use assets	12	**9,354**	11,813
Interest in subsidiaries	13	**629,100**	324,000
Financial assets measured at fair value through profit or loss (FVPL)	14	**35,359**	—
Other non-current assets	15	**—**	42,477
		838,399	397,985
Current assets			
Trade and other receivables		**8,451**	35,110
Other current assets		**1,610**	3,712
Restricted cash	19	**—**	15,730
Cash and cash equivalents	19	**1,267,323**	1,497,137
		1,277,384	1,551,689
Current liabilities			
Trade and other payables		**51,357**	2,336
Lease liabilities		**1,796**	2,329
Income tax payable	24(a)	**4,498**	—
		57,651	4,665
Net current assets		**1,219,733**	1,547,024
Total assets less current liabilities		**2,058,132**	1,945,009
Non-current liabilities			
Bank loans	22	**73,394**	23,645
Deferred Income		**380**	—
Lease liabilities		**—**	1,811
		73,774	25,456
NET ASSETS		**1,984,358**	1,919,553
CAPITAL AND RESERVES	25		
Share capital		**273,526**	273,526
Reserves		**1,710,832**	1,646,027
TOTAL EQUITY		**1,984,358**	1,919,553

Approved and authorised for issue by the board of directors on 30 March 2023.

Liang Bo
Director

Kong Lingyin
Director

(Expressed in Renminbi Yuan unless otherwise indicated)

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There were no material non-adjusting events after the reporting period.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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
IAS 17, Insurance contracts	1 January 2023
Amendments to IAS 1, *Presentation of Financial Statements* and IFRS Practice Statement 2, *Making Materiality Judgements: Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024

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.

33 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

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 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
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"Broad Vision Harmony"	Zhangjiagang Broad Vision Harmony Shareholding Investment Fund (Limited Partnership) (張家港博華和瑞股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on July 2, 2020
"Broad Vision Investment"	Zhangjiagang Broad Vision Investment Fund (Limited Partnership) (張家港博華創業投資合夥企業(有限合夥)), previously known as Ningbo Meishan Free Trade Port Area Bohua Guangzheng Venture Capital Partnership (Limited Partnership) (寧波梅山保税港區博華光證創業投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on May 11, 2018
"Company", "our Company" or "the Company"	Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司)
"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
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for 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
"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

Definitions

"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, 2022
"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
"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 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