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

GLOBAL OFFERING

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CITIC SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

citi

CICC 中金公司

Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG

招銀国际 CMB INTERNATIONAL

ICBC 工银国际

浦銀國際 SPDB INTERNATIONAL

Joint Lead Manager

富途證券

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

Suzhou Basecare Medical Corporation Limited
蘇州貝康醫療股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**66,667,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**6,667,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**60,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$27.36 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong Dollars and subject to refund)**
Nominal Value	:	**RMB1.00 per H Share**
Stock Code	:	**2170**

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Joint Bookrunners and Joint Lead Managers

Joint Lead Manager

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VII—Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, February 1, 2021 (Hong Kong time) and, in any event, not later than Tuesday, February 2, 2021 (Hong Kong time). The Offer Price will be not more than HK$27.36 per Offer Share and is currently expected to be not less than HK$26.36 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, February 2, 2021 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$27.36 for each Hong Kong Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$27.36.

We are incorporated, and a majority part of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors," "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S to investors.

January 27, 2021

EXPECTED TIMETABLE[1]

If there is any change in the following expected timetable, we will issue an announcement on the respective websites of our Company at **www.basecare.cn** and the Hong Kong Stock Exchange at **www.hkexnews.hk**.

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . . 11:30 a.m. on Monday, February 1, 2021

Application lists open[3] . . . . . 11:45 a.m. on Monday, February 1, 2021

Latest time for lodging **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Monday, February 1, 2021

Latest time for completing payment of **WHITE FORM eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s). . . . . 12:00 noon on Monday, February 1, 2021

Latest time for giving **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Monday, February 1, 2021

Application lists close[3] . . . . . 12:00 noon on Monday, February 1, 2021

Expected Price Determination Date[5] . . . . . Monday, February 1, 2021

(1) Announcement of

- the Offer Price,
- the level of indications of interest in the International Offering,
- the level of applications in the Hong Kong Public Offering,
- basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering,

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before. . . . . Friday, February 5, 2021

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "*How to Apply for Hong Kong Offer Shares—Publication of Results*" in this prospectus from . . . . . Friday, February 5, 2021

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.basecare.cn** on or before. . . . . Friday, February 5, 2021

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . . Friday, February 5, 2021

Despatch/collection of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7] . . . . . Friday, February 5, 2021

Despatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[6][7]. . . . . Friday, February 5, 2021

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at . . . . . .9:00 a.m. on Monday, February 8, 2021

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a. m. on the last day for submitting applications. **If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.**

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, February 1, 2021, the application lists will not open on that day. For further details, see "*How to Apply for Hong Kong Offer Shares—Effect of Bad Weather on the Opening of the Application Lists*".

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "*How to Apply for Hong Kong Offer Shares—Applying by Giving Electronic Application Instructions to HKSCC via CCASS*" in this prospectus for further details.

(5) The Price Determination Date is expected to be on or about Monday, February 1, 2021 and, in any event, not later than Tuesday, February 2, 2021. If, for any reason, the Offer Price is not agreed by Tuesday, February 2, 2021 between us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

(6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

(7) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques (if applicable) and/or H Share certificates in person from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Friday, February 5, 2021 or such other date as notified by our Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations who is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to section headed "*How to Apply for the Hong Kong Offer Shares—Personal Collection—(iv) If you apply via Electronic Application Instructions to HKSCC*" in this prospectus for further details.

Applicants who have applied through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Uncollected H Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified on the relevant Application Forms.

Further details are set out in the section headed "How to Apply for the Hong Kong Offer Shares—13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares—14. Despatch/Collection of H Share Certificates and Refund Monies" in this prospectus.

H Share certificates for the Hong Kong Offer Shares are expected to be issued on Friday, February 5, 2021 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Monday, February 8, 2021. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of H Share certificates or before the H Share certificates becoming valid certificates of title do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

Page

EXPECTED TIMETABLE i

CONTENTS iv

SUMMARY 1

DEFINITIONS AND ACRONYMS 25

GLOSSARY OF TECHNICAL TERMS 39

FORWARD-LOOKING STATEMENTS 45

RISK FACTORS 47

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE 94

CONTENTS

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING		104
DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING		110
CORPORATE INFORMATION		117
INDUSTRY OVERVIEW		119
REGULATORY OVERVIEW		141
HISTORY AND CORPORATE STRUCTURE		168
BUSINESS		187
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT		270
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER		286
CONNECTED TRANSACTION		293
SUBSTANTIAL SHAREHOLDERS		299
CORNERSTONE INVESTORS		302
SHARE CAPITAL		310
FINANCIAL INFORMATION		313
FUTURE PLANS AND USE OF PROCEEDS		367
UNDERWRITING		370
STRUCTURE OF THE GLOBAL OFFERING		384
HOW TO APPLY FOR HONG KONG OFFER SHARES		396
APPENDIX I	ACCOUNTANTS' REPORT	I-1
APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX IIA	LOSS ESTIMATE	IIA-1
APPENDIX III	TAXATION AND FOREIGN EXCHANGE	III-1
APPENDIX IV	SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS	IV-1
APPENDIX V	SUMMARY OF ARTICLES OF ASSOCIATION	V-1
APPENDIX VI	STATUTORY AND GENERAL INFORMATION	VI-1
APPENDIX VII	DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	VII-1

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decided to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with investing in companies such as ours. Your investment decision should be made in light of these considerations.

OVERVIEW

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

We are developing two other pre-implantation genetic testing, or PGT, products, namely, PGT-M and PGT-SR kits, which, together with our PGT-A kit, would form a complete test kit lineup to occupy the PGT field, all based on next-generation sequencing, or NGS, technologies. We expect to obtain NMPA registration approval for these kits in 2022 and 2024, respectively, which we anticipate would further our dominance in the third-generation IVF genetic test kit market in China, well ahead of potential competition.

Leveraging our core strength in PGT, we have positioned ourselves to become an innovative platform in China's broader reproductive genetics market. We have extended our reach beyond the pre-implantation stage to the prenatal and postnatal stages, and are developing one kit in each stage, which makes us a company in China with a genetic test kit pipeline that covers the full reproductive cycle, according to Frost & Sullivan. Beyond test kits, we have developed a number of innovative devices and instruments that can improve work flow in molecular genetic laboratories with our kits. In addition to our self-developed products, we also distribute DA8600, the only NGS sequencer approved by the NMPA for PGT, on which our test kits are designed to run, and a number of other test kits.

We have pioneered a solution model under which we provide our clients, which are hospitals and reproductive clinics in China offering the relevant assisted reproductive services, with one-stop, customized integrated solutions, including not only consumables (test kits) and hardware devices and instruments but also comprehensive services, such as providing guidance and advice on laboratory design, operation and management, pre-sale and after-sale technical support, on demand based on specific individual needs, to help them establish from scratch, and further enhance, their reproductive genetic testing, analysis and counseling capabilities. Through our comprehensive solutions, we aspire to empower our clients to better serve reproductive patients in China in ways that did not exist before.

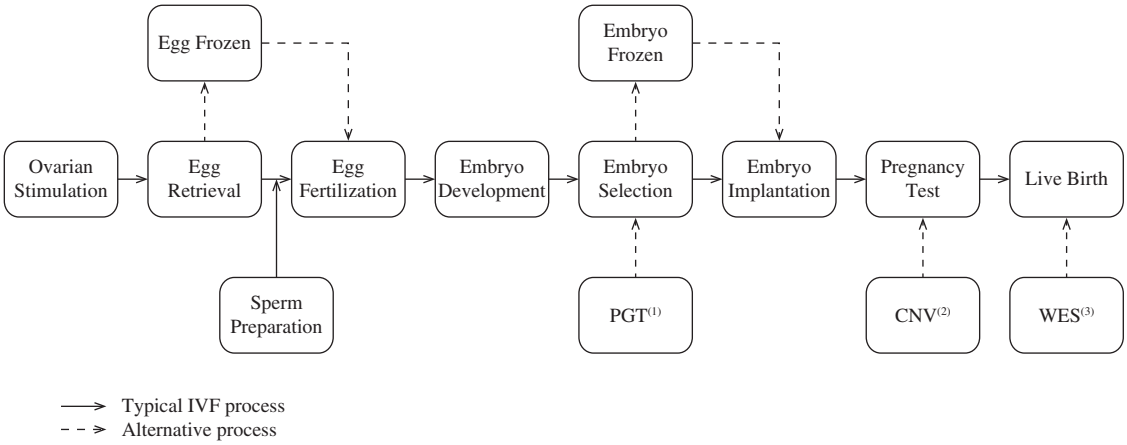
Third-generation IVF is only beginning to develop in China. The large population base, growing awareness and acceptance of PGT as part of IVF treatments, and a PGT penetration rate that is significantly lower than that in the United States suggest significant growth potential. Based on our dominant leadership in PGT, we believe we are strategically positioned to serve the larger reproductive genetics medical devices market.

We have strong R&D capabilities based on a clinically driven R&D model to develop one-stop, customized integrated reproductive genetics solutions to address unmet clinical needs in China, tailored to overcome the challenges specific to the Chinese patient population. We focus on developing intellectual property—a combination of patents, copyrights, proprietary know-how and trade secrets—for products and solutions that we believe have mass-market demand potential and clear regulatory pathway visibility. In addition to conducting internal R&D programs, we partner with key business partners in many aspects of our business, such as major hospitals and reproductive clinics in China, global life sciences and biotechnology companies in the industry, such as Thermo Fisher, and academic institutions, such as the Chinese University of Hong Kong. We maintain solid relationships with influential KOLs and physicians in the assisted reproduction medical field and establish joint laboratories with major hospitals and reproductive clinics in China, so that we understand the most acute needs of frontline clinical care. We believe our holistic R&D approach and comprehensive capabilities have been the foundation of our industry position.

We have a dedicated management team with deep industry experience and firm commitment to the reproductive genetics cause, led by our founder and chairman of the Board, Dr. Liang. With over ten years of experience in bioinformatics, Dr. Liang has not only led the development of successful products and technologies in the genetic testing field, but also enjoyed a good reputation in the academic community, having co-published over 20 academic papers in respected scientific journals. Our R&D team has a stable core of industry veterans, including Dr. Liang, who have worked together in the reproductive science industry for almost a decade.

THE IVF PROCESS

At the beginning of an IVF cycle, patients are treated with synthetic hormones to stimulate the production of multiple eggs. After one to two weeks of ovarian stimulation, eggs are retrieved and fertilized. Fertilized embryos are usually developed in the laboratory for two to six days. Prior to the implantation of embryos, patients of certain characteristics may be recommended to undergo PGT to detect potential genetic diseases. Within 14 days after embryo implantation, a blood test will be conducted to detect whether the IVF was successful. The following diagram illustrates the major steps in the IVF process.



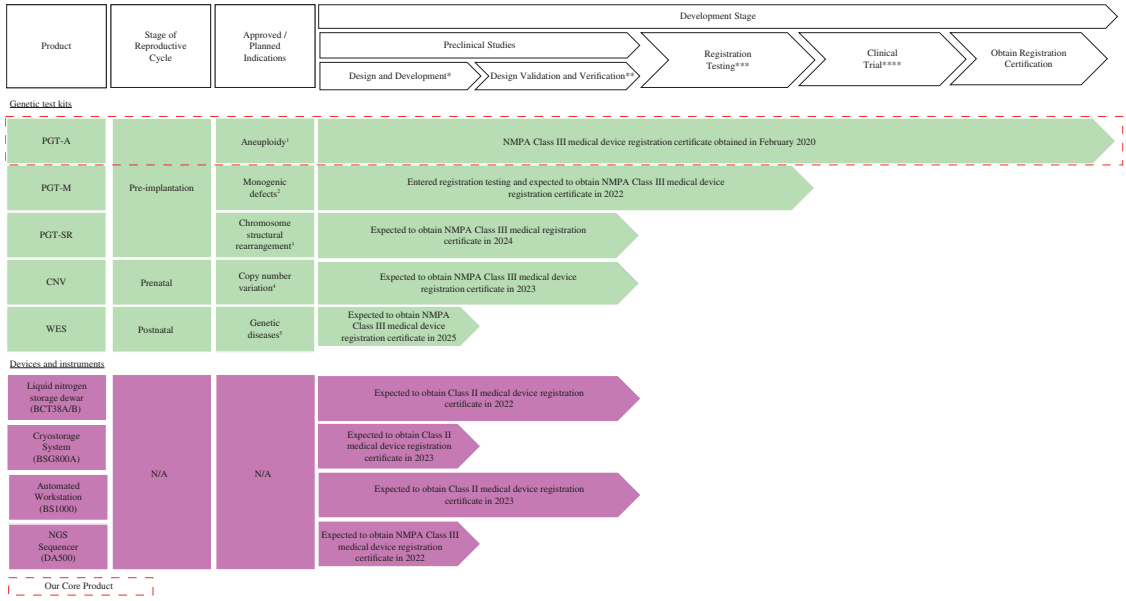
(1) PGT is performed before the implantation of an embryo to screen for genetic abnormalities. The launch of NMPA-approved PGT kits could reduce the costs of PGT and enables hospitals to provide PGT services to patients with higher efficiency and at more affordable prices.

(2) CNV testing is typically used at the prenatal stage on abortive tissues for a comprehensive panel of genes commonly associated with miscarriage to assess and lower the risk of future miscarriage.

(3) WES is conducted on newborns and parents as early intervention, which could significantly reduce the severity and control the heredity of genetic diseases in future pregnancies.

OUR PRODUCT PORTFOLIO

The following table sets forth selected details of our product portfolio as of the Latest Practicable Date:



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

** Includes analytical performance evaluations and stability study

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

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

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

2. For carriers of thalassemia

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

4. For patients who have experienced miscarriage

5. For carriers of over 200 genetic diseases

Our Genetic Test Kit Products

Pre-implantation Genetic Test Kit Products

PGT-A Kit

Our PGT-A kit is designed to detect aneuploidy, *i.e.*, an abnormal number of chromosomes in embryos in the IVF process before they are implanted into mothers. Our PGT-A kit is the first and only NMPA-approved genetic test kit for aneuploidy, having obtained a Class III medical device registration certificate in February 2020. It is approved for women who are 35 years 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 who have chromosomal abnormalities. Our PGT-A kit has following advantages: (i) only NMPA-approved PGT product in China; (ii) comprehensive chromosome sequencing capabilities; (iii) uniformed WGA and accurate chromosome screening results; and (iv) higher sensitivity and specificity.

We conducted a multi-center, prospective, blinded clinical trial to evaluate the effectiveness of our PGT-A kit in identifying aneuploidy. 1,482 couples undergoing IVF treatment in six reproductive clinics in China were enrolled in the clinical trial. A total of 6,282 embryo samples were collected from the enrolled couples, with at least two embryos from each enrolled couple. The embryos were then biopsied and tested using our PGT-A kit. Of the 6,282 embryo samples, our PGT-A kit identified 1,672 as positive embryos and 4,483 as negative embryos. 381 positive embryo tested as positive were validated by FISH and demonstrated a 100% sensitivity (95% CI: 99.00%-100%), meaning that our PGT-A kit was able to correctly identify all embryos that were aneuploid. 291 embryos tested as negative were validated by chromosome karyotyping, counting the number of the chromosomes under the microscope after staining the chromosomes. Our PGT-A kit demonstrated a 100% specificity (95% CI: 98.70%-100%), meaning that our PGT-A kit was able to correctly identify all embryos that were euploid, or normal. As of the Latest Practicable Date, we did not have any approved patents relating to our PGT-A kit and had filed four patent applications in China relating to our PGT-A kit, which were pending approval from the relevant authorities.

We started to develop our PGT-A kit in 2014. We received a Class III medical device registration certificate from the NMPA in February 2020 and began to initiate commercial sales of our PGT-A product in April 2020. Previously, during the Track Record Period, we made research use only sales of our PGT-A kit. During the same period, the average selling price and sales volume of our PGT-A kit was approximately RMB1,253 per unit and 32,388 units, respectively. We are required to collect more clinical data from at least ten reproductive clinics to monitor the accuracy and effectiveness of our PGT-A kit and submit these data to the NMPA to renew our registration certificate in 2025.

We manufacture our PGT-A kit in our manufacturing facility in Suzhou. In terms of commercialization strategy, we plan to focus our marketing and sales efforts on major hospitals and reproductive clinics in China licensed to provide IVF treatments. We will also cooperate with marketing agents to expand our coverage of more reproductive clinics.

PGT-M Kit

PGT-M looks for single-gene, or monogenic, defects in pre-implantation IVF embryos. We have developed a PGT-M kit with improved sensitivity and specificity. It eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time from approximately two months to around two weeks, thereby reducing testing costs for patients as well. To date our PGT-M kit is the first and only product of its kind that has completed the registration testing in China. We believe our PGT-M kit has the following potential advantages: (i) faster and lower cost with no pre-examination process; and (ii) more accurate data analysis and interpretation.

We have completed NMPA registration testing in November 2020 and are under ethical review of the hospitals in order to obtain the hospitals' ethical approval. With the satisfactory results from the registration testing, we plan to commence our clinical trial in early 2021 and expect to receive a Class III medical device registration certificate from the NMPA in 2022.

PGT-SR Kit

PGT-SR looks for chromosomal structural rearrangements, including deletions, duplications, inversions and translocations, in pre-implantation IVF embryos. There have been no effective clinical solutions for this test due to the many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests, making mass clinical application difficult. Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. Our PGT-SR kit has high mass-market potential, offering one test with broad disease detectability and eliminating the need for patient-specific pre-exam validation, which translates to faster result turnaround time from three to six months to just two weeks and significantly lower costs for patients. We believe our PGT-SR kit has the following advantages: (i) effective clinical solution for testing chromosomal structural rearrangement; and (ii) shorter turnaround time with lower costs.

As of the Latest Practicable Date, we were preparing documents and materials for registration testing, which we planned to enter in late 2021. We expect to commence our clinical trial in early 2022 subject to satisfactory results from the registration testing and expect to receive a Class III medical device registration certificate from the NMPA in 2024.

Prenatal Test Kit Products

CNV Kit

Leveraging our advanced proprietary sequencing technologies and genetic testing capabilities for PGT-A, we have developed a CNV kit for prenatal testing, which can identify genetic variations in genes commonly associated with miscarriage. Copy number variation is the variation in the number of particular genetic sequences that are lost or gained, which can

identify chromosomal variations commonly associated with miscarriage copy number variation is the variation in the number of particular genetic sequences that are loss or gain. We believe our CNV kits have advantages of higher sensitivity and test success rates.

As of the Latest Practicable Date, we were preparing technical requirements and standard product samples for NMPA registration testing. We plan to file for registration testing in early 2021 and commence our clinical trial in mid-2021. We plan to conduct a multi-center clinical trial involving more than 3,000 abortive tissues in three clinical study centers. We expect to receive registration approval from the NMPA in 2023.

Postnatal Test Kit Product

WES Kit

We are developing a postnatal genetic testing product, the whole exome sequencing, or WES, kit, which is to identify genetic reasons for certain diseases. Our WES kit sequences the exons, introns and mitochondrial regions, with potentially the widest genetic disease coverage, according to Frost & Sullivan.

As of the Latest Practicable Date, we were preparing materials for NMPA registration testing. We plan to file for registration testing in mid-2022 and commence a multi-center clinical trial for our WES kit in late 2022. We expect to obtain NMPA registration approval in 2025.

Genetic Testing Devices and Instruments

As of the Latest Practicable Date, we were developing four genetic testing devices and instruments, namely, our liquid nitrogen storage dewar (BCT38A/B), cryostorage system (BSG800A), automated workstation (BS1000) and NGS sequencer (DA500).

- **BCT38A/B.** The liquid nitrogen storage dewar (BCT38A/B) is designed for safe and convenient liquid nitrogen storage and handling. Embryos developed during IVF treatments are required to be stored in liquid nitrogen to maintain their viability for future use. Our BCT38A/B can provide superior vacuum performance and decrease evaporation rate of liquid nitrogen. The design of dual displays of real-time temperature and liquid level and the GPS technology promotes the accessibility of our dewar. One dewar can keep up to 1,000 to 3,000 samples. In May 2020, we obtained the CE certificate from the European Union for our BCT38A/B, a gold standard for health and safety. We plan to apply for registration testing in early 2021 and expect to receive a class II medical device registration certificate from Jiangsu MPA in late 2022.

- **BSG800A.** Our cryostorage system (BSG800A) is an intelligent, fully automated and fully digitalized cryostorage system for embryos storage. Our BSG800A provides a fully automated cryostorage systems that can store up to 50,000 samples

at -196°C, the boiling point of liquid nitrogen. Our cryostorage system is equipped with a unique QR code tagging system, automated data recording and storage system, and intelligent temperature detection, sample extraction and storage and liquid nitrogen replenishment capabilities. In May 2020, our BSG800A received CE certificate. We expect to apply for registration testing in late 2021 and expect to receive a class II medical device registration certificate in Jiangsu NMPA in late 2023.

- **BS1000.** Our automated workstation (BS1000) is a fully intelligent and automated workstation developed by us and Beckman Coulter. It is designed to simplify the process of handling and managing embryo samples, which can simplify the operation process, reduce human error and decrease the administrative and preparatory work involved in NGS. We plan to apply for registration testing in mid 2021 and expect to receive a Class II medical device registration certificate from Jiangsu MPA for our automated workstation in late 2023.

- **DA500.** We are in the early states of developing a NGS sequencer, DA500, with higher throughput to further shorten testing turnaround time for our test kits. By changing the way of aligning chips, our DA500 is designed to have a throughput of 500M reads per run, therefore increasing the processing ability of the sequencer provide comprehensive resolution for many kinds of genetic test kits. We expect to receive NMPA Class III medical device registration certificate for our DA500 in 2022.

Products We Distribute

We distribute the following products:

- **NIPT Kit.** NIPT (noninvasive prenatal testing) is designed to analyze DNA fragments in maternal blood during pregnancy to identify the likelihood of genetic abnormalities of the fetus. We are one of distributors of Da An's NIPT kit (later transferred to Guangzhou Darui) in China, which was approved by the NMPA as a Class III medical device in November 2014.

- **DA8600.** DA8600 is developed and manufactured by Da An, and is the only NGS sequencer approved by the NMPA for PGT on which our kits and several types of test kits developed by third parties are designed to run. It has obtained a Class III medical device registration certificate from the NMPA since 2014.

- **Other Products.** During the Track Record Period, we also distributed three metagenomic genetic detection (MGD) kits, namely respiratory virus nucleic acid detection kit, respiratory pathogens nucleic acid detection kit and novel coronavirus (2019-nCoV) nucleic acid detection kit.

COMPETITIVE STRENGTHS

We believe that the following are our competitive strengths and investment highlights: (i) an innovative platform of genetic testing solutions for assisted reproduction in China, with the first and only NMPA-approved third-generation IVF genetic test kit; (ii) comprehensive portfolio of genetic testing products with prominent technological advantages covering the full reproductive cycle; (iii) innovative service model with clinical support capabilities; (iv) strong R&D capabilities based on clinically driven R&D model and expertise with proven track record of success; (v) visionary management team with deep industry experience and firm commitment to cause; and (vi) dominant leadership in PGT and strategic vision on larger markets.

BUSINESS STRATEGIES

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

OUR INDUSTRY, MARKET OPPORTUNITIES AND COMPETITIVE LANDSCAPE

The reproductive genetics medical devices market in China is relatively nascent and rapidly growing. For details, see "Industry Overview."

- *PGT*. The demands for PGT, driven by the development of third-generation IVF treatments, is growing rapidly in China. The number of PGT cycles increased from approximately 3,700 in 2015 to approximately 30,400 in 2019, representing a CAGR of 69.4%, and is expected to reach approximately 270,000 in 2024, representing a CAGR of 55.3% from 2019 to 2024, according to Frost & Sullivan. Assuming the standard six embryos per cycle, this translates to approximately 0.2 million embryos in 2019 and 1.6 million in 2024. Driven by the commercial launch of PGT reagents, the PGT reagents market in China is expected to increase rapidly in the next few years, with its market size in terms of sales revenue (based on ex-factory prices) growing from RMB95.9 million in 2020 to RMB3.4 billion in 2025, representing a CAGR of 103.8%, and further to RMB14.7 billion in 2030, representing a CAGR of 34.2% from 2025 to 2030.

  As of the Latest Practicable Date, the PGT-A kit of the Company is the only PGT reagent product approved by the NMPA for commercial sale in China and our potential domestic and international competitors are still years away from receiving regulatory approval for their product candidates, according to Frost & Sullivan. For details, see "Industry Overview – The Reproductive Genetics Reagents Market in China – PGT Reagent Market in China – Competitive Landscape."

- *CNV.* Driven by the improvement of CNV testing accuracy and speed, and the more affordable price, the CNV service market is expected to experience significant growth, with its market size, in terms of total expenditures of patients on CNV service, expecting to reach RMB0.9 billion in 2024 and RMB1.3 billion in 2030, representing a CAGR of 35.2% from 2019 to 2024 and a CAGR of 5.7% from 2024 to 2030.

  As of the Latest Practicable Date, no CNV kits developed by domestic or international competitors had been approved by the NMPA in China. The first CNV kit is expected to be approved by the NMPA in 2021 in China. For details, please see "Industry Overview—The Reproductive Genetics Reagents Market in China—Prenatal Reproductive Genetic Reagents Market in China—Competitive Landscape."

- *WES.* Driven by growing awareness of genetic diseases and the benefits of genetic testing, as well as the affordability of WES, parents are more likely to undertake WES testing for newborns and themselves, resulting an increase in the penetration rate of WES in recent years, which increased from 0.01% in 2015 to 0.55% in 2019, is expected to reach 2.79% in 2024.

  As of the Latest Practicable Date, no WES kits developed by domestic or international competitors had been approved for marketing by the NMPA in China or had entered into clinical trials or registrations stages in China. The first WES kit is expected to be approved by the NMPA in 2025 in China. For details, please see "Industry Overview—The Reproductive Genetics Reagents Market in China—Postnatal Reproductive Genetic Reagents Market in China—Competitive Landscape."

- *Reproductive Genetics Medical Equipment.* With the development of technology, the medical equipment market is undergoing significant changes where traditional manual operation equipment is gradually replaced by more intelligent and automated equipment. In particular, the storage equipment segment, driven by the development of cryostorage equipment, is expected to increase faster than the overall market in the foreseeable future, with its market size in terms of sales revenue (based on ex-factory prices) expected to increase from RMB90.0 million in 2019 to RMB1.6 billion in 2024, representing a CAGR of 77.8% from 2019 to 2024, with a sharp increase from RMB111.9 million in 2021 to RMB711.4 million in 2022.

  As of the Latest Practicable Date, 16 types of genetic sequencers had been approved by the NMPA, among which DA8600 is the only NGS sequencer approved by the NMPA for PGT in China. For details, please see "Industry Overview—The Reproductive Genetics Reagents Market in China—Reproductive Genetics Medical Equipment Market in China—Competitive Landscape."

RESEARCH AND DEVELOPMENT

We believe that our continued research and development is the key driver of our business growth and competitiveness. Our R&D efforts are primarily driven by unmet clinical demand in reproductive genetics with a mission of developing and launching innovative genetic testing solutions that are specifically designed for the Chinese population and that address unmet clinical needs in China, from early screening of genetic diseases to testing for newborns. As a result of our R&D efforts, we have built a robust portfolio of in-house developed products to cover the full reproductive cycle, including genetic test kits for pre-implantation embryos, namely, our PGT-A, PGT-M and PGT-SR products, and our CNV and WES kits. We are also developing four devices and instruments to complement our genetic test kit products, with a focus on enabling more efficient, automated and intelligent storage and management of embryos and other reproductive materials. In particular, we are developing an intelligent, fully automated and fully digitalized cryostorage system for embryos storage in China, which is also an embryos storage equipment that has obtained the CE mark from the European Union, a gold standard for health and safety.

MANUFACTURING

We manufacture and assemble all of our in-house developed products in our manufacturing facility in Suzhou. Our manufacturing facility is designed in compliance with the GMP requirements of China with an annual production capacity of 400,000 reactions. We are accredited in accordance with ISO13485:2016 quality standard, an international quality control standard for the medical device industry. We have two ISO Class 7 cleaning rooms that are in compliance with ISO14644-1 cleaning grades standard, an international cleaning grades classification standard. We have commenced optimizing our production process to prepare us for commercial-scale manufacturing of our PGT-A kits after we had obtained a Class III medical device registration certificate from the NMPA. Our production lines are designed to be highly automated. As of the Latest Practicable Date, we had a manufacturing team of 14 employees.

SALES MODEL

Of our five in-house developed genetic test kit products, our PGT-A kit has obtained NMPA Class III medical device registration certificate while the other four are in registration testing or preclinical stages. During the Track Record Period, we sold these products to hospitals and reproductive clinics for limited scientific research purposes. During the Track Record Period, we sold a significant portion of products directly to hospitals and reproductive clinics. To a lesser extent, we also sold our genetic test kits to distributors, who in turn sell our products to hospitals and reproductive clinics.

Direct Sales

We enter into sales agreements directly with hospitals, reproductive clinics and third-party medical laboratories for our direct sales. For the year ended December 31, 2018, 2019 and the nine months ended September 30, 2020, 47%, 33% and 63% of our total revenue were derived from sales of test kits directly to hospitals and reproductive clinics, respectively. For our direct sales, our in-house sales marketing team are focused on serving key customers, which are primarily the hospitals and reproductive clinics in China that are licensed to provide third-generation IVF treatments. We also rely on third-party promoters to increase our penetration in third-party medical testing laboratories and to provide non-technical pre-sale and after-sale assistance to our customers.

Sales Through Distributors

During the Track Record Period, we sold a modest amount of products through distributors, who in turn sell our products to hospitals and reproductive clinics. For the year ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, 14.2%, 11.4% and 15.1% of our total revenue were derived from sales of test kits to distributors, respectively. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, we had engaged two, five and thirteen distributors in ten provinces across China. During the Track Record Period and as of the Latest Practicable Date, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees or had received any material advance or financial assistance from us.

We conduct annual review of our distributors, based on their financial performance, business performance and regulatory compliance. We set minimum retail prices to hospitals and other reproductive centers which may adjust based on market conditions. We may grant special discount prices, different rewards and provide study opportunities to our distributors based on the review, and we retain the discretion to adjust their credit terms, renegotiate order prices and certain other commercial terms with them based on the review results. We generally do not allow distributors to engage sub-distributors within their designated geographic area unless with our prior review and consent.

Pricing

For our in-house products and DA8600, there were no tender or bidding process or guidance price set by relevant PRC government authorities as of the Latest Practicable Date. For our direct sales to hospitals and reproductive clinics, we negotiate the price with each hospital and reproductive clinic directly. For our sales through distributors, we and our distributors negotiate and set retail prices directly with hospitals and reproductive clinics. We generally set a fixed purchase price of our in-house products in the distribution agreements. We take into account a number of factors in determining product prices, which primarily include our costs and expenses, market conditions in different regions and the competitive landscape for each product. The price of Da An's NIPT products we distributed as an exclusive distributor was set during the tender or bidding process of the relevant local governments.

OUR CUSTOMERS

During the Track Record Period, our customers primarily included (i) domestic reproductive clinics; (ii) women and children hospitals; and (iii) hospitals with assisted reproduction capabilities. For the year ended December 31, 2018 and 2019, and the nine months ended September 30, 2020, the aggregate sales to our five largest customers were RMB21.0 million, RMB24.4 million and RMB26.4 million, respectively, representing 64.4%, 43.8% and 46.1% of our revenue, respectively. Sales to our largest customer for the same periods were RMB6.2 million, RMB6.6 million and RMB6.7 million, respectively, representing 18.9%, 11.9% and 11.7% of our revenue for the same periods, respectively. As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

During the Track Record Period, our major suppliers primarily consisted of suppliers of raw materials and machinery and equipment and service providers. For the year ended December 31, 2018 and 2019, and the nine months ended September 30, 2020, purchases from our five largest suppliers were RMB23.7 million, RMB21.7 million and RMB21.2 million, respectively, representing 67.5%, 58.1% and 41.6% of our total purchases, respectively. Purchases from our largest supplier for the same periods were RMB11.0 million, RMB8.8 million and RMB10.0 million, respectively, representing 31.2%, 23.7% and 19.7% of our total purchases for the same periods, respectively. As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Liang, directly and through Basecare Investment, was entitled to exercise the voting rights attaching to approximately 45.66% of the total issued Shares of our Company. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), directly and through Basecare Investment, Dr. Liang will be entitled to exercise the voting rights attaching to approximately 34.25% of the total issued Shares of our Company. Accordingly, Dr. Liang and Basecare Investment will continue to be our Controlling Shareholders upon the Listing.

PRE-IPO INVESTMENT

Our Company underwent several rounds of Pre-IPO Investments since our establishment. Our Pre-IPO Investors include certain Sophisticated Investors, such as dedicated healthcare funds and biotech funds as well as established funds with a focus on investments in the healthcare sector. For details of our Pre-IPO Investments, please see the section headed "History and Corporate Structure—Pre-IPO Investments."

RISK FACTORS

We are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. There are unique challenges, risks and uncertainties associated with investing in companies such as ours, including the following: (i) we have incurred significant net losses since inception and expect to continue to incur losses, and may never achieve or maintain profitability; (ii) we may need to obtain substantial additional financing to fund our operations; (iii) our financial prospects depends on the success of our product portfolio; (iv) 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; (v) 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; (vi) our products and product candidates may fail to achieve market acceptance for commercial success; (vii) the market opportunities for our products may be smaller than we anticipate, which could render some products ultimately unprofitable even if commercialized; and (viii) 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. See "Risk Factors" of this prospectus for details of our risk factors, which you should read carefully and in full before you decide to invest in the Offer Shares.

SUMMARY OF KEY FINANCIAL INFORMATION

This summary of key financial information set forth below has been derived from, and should be read in conjunction with, our historical financial information, set forth in the Accountants' Report set out in Appendix I to this prospectus, as well as the information set forth in "Financial Information" of this prospectus. Our financial information was prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages)				*(unaudited)*			
Continuing operations								
Revenue	32,609	100.0%	55,685	100.0%	41,863	100.0%	57,243	100.0%
Cost of sales	(24,472)	(75.0)%	(29,432)	(52.9)%	(23,141)	(55.3)%	(36,766)	(64.2)%
Gross profit	8,137	25.0%	26,253	47.1%	18,722	44.7%	20,477	35.8%
Other income	3,999	12.3%	3,958	7.1%	2,684	6.4%	1,721	3.0%
Other losses	(26)	(0.1)%	(55)	(0.1)%	(50)	(0.1)%	(3,455)	(6.0)%
Distribution costs	(10,866)	(33.3)%	(11,011)	(19.8)%	(8,577)	(20.5)%	(7,024)	(12.3)%
Administrative expenses	(34,243)	(105.0)%	(7,990)	(14.3)%	(6,503)	(15.5)%	(14,745)	(25.8)%
Research and development expenses	(18,817)	(57.7)%	(19,885)	(35.7)%	(14,384)	(34.4)%	(21,967)	(38.4)%
Loss from operations	(51,816)	(158.9)%	(8,730)	(15.7)%	(8,108)	(19.4)%	(24,993)	(43.7)%
Finance costs	(927)	(2.8)%	(1,316)	(2.4)%	(941)	(2.2)%	(1,153)	(2.0)%
Share of (loss)/profit of associates	(174)	(0.5)%	(76)	(0.1)%	(76)	(0.2)%	250	0.4%
Changes in the carrying amount of financial instruments issued to investors	(104,088)	(319.2)%	(520,448)	(934.6)%	(362,527)	(866.0)%	(826,828)	(1,444.4)%
Loss before taxation	(157,005)	(481.5)%	(530,570)	(952.8)%	(371,652)	(887.8)%	(852,724)	(1,489.7)%
Income tax	5,069	15.5%	2,290	4.1%	2,568	6.1%	4,268	7.5%
Loss for the year/period from continuing operations	(151,936)	(465.9)%	(528,280)	(948.7)%	(369,084)	(881.7)%	(848,456)	(1,482.2)%
Discontinued operations								
Loss for the year/period from discontinued operations	(5,764)	(17.7)%	(5,717)	(10.3)%	(3,781)	(9.0)%	(3,835)	(6.7)%
Loss for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages)							
					(unaudited)			
Loss for the year/period attributable to equity shareholders of the Company:								
– from continuing operations	(151,936)	(465.9)%	(528,280)	(948.7)%	(369,084)	(881.7)%	(848,456)	(1,482.2)%
– from discontinued operations	(2,941)	(9.0)%	(3,056)	(5.5)%	(1,978)	(4.7)%	(2,928)	(5.1)%
Loss for the year/period attributable to equity shareholders of the Company	(154,877)	(475.0)%	(531,336)	(954.2)%	(371,062)	(886.4)%	(851,384)	(1,487.3)%
Loss for the year/period attributable to non-controlling interests:								
– from continuing operations	–	–	–	–	–	–	–	–
– from discontinued operations	(2,823)	(8.7)%	(2,661)	(4.8)%	(1,803)	(4.3)%	(907)	(1.6)%
Loss for the year/period attributable to non-controlling interests	(2,823)	(8.7)%	(2,661)	(4.8)%	(1,803)	(4.3)%	(907)	(1.6)%
Loss for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%
Total comprehensive income for the year/period attributable to:								
Equity shareholders of the Company	(154,877)	(475.0)%	(531,336)	(954.2)%	(371,062)	(886.4)%	(851,384)	(1,487.3)%
Non-controlling interests	(2,823)	(8.7)%	(2,661)	(4.8)%	(1,803)	(4.3)%	(907)	(1.6)%
Total comprehensive income for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%

We have not been profitable and incurred a net loss in each period comprising the Track Record Period. Our net losses during the Track Record Period were mainly attributable to changes in carrying amount of financial instruments issued to our Series A, Series B and Series C Pre-IPO Investors pursuant to their respective investment agreements, which were recognized as financial instruments issued to investors. See "Financial Information—Key Factors Affecting Our Results of Operations—Carrying Amount of Financial Instruments Issued to Investors." Our net losses were also partly attributable to our operating costs, which are expected to increase in the foreseeable future. During the Track Record Period, our operating costs primarily consisted of cost of sales, costs incurred in connection with our R&D programs and distribution and administrative expenses associated with our operations.

Summary of Consolidated Statements of Financial Position

	As of December 31,		As of September
	2018	**2019**	**30, 2020**
		(RMB'000)	
Non-current assets	39,984	36,187	35,851
Current assets	108,274	114,941	340,975
Current liabilities	54,300	52,161	68,867
Net current assets	53,974	62,780	272,108
Non-current liabilities	505,857	1,044,863	956
Net (liabilities)/assets	(411,899)	(945,896)	307,003
Total equity attributable to equity shareholders of the Company	(407,517)	(938,853)	307,003
Non-controlling interests	(4,382)	(7,043)	–
Total equity	(411,899)	(945,896)	307,003

The Directors are of the opinion that, taking into account (i) the financial resources available to our Group, including cash and cash equivalents of RMB201.5 million as of November 30, 2020, available financing facilities and the estimated net proceeds from the Global Offering, (ii) the planned commercialization of our PGT-A kit, and (iii) our cash burn rate, which is our cash and cash equivalents balance divided by average monthly net cash used in operating activities plus payments for property, plant and equipment, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this prospectus. Without taking into account the estimated net proceeds from the Global Offering, our Directors believe that we have sufficient working capital for approximately 12 months from the date of this prospectus.

During the Track Record Period, we had net liabilities primarily due to significant amount of financial instruments issued to our Series A, Series B and Series C Pre-IPO Investors pursuant to their respective investment agreements, which were recorded as financial instruments issued to investors in our non-current liabilities. During the Track Record Period, changes in the carrying amount of financial instruments issued to investors resulted in increases in our total loss from continuing operations. On July 23, 2020, we entered into supplementary investment agreements with the Pre-IPO Investors, pursuant to which the Pre-IPO Investors waived certain priority rights. These agreements enabled these financial instruments to be classified into our equity on July 23, 2020, after which we no longer recognized these financial instruments as financial liabilities or any changes in the carrying amount of such financial liabilities in our statements of profit or loss. We began to record a net asset position following the supplementary investment agreements.

Summary of Consolidated Statements of Cash Flows

	For the year ended December 31,		For the nine months ended September 30,	
	2018	2019	2019	2020
	RMB'000			
			(unaudited)	
Operating loss before changes in working capital	(22,711)	(7,141)	(6,451)	(21,903)
Total changes in working capital	(3,984)	(31,004)	(27,824)	(25,200)
Net cash used in operating activities	(26,695)	(38,145)	(34,275)	(47,103)
Net cash (used in)/generated from investing activities	(54,716)	16,765	5,852	27,229
Net cash generated from financing activities	82,118	26,494	22,421	221,125
Net increase/(decrease) in cash and cash equivalents	707	5,114	(6,002)	201,251
Cash and cash equivalents at beginning of year/period	18,334	19,041	19,041	24,155
Cash and cash equivalents at end of year/period	19,041	24,155	13,039	225,406

During the Track Record Period, we had net cash flows used in operating activities primarily attributable to loss before taxation from continuing operations, as adjusted by non-cash items, which primarily include changes in carrying amount of financial instruments issued to investors. For the nine months ended September 30, 2020 and the year ended December 31, 2019, such amounts of operating cash flows were further adjusted by changes

in working capital, which primarily include changes in operating receivables and operating payables. For the year ended December 31, 2018, amount of operating cash flows were further adjusted by changes in working capital, which primarily included changes in inventories.

In view of our net operating cash outflows throughout the Track Record Period, we plan to improve our operating cash flow position by (i) adopting comprehensive measures to effectively control cost and operating expenses, primarily including cost of sales, research and development expenses, distribution costs and administrative expenses; (ii) expanding sales of our NMPA-approved PGT-A kit, (iii) rapidly advancing our portfolio product candidates towards commercialization to generate revenue from product sales; and (iv) enhancing working capital management efficiency.

Key Financial Ratios

	As of/for the year ended December 31,		As of/for the nine months ended September 30,
	2018	**2019**	**2020**
Gross profit margin[(1)]	25.0%	47.1%	35.8%
Current ratio[(2)]	2.0	2.2	5.0
Quick ratio[(3)]	1.8	2.0	4.8

(1) Gross profit margin represents gross profit divided by revenue for the same period and multiplied by 100%.

(2) Current ratio represents current assets divided by current liabilities as of the same date.

(3) Quick ratio represents current assets less inventories divided by current liabilities as of the same date.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,684.7 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$26.86 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus.

We intend to apply these net proceeds for the following purposes, subject to changes in light of our evolving business needs and changing market conditions: (i) approximately 30%, or HK$505.4 million, will be allocated to our Core Product, the PGT-A kit; (ii) approximately 20%, or HK$336.9 million, will be used for the clinical trial, registration filing and commercialization of our PGT-M kit; (iii) approximately 30%, or HK$505.4 million, will be allocated to the development, clinical trials and registration filings of our other products; (iv) approximately 10%, or HK$168.5 million, will be used for improving our research and

development capabilities and enhancing our technologies; and (v) approximately 10%, or HK$168.5 million, will be used for our working capital and general corporate purposes. See "Future Plans and Use of Proceeds" for details.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that 66,667,000 H Shares will be issued pursuant to the Global Offering, 7,407,418 Unlisted Foreign Shares will be converted into H Shares and the Over-allotment Option is not exercised:

	Based on an Offer price of HK$26.36 per Share	**Based on an Offer price of HK$27.36 per Share**
Market capitalization of our Shares[(1)]	7,029.3 million	7,296.0 million
Market capitalization of our H Shares[(2)]	1,952.6 million	2,026.7 million
Unaudited *pro forma* adjusted consolidated net tangible assets per Share[(3)]	HK$7.58	HK$7.82

(1) The calculation of market capitalization is based on 266,667,000 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The calculation of the market capitalization of our H Shares is based on the 74,074,418 H Shares, comprising 66,667,000 H Shares to be issued under the Global Offering and 7,407,418 H Shares to be converted from Unlisted Foreign Shares, expected to be in issue immediately upon completion of the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 266,667,000 Shares immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.83363 prevailing on January 15, 2021.

DIVIDENDS

No dividend was paid or declared by the Company during the Track Record Period. The determination of whether to pay a dividend and in which amount is based on factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder's meeting. Under the PRC law and the Articles of Association, the general reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. In view of our accumulated losses, as advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations and the Articles of Association, we shall not declare or pay dividend until the accumulated losses are covered by our after-tax profits and sufficient statutory common reserve are drawn in accordance with the relevant laws and regulations.

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

Our Directors estimate, on the bases set out in Appendix IIA to this prospectus, and in the absence of unforeseen circumstances, the estimated consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2020 as follows:

Estimated consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2020[(1)]	Not more than RMB880 million

Note:

(1) The basis on which the above estimate has been prepared is set out in Appendix IIA to this prospectus.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB90.8 million (including underwriting commissions, assuming an Offer Price of HK$26.86 per H Share, which is the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised), of which approximately RMB9.1 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB81.7 million is expected to be accounted for as a deduction from equity upon the Listing. During the Track Record Period, we incurred Listing expenses of RMB2.5 million. Our Listing expenses as a percentage of gross proceeds is 6.1%, assuming an Offer Price of HK$26.86 per H Share, which is the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operations for the year ended December 31, 2020.

RECENT DEVELOPMENTS

Since the end of the Track Record Period, we have continuously developed our business, but we expect that our net losses for the year ended December 31, 2020 will increase as compared to the year ended December 31, 2019, primarily because (i) we have continued to incur significant costs and expenses as we further our business development efforts, (ii) we have continued the clinical development of, and sought regulatory approval for, our product candidates, (iii) we will incur Listing expenses in 2020, and (iv) we may incur changes in the carrying amount of financial instruments issued to investors. For the year ended December 31, 2020, we anticipate (i) our distribution cost including the cost of commercializing our PGT-A kit would increase by about 70%; and (ii) our research and development cost would increase by about 75% as compared to the year ended December 31, 2019.

As we further our research and development and commercialization for our products in 2020, we expect to incur increasing research and development costs and marketing expenses, which may impact our results of operations for the year ending December 31, 2021. We expect to incur significant expenses and operating losses in the future as we further the clinical development and/or pre-clinical studies of our product pipeline, and grow our business. In particular, we will need to conduct a series of highly sophisticated and time/money-consuming work to first establish such infrastructure and systems, before our PGT-A kit could be considered a fully commercialized product. We plan to allocate 20% of the net proceeds from the Global Offering, approximately HK$336.9 million, for our PGT-A's planned commercialization. Our work plan to commercialize our PGT-A kit comprises five major components: price code application, bidding/tender admission, provision of training, PGT-A awareness increase and sales network expansion. We expect we would record the same level of revenue in the year ending December 31, 2021. Having taking out the impact of one time expenses, including Listing expenses and changes in carrying amount of our financial instruments in the year ending December 31, 2021, we expect our net losses in the year ending December 31, 2021 compared to the year ended December 31, 2020 to substantially increase because (i) we expect our distribution cost including the cost of commercializing our PGT-A kit would increase by over 1200%; and (ii) our research and development cost would increase by about 170%. We expect that our financial performance will fluctuate from period to period due to the status of the development, the regulatory approval process and commercialization of our products.

Impact of the COVID-19 Outbreak

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

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

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

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

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

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

- *Financial outlook.* Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents of RMB201.5 million as of November 30, 2020 based on the management account of the Group for the 11 months ended November 30, 2020, available financing facilities and the estimated 10% of our total net proceeds from the Global Offering for working capital and general corporate purposes based on the low-end of the indicative Offer Price range, we will have sufficient working capital to remain financially viable for at least 12 months from the date of this prospectus, assuming that (i) we will maintain operations with the prospective level of monthly net cash used in operating activities plus prospective payments for

property, plant and equipment; (ii) we settle our trade and other payables and receive our trade and other receivables based on historical turnover days; and (iii) we will not have any additional bank facilities or financing activities or obtain any external financial assistance.

It is uncertain when and whether COVID-19 could be contained globally. We cannot guarantee you, however, that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. For more details, please refer to the section headed "Risk Factors—Risks Relating to Our Business and Industry—Risks relating to Our Operations—We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, the COVID-19 outbreak in China and worldwide has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition." in this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since September 30, 2020 (being the date on which the latest audited consolidated financial statements of our Group was prepared) and there is no event since September 30, 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus. As of the Latest Practicable Date, there had not been any material unexpected or adverse change since the date we received the relevant regulatory approvals for our PGT-A kit.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

DEFINITIONS

"Accountants' Report"	the Accountants' Report for the years ended December 31, 2018, 2019 and the nine months ended September 30, 2020 prepared by KPMG, the text of which is set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	articles of association of our Company adopted on August 31, 2020, which shall become effective as of the date on which the H Shares are listed on the Stock Exchange, as amended from time to time, a summary of which is set out in "Appendix V—Summary of Articles of Association" to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Basecare Intelligent Manufacturing"	Suzhou Basecare Intelligent Manufacturing Co., Ltd. (蘇州貝康智能製造有限公司), a company established in the PRC with limited liability on April 10, 2019 and a wholly-owned subsidiary of our Company
"Basecare Investment"	Suzhou Basecare Investment Management Enterprise (Limited Partnership) (蘇州貝康投資管理企業(有限合夥)), a limited partnership established on May 23, 2016, through which, certain former employees, employees and advisors of our Group were indirectly beneficially interested in approximately 18.05% of the equity interests in our Company as of the Latest Practicable Date. Basecare Investment is one of our Controlling Shareholders

"Basecare Medical Device"	Suzhou Basecare Medical Device Co., Ltd. (蘇州貝康醫療器械有限公司), a company established in the PRC with limited liability on February 25, 2015 and a wholly-owned subsidiary of our Company
"Benxi Medical Laboratory"	Benxi Shengjing Medical Laboratory Co., Ltd. (本溪盛京醫學檢驗所有限公司), a company established in the PRC with limited liability on February 4, 2017 and a connected person of our Company
"Board"	the board of directors of our 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 and a Pre-IPO Investor
"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 and a Pre-IPO Investor
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司), previously known as Jiangsu Double Helix Biology Science and Technology Co., Ltd. (江蘇雙螺旋生物科技有限公司), Saiye Health Research Center (Taicang) Co., Ltd. (賽業健康研究中心(太倉)有限公司) or Saiye (Suzhou) Biological Information Technology Co., Ltd. (賽業(蘇州)生物信息技術有限公司), a company 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
"Company Law" or "PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Dr. Liang and/or Basecare Investment

"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this prospectus, our Core Product refers to our PGT-A kit
"Da An"	Da An Gene Co., Ltd. of Sun Yat-sen University (中山大學達安基因股份有限公司), a joint stock company incorporated in the PRC with limited liability on August 17, 1988, which is listed on the Shenzhen Stock Exchange (Stock Code: 002030)
"Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"Domestic Share(s)"	ordinary Shares issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
"Dr. Liang"	Dr. LIANG Bo (梁波), our founder, executive Director, chairman of the Board, general manager and Controlling Shareholder
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"F&S Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus
"Global Offering"	the Hong Kong Public Offering and the International Offering

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group"	our Company and all of our subsidiaries
"Guangzhou Darui"	Guangzhou Darui Biotechnology Co., Ltd. (廣州市達瑞生物技術股份有限公司), previously known as Guangzhou Darui Antibody Engineering Technology Co., Ltd. (廣州市達瑞抗體工程技術有限公司)), a joint stock company incorporated in the PRC with limited liability on August 11, 2003, which is listed on National Equities Exchange and Quotations with the stock code: 832705 and was owned as to approximately 46.33% by Da An as of the Latest Practicable Date
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are to be listed on the Stock Exchange and traded in Hong Kong 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
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 6,667,000 new H Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)

"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
"Hong Kong Takeovers Code" or "Takeover Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting—Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated January 26, 2021 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, our Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters
"IFRS"	International Financial Reporting Standards, which as collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB
"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
"International Offer Shares"	the 60,000,000 H Shares being offered for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus

"International Offering"	the offer of the International Offer Shares at the Offer Price, in the United States to QIBs only in reliance on Rule 144A and outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in "Structure of the Global Offering" of this prospectus
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, our Controlling Shareholders, the Joint Global Coordinators, Joint Lead Managers, Joint Bookrunners and the International Underwriters on or about the Price Determination Date
"Jiangsu MPA"	Jiangsu Provincial Medical Products Administration
"Joint Bookrunners"	CLSA Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, CMB International Capital Limited, ICBC International Capital Limited, SPDB International Capital Limited
"Joint Global Coordinators"	CLSA Limited, Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited
"Joint Lead Managers"	CLSA Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, CMB International Capital Limited, ICBC International Securities Limited, SPDB International Capital Limited, Futu Securities International (Hong Kong) Limited

"KOL(s)"	key opinion leaders, being physicians with influence on their peers' medical practice, such as prescribing behavior, surgical procedures preference and residency training focus
"Latest Practicable Date"	January 17, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of our H Shares on the Main Board
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about February 8, 2021 on which dealings in our H Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MING Bioventures"	Suzhou MING Bioventures Fund I Venture Capital, L.P. (蘇州聚明中泓方仁創業投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on July 26, 2018 and a Pre-IPO Investor
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Non-competition Undertaking"	the non-competition undertaking dated January 18, 2021 and entered into by the Controlling Shareholders in favor of our Company, details of which are set out in "Relationship with our Controlling Shareholders" of this prospectus

"Nanjing Fanghua"	Nanjing Fanghua Heli Gene Technology Co., Ltd. (南京芳華合力基因科技有限公司), a company incorporated in the PRC with limited liability on August 7, 2012, was owned by Ms. Sun Ruisheng (孫睿升) and Mr. Wang Tengfei (王騰飛) as to 95% and 5%, respectively, and an Independent Third Party
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$27.36 and expected to be not less than HK$26.36, such price to be agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"OPM"	OrbiMed Partners Master Fund Limited, an exempted company incorporated under the laws of Bermuda and a Pre-IPO Investors
"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 and a Pre-IPO Investor
"Over-allotment Option"	the option to be granted by us to and exercisable by the Joint Global Coordinators, pursuant to which we may be required to allot and issue up to an aggregate of 10,000,000 additional H Shares (representing 15% of our Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering—The International Offering—Over-allotment Option" in this prospectus
"PRC Legal Advisors"	Tian Yuan Law Firm, our legal advisor as to PRC laws
"Pre-IPO Investment(s)"	the pre-IPO investment(s) in our Company, the details of which are set out in the section headed "History and Corporate Structure—Pre-IPO Investments"

"Pre-IPO Investor(s)"	the investor(s) of the Pre-IPO Investments
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about February 1, 2021 on which the Offer Price is to be fixed by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters)
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Remuneration Committee"	the remuneration committee of the Board
"Rule 144A"	Rule 144A under the U.S. Securities Act
"Series A Pre-IPO Investors"	Oriza Seed and Zhejiang Shuangjing Investment Co., Ltd (浙江雙井投資有限公司)
"Series B Pre-IPO Investors"	Zhongcheng Fangyuan Phase II, Suzhou Sungent and Guangzhou DaAn Jinghan Medical Health Industry Investment Enterprise (Limited Partnership) (廣州達安京漢醫療健康產業投資企業(有限合夥))
"Series C Pre-IPO Investors"	Broad Vision Investment, MING Bioventures and Yingtan Jinhu Jiayi Hongsheng Investment Management Limited Partnership Corporation (鷹潭金虎嘉怡弘晟投資管理有限合夥企業)
"Series D Pre-IPO Investors"	Hillhouse HK, Broad Vision Harmony and OPM
"Share(s)"	ordinary share(s) with par value RMB1.00 each in the share capital of the Company
"Sole Sponsor"	CLSA Capital Markets Limited
"Sophisticated Investor(s)"	has the meaning ascribed to it under Guidance Letter HKEX-GL92-18 issued by the Stock Exchange

"Shandong Medical Laboratory"	Shandong Beikang Medical Laboratory Co., Ltd. (山東貝康醫學檢驗所有限公司), a company incorporated in the PRC with limited liability on August 3, 2016 and a connected person of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Stabilizing Manager"	CLSA Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Suzhou Chaoyun"	Suzhou Chaoyun Life Intelligence Industry Research Institute Co., Ltd. (蘇州超雲生命智能產業研究院有限公司), a company incorporated in the PRC with limited liability on February 8, 2018 and an Independent Third Party
"Suzhou Double Helix"	Suzhou Double Helix Medical Laboratory Co., Ltd. (蘇州雙螺旋醫學檢驗所有限公司), a company incorporated in the PRC with limited liability on April 1, 2020 and a connected person of our Company
"Suzhou Medical Laboratory"	Suzhou Beikang Medical Laboratory Co., Ltd. (蘇州貝康醫學檢驗實驗室有限公司), a company incorporated in the PRC with limited liability on August 9, 2018 and a connected person of our Company
"Suzhou Sungent"	Suzhou Industrial Park Sungent Bio-Venture Capital Investment Enterprise (Limited Partnership) (蘇州工業園區新建元生物創業投資企業(有限合夥)), a limited partnership incorporated in the PRC on October 28, 2013 and a Pre-IPO Investor
"Thermo Fisher"	Thermo Fisher Scientific Inc., a company established in 2006 that provides scientific instrumentation, reagent consumables and software and services

"Track Record Period"	the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Foreign Share(s)"	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
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"Zhongcheng Fangyuan Phase II"	Beijing Zhongcheng Fangyuan Phase II Investment Center (Limited Partnership) (北京中誠方圓二期投資中心(有限合夥)), a limited partnership incorporated in the PRC on August 25, 2015 and a Pre-IPO Investor
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name
"we", "us" or "our"	the Company or the Group, as the context requires
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

ACRONYMS

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CNIPA"	National Intellectual Property Administration of the PRC (國家知識產權局)
"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"IASB"	International Accounting Standards Board
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration （國家食品藥品監督管理總局）
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"VAT"	value-added tax; all amounts are exclusive of VAT in this prospectus except where indicated otherwise

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

For the purpose of this prospectus, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"95% CI"	95% confidence interval, a commonly used concept in biostatistics, meaning that in approximately 95 out of 100 times the interval will contain the true mean value
"adapters"	the short, double-stranded fragment of DNA which can bond to each DNA fragment in a library as part of NGS library preparation
"adenine (A)"	one of four chemical bases in DNA
"allele"	the corresponding pairs of genes located at specific positions in the chromosomes
"amino acids"	organic compounds composed of nitrogen, carbon, hydrogen and oxygen, along with a variable side chain group
"amniotic fluid"	the liquid surrounding an the unborn baby in a mother's womb
"amplicon"	a segment of chromosomal DNA that undergoes amplification and contains replicated genetic material after PCR
"aneuploidy"	the state of having chromosomes in a number that is not an exact multiple of the haploid number
"assisted reproductive treatment (ART)"	medical procedures used to address the problem of infertility, including ICSI and third-generation IVF
"autosome"	a chromosome that is not a sex chromosome
"bioinformatics"	an interdisciplinary field of science that combines biology, computer science, information engineering, mathematics and statistics to analyze and interpret the biological data

"biopsy"	a sample of tissue taken from the body for close examination
"blastocyst"	a stage of the embryo's development usually occurring around 5-6 days, containing a fluid-filled inner cavity (blastocoel), an outer layer of cells (trophectoderm) and an inner group of cells (inner cell mass)
"base pair (bp)"	a fundamental unit of double-stranded nucleic acids; also used as a unit of length
"chromosome"	a threadlike structure of nucleic acids and protein found in the nucleus of most living cells
"chromosome structural rearrangement"	mutations that cause the change in structure of the chromosome
"Class III Grade A hospital"	the largest and best regional hospitals in China designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives. Class III hospitals are divided into Special, A, B and C grades
"comprehensive chromosome screening (CCS)"	a technique for detecting all chromosomal in embryos
"copy number variation (CNV)"	the variation of the number of particular genetic sequences that are repeated or lost multiple times
"cytosine (C)"	one of four chemical bases in DNA
"diploid"	a cell that contains paired chromosomes
"DNA"	a double-stranded molecule that contains the genetic information to instruct an organism to develop, live or reproduce
"DNA library" or "library"	the processed sample DNA that serves as the input materials for NGS applications. A DNA library is obtained by fragmenting and sorting DNA to obtain fragments of a predefined length, attaching adapters to the ends of the fragments to enable sequencing and quantifying the final product for either targeted NGS

"embryo"	an early developmental stage of a mammal
"euploidy"	the normal condition in humans in which a cell has two sets of chromosomes, being 22 pairs of autosomes and two sex chromosomes
"exome"	the sum total of the exons in a genome, regarded as the most functionally relevant DNA
"exon"	the part of gene that codes for amino acids
"fetus"	an unborn or unhatched young of a mammal that develops from an embryo
"fluorescence *in situ* hybridization (FISH)"	a laboratory technique for detecting and locating a specific DNA sequence on a chromosome by fluorescent probes
"fluorescent probe"	small single-stranded molecules containing dyes that respond directly to light
"gametes"	reproductive cells
"gene"	sections of DNA that contain hereditary information
"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
"guanine (G)"	one of four chemical bases in DNA
"haploid"	a cell that contains a single set of chromosomes
"haplotype"	a group of alleles in an organism that are inherited together from a single parent

"haplotype linkage analysis"	analysis to determine the parent-of-origin of a chromosome and detect carriers of chromosomal translocations
"heterozygous"	the condition where a gene has two different alleles
"high-throughput sequencing"	also known as NGS technologies are capable of sequencing multiple DNA molecules in parallel, enabling hundreds of millions of DNA molecules to be sequenced at a time
"homozygous"	the condition where a gene has two identical alleles
"intracytoplasmic sperm injection (ICSI)"	a procedure in which a single spermatozoon is injected into the oocyte cytoplasm
"introns"	non-transcriptional regions of DNA in a gene
"*in vitro* fertilization (IVF)"	a procedure in which a single spermatozoon is injected into the oocyte cytoplasm
"Ion Proton System"	a sequencing system capable of human-scale genome, exome, or transcriptome sequencing developed by Thermo Fisher
"kilobase (kb)"	a measurement in molecular biology, 1kb equals to 1,000 base pairs of DNA
"locus (plural: loci)"	the place where a base pair is on the chromosome
"mitochondria"	organelles in a cell outside the nucleus that generate most of the chemical energy needed to power the cell
"monogenic disorder"	a genetic disorder caused by single gene mutation
"mtDNA"	mitochondrial DNA, the DNA located in mitochondria
"multiple displacement amplification (MDA)"	a DNA amplification technique that can rapidly amplify minute amounts of DNA samples to a reasonable quantity for genomic analysis
"next-generation sequencing (NGS)"	a high throughput, massively parallel sequencing method used to determine the nucleotide sequence of genome in a single biochemical reaction volume

"nucleotide"	a basic unit composed of a base and its sugar and phosphate
"polymerase chain reaction (PCR)"	a technology to make numerous copies of specific DNA fragments rapidly through repetitive thermal cycle
"polypeptide"	a single linear chain of many amino acids
"picomoles per litre (pmol/L)"	a measure of amount-of-substance concentration
"pre-implantation genetic testing (PGT)"	a test performed before the implantation of an embryo to screen and diagnose the DNA from embryos for determining genetic abnormalities. These include PGT for aneuploidy (PGT-A), PGT for monogenic defects (PGT-M) and PGT for chromosomal rearrangements (PGT-SR)
"primers"	short single stranded molecules that counterpart the targeted genes
"QR code"	a type of matrix barcode
"quantitative polymerase chain reaction (qPCR)"	a collection of methods for estimating the number of copies of a specific DNA template in a sample
"recurrent miscarriage"	two or more pregnancy losses before 24 weeks of gestation
"reproductive genetics"	a branch of science that focuses on the relationship between genetic condition and reproductive and fertility issues, such as genetic risks or conditions that can be passed from parent to child through their genes during a pregnancy
"restriction enzymes"	proteins that can recognize specific short DNA fragments and cut double-stranded DNA to shorter fragments
"Robertsonian translocation"	a chromosomal translocation where a certain type of chromosome becomes attached to another at their centric ends

"Sanger sequencing"	a traditional method for determining nucleotide sequences of DNA by identifying different DNA fragments through fluorescent signal first developed by Frederick Sanger and his colleagues in 1970s, also known as the "chain-terminal method"
"sensitivity"	a measurement of the ability of a test to identify true positives
"single nucleotide polymorphisms (SNP)"	a variation at a single position in a DNA sequence among individuals
"specificity"	a measurement of the ability of a test to identify true negatives
"thalassemia"	an inherited blood disorder
"third-generation IVF"	a procedure which uses PGT to select embryos before implantation
"thymine (T)"	one of four chemical bases in DNA
"translocations"	a type of chromosomal abnormality in which a chromosome breaks and a portion of it reattaches to a different chromosome
"trisomy"	the condition where there are three copies of chromosomes instead of two
"trophoblast"	cells that form the outer layer of a blastocyst and are present four days post fertilization in humans
"uniparental disomy"	the condition when two copies of chromosomes came from the same parent instead of one from each parent
"whole exome sequencing (WES)"	a sequencing method that targets the protein-coding region of the genome (the exome)
"whole genome amplification (WGA)"	a method for amplification of an entire genome
"zygote"	a fertilized egg

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- the timing of initiation and completion, and the progress of our research and development programs;
- the timing and likelihood of regulatory filings and approvals;
- our ability to advance our product candidates into products, and the successfully completion of clinical trials;
- the approval, pricing and reimbursement of our product candidates;
- the commercialization of our product candidates;
- the market opportunities and competitive landscape of our product candidates;
- estimates of our costs, expenses, future revenues, capital expenditures and our needs for additional financing;
- our ability to attract and retain senior management and key employees;
- our operations and business prospects;
- future developments, trends, conditions and competitive landscape in the industry and markets in which we operate;

- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to continue to maintain our market position in China's reproductive genetics medical devices industry;
- our financial condition and operating results and performance;
- industry trends and competition;
- our ability to attract customers and build our brand image;
- general political and economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- certain statements in the sections headed "Business" and "Financial Information" of this prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this prospectus that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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.

During the Track Record Period, a substantial amount of our revenue was derived from the sales of two products, our self-developed PGT-A kit and NIPT kit we distributed. Sales of our self-developed PGT-A kit and NIPT kit we distributed accounted for 78.0%, 59.2%, 54.4% and 52.2% of our total revenue for the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020, respectively. We received NMPA approval of our PGT-A kit in February 2020, which allowed us to commence commercial sales. Prior to receiving registration approval, we generated limited revenue from sales of PGT-A kits for limited scientific research purposes. We expect that sales of our self-developed PGT-A kits and NIPT kits we distribute will continue to account for a significant portion of our total sales in the near future. However, we cannot assure you that demand for our self-developed PGT-A kit and NIPT kit we distribute will continue to grow as anticipated. There is also no assurance that we will be able to maintain our sales and profit margin for our self-developed PGT-A kit and NIPT kit we distribute, which may be adversely affected by many factors outside of our control, including downward pricing pressure caused by changes in market competition, expiration of patent protection, introduction of substitute products marketed by our competitors, disruptions in manufacturing, supply or sales, issues with respect to product quality and disputes over intellectual property or other matters with third parties. If we are unable to maintain the sales volumes, pricing levels or profit margins of our self-developed PGT-A kit and NIPT kit we distribute, our business, financial condition and results of operations may be materially and adversely affected. Moreover, we may not be able to develop or acquire new products that would diversify our product portfolio and reduce our dependence on our self-developed PGT-A kit and NIPT kit we distribute, or do so in a timely or competitive manner.

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 may from time to time establish or seek strategic alliances, form joint ventures or collaborations, or enter into licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our products and any future products that we may develop. We collaborate with certain key business partners in many aspects of our business, such as major hospitals and reproductive clinics in China, global life sciences and biotechnology companies in the industry, such as Thermo Fisher, and academic institutions, such as the Chinese University of Hong Kong. Our success in part depends on our ability to maintain our relationships with our key business partners and establish new collaborations in the future. Collaborations with our key business partners are subject to numerous risks, which may include the following:

- our key business partners may no longer be as competitive in the market as they are now;
- our key business partners have significant discretion in determining the efforts and resources that they will apply to a collaboration;
- our key business partners may not pursue development and commercialization of our products or may elect not to continue or renew development or commercialization programs based on clinical trial results, or change their strategic focus due to the acquisition of competitive products, availability of funding, or other external factors, such as a business combination that diverts resources or creates competing priorities;
- our key business partners may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a product, repeat or conduct new clinical trials, or require a new design of a product for clinical testing;
- our key business partners could independently develop, or develop with third parties, products that compete directly or indirectly with our products;
- our key business partners with marketing and distribution rights to one or more products may not commit sufficient resources to their marketing and distribution;
- our key business partners may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

- disputes may arise between us and key business partners that cause the delay or termination of the research, development or commercialization of our products, or that result in costly litigation or arbitration that diverts management attention and resources; and

- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable products.

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

We maintain a small in-house sales and marketing team. As of the Latest Practicable Date, we had 16 sales and marketing personnel. Our in-house sales and marketing team focuses on serving key customers and conducting academic marketing activities to interact with KOLs as well as other industry professionals. We rely on third-party promoters to market our products to hospitals and reproductive clinics and to provide non-technical pre-sale and after-sale assistance to our customers. The performance of our third-party promoters to provide assistance and their ability to market our products and our brand are crucial to the growth of our sales network and may affect our hospital coverage and profitability. Moreover, our ability to engage and retain qualified and professional third-party promoters is important because we rely on third-party promoters to market and promote our products. We rely on third-party promoters to expand our sales network to cover more hospitals and reproductive clinics to increase our market share and penetration in the China market to drive future growth. This sales and marketing strategy could require us to engage third-party promoters with a wider coverage of licensed hospitals and reproductive clinics in China, and we may not be able to do so. If we are unable to expand our sales network effectively, our sales volumes and business prospects could be materially and adversely affected.

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.

Our relationships with KOLs, physicians and experts play an important role in our R&D and marketing activities. We implement a clinical demand-oriented and highly responsive R&D strategy by establishing extensive interaction channels with KOLs, physicians and experts to gain first-hand knowledge of unmet clinical needs and clinical practice trends, which is critical to our ability to develop new market-responsive products and improve our existing products. Moreover, our in-house marketing team promotes our products to hospitals and reproductive clinics through academic marketing activities, and facilitates interaction with KOLs as well as other industry professionals. However, we cannot assure you that we will be able to maintain or strengthen our clinical collaborations and relationships with members of our medical advisory board and other KOLs, physicians and experts, or that our efforts to maintain or strengthen such relationships will yield the successful development and marketing of new products. These industry participants may leave their roles, change their business or practice focus, choose to no longer cooperate with us or cooperate with our competitors instead. Even

if they continue to cooperate with us, their market insights and perceptions, which we take into account in our R&D process, may be inaccurate and lead us to develop products that do not have significant market potential. Even if their insights and perceptions are correct, we may fail to develop commercially viable products. Moreover, we cannot assure you that our academic promotion and marketing strategy will continue to serve as an effective marketing strategy. Industry participants may no longer want to collaborate with us or attend our conferences, and our marketing strategy may no longer be able to yield larger hospital coverage or increased sales commensurate to our efforts spent. If we are unable to develop new products or generate returns from our relationships with industry participants as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Our products may fail to achieve market recognition and acceptance for commercial success.

The commercial success of our current and future products depends upon the degree of market recognition and acceptance they achieve, particularly among hospitals, reproductive clinics and medical laboratories. Our products may fail to receive or maintain broad acceptance from patients or physicians. If our genetic testing products and any future approved products fail to gain sufficient market recognition and acceptance by hospitals, reproductive clinics, medical laboratories, physicians, patients, third-party payors and others in the industry, the sales of our products will be adversely affected. For example, products developed by our competitors may become more preferred than ours, and physicians may rely on these competing products to the exclusion of ours. In addition, physicians, patients and third-party payors may prefer other products to ours. If our products do not achieve an adequate level of acceptance, we may not generate significant product sales revenues and we may not become profitable. The degree of market acceptance of our products, if approved for commercial sale, will depend on a number of factors, including but not limited to:

- hospitals, reproductive clinics, medical laboratories, physicians and patients considering our products as effective products that produce accurate results;
- the potential and perceived advantages of our products over alternative products;
- limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of commercial sales of our products as well as competitive products;
- the cost of treatment in relation to alternative treatments; and
- the effectiveness of our sales and marketing efforts.

If any products that we commercialize fail to achieve market acceptance among hospitals, reproductive clinics, medical laboratories, physicians, patients or others in the industry or if we fail to maintain good relationships with them, we will not be able to generate significant

revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost effective or render our products obsolete.

The market opportunities for our products may be uncertain, which could render some products ultimately unprofitable even if commercialized.

We estimate the incidence and prevalence of target patient populations, demand for assisted reproduction, and penetration rate of genetic testing based on various third-party sources, such as scientific literature, surveys of clinics or market research, as well as internally generated analysis, and we use such estimates in making decisions regarding our product development strategy, including determining on which candidates to focus our resources for preclinical studies or clinical trials. As the reproductive genetics medical devices market in China is relatively nascent and rapidly growing and changing, these estimates may be inaccurate or based on imprecise data and the future growth in the market opportunities may be unpredictable. The total addressable market opportunity will depend on, among other things, acceptance of the product by the medical community, ethical, legal and social concerns on the products, patient access and product pricing. The number of patients in the addressable markets may turn out to be lower than expected, which could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to concentration risk of customers and subject to credit risk of our customers.

For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, we recorded revenue of RMB32.6 million, RMB55.7 million and RMB57.2 million, of which 64.4%, 43.8% and 46.1% were generated from our top five customers, respectively. As of December 31, 2018, 2019 and September 30, 2020, 70.3%, 55.8% and 36.3% of our total trade receivables were due from our top five largest customers in each period. See "Business—Our Customers" and "Financial Information—Quantitative and Qualitative Disclosure about Market Risk—Credit Risk." Although we assess the credit qualities of our customers, taking into account their financial positions, past experiences and other factors, we cannot assure you that no default will arise from our customers in the future. We cannot assure you that our customers could settle trade receivables in a timely manner, or at all, or that we can properly assess and respond in a timely manner to changes in their credit profile and financial condition. Adverse changes in their financial conditions may negatively affect the length of time that it will take us to collect associated trade receivables or impact the likelihood of ultimate collection. If our largest or any of our top customers fails to fulfill its obligations, our financial condition and results of operations could be materially and adversely affected. In addition, if any contract with our major customers expires or is otherwise terminated and is not renewed or renewed on less favorable terms, or a principal customer decreases the amount of purchases from us, our operating results could be materially adversely affected. Any of the foregoing could materially and adversely affect our financial condition and results of operations.

We may fail to maintain or renew relationship with existing distributors, or further expand our network of distributors.

We sell a portion of our products to licensed distributors, which on-sell our products to hospitals and reproductive clinics. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, 14.2%, 11.4% and 15.1% of our total revenue were from sales of test kits to distributors.

As we sell and distribute a portion of our products through distributors and such portion may be increased in the future, certain events may cause fluctuations or decline in our revenue and may have an adverse impact on our business, results of operations and financial condition, such as (i) delay or cancellation of orders from one or more of our distributors, (ii) our inability to timely renew distribution agreements and maintain relationship with our existing distributors, or (iii) our inability to timely identify and appoint additional or replacement distributors upon loss of one or more of our distributors. In addition, there can be no assurance that we will be successful in detecting and preventing any non-compliance by our distributors regarding the provisions of their distribution agreements. Non-compliance by our distributors may, among other things, negatively affect our relationship with other distributors.

Furthermore, we also rely on our distributors to expand our distribution network which is subject to the availability of suitable and capable distributors and our ability to negotiate favorable terms with these distributors. We cannot assure you that we will be able to further expand our distribution network as expected or effectively integrate any new capable distributors into our existing network to achieve our expansion goals. Such difficulties we might encounter in expanding our distribution network might restrict our growth prospects and adversely affect our business performance.

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 follow a clinically driven R&D model to develop innovative reproductive genetics solutions to address unmet clinical needs in China. Our product development involves substantial capital expenditures. We have incurred and are expected to continue to incur significant expenses related to our ongoing operations. We incurred net losses of RMB157.7 million, RMB534.0 million, RMB372.9 million and RMB852.3 million for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively, of which RMB151.9 million, RMB528.3 million, RMB369.1 million and RMB848.5 million were from continuing operations, respectively. During the Track Record Period, our net losses were mainly attributable to changes in carrying amount of financial instruments issued to our Series A, Series B and Series C Pre-IPO Investors pursuant to their respective investment agreements, which were recognized as financial instruments issued to investors. See "Financial Information—Key Factors Affecting our Results of Operations—Carrying Amount of Financial Instruments Issued To Investors." Our net losses

also partly attributable to our operating costs, which are expected to continue to incur and to increase in the foreseeable future. During the Track Record Period, our operating costs primarily consisted of cost of sales, costs incurred in connection with our R&D programs and distribution and administrative expenses associated with our operations.

We expect to incur net losses for the foreseeable future, and the losses may increase as we expand our development of, and seek regulatory approvals for, our products, and commercialize our products. Typically, it takes a long time to develop one new product from the time it is designed to when it is available for commercialization. We will also incur costs to support commercialization of our products. The issuance of NMPA's registration certificate marked the commencement of an initial commercialization period of our PGT-A kit, which we expect will last for a number of years. We will need to conduct a series of highly sophisticated and time/money-consuming work to first establish such infrastructure and systems, before our PGT-A kit could be considered a fully commercialized product. We plan to allocate 20% of the net proceeds from the Global Offering for our PGT-A's planned commercialization. For our other in-house developed products, we need to put comparable efforts and resources to their commercializations as well. Having taking out the impact of one time expenses, including Listing expenses and changes in carrying amount of our financial instruments in the year ending December 31, 2021, we expect our net losses in the year ending December 31, 2021 compared to the year ended December 31, 2020 to substantially increase because (i) we expect our distribution cost including the cost of commercializing our PGT-A kit would increase by over 1200%; and (ii) our research and development cost would increase by about 170%. The size of our future net losses will depend, in part, on the number and scope of our product development programs and the associated costs of those programs, the pace of our commercialization and the cost of commercializing any approved products and our ability to generate revenues. Even if we received registration approvals to commercially sell our products, given substantial commercialization requires a lot of time/money consuming efforts, we may never become profitable. Even if we achieve profitability in the future, we may not be able to maintain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our R&D efforts, expand our business and/or continue our operations.

We may need to obtain substantial additional financing to fund our operations.

Our products require completion of identification of unmet clinical needs, preclinical research and development, product registration testing, clinical trial and clinical registration. Our operations have consumed substantial amounts of cash since inception. Net cash used in our operating activities was RMB26.7 million, RMB38.1 million, RMB34.3 million and RMB47.1 million for the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020, respectively. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. The cost of continuing operations could further reduce our cash position, and an increase in our net cash outflow from operating activities could adversely affect our operations

by reducing the amount of cash available to meet the cash needs for operating our business and to fund our investments in our business expansion. Although we had net current assets of RMB272.1 million as of September 30, 2020, we cannot guarantee that we will not have a net current liabilities position in the future, which would expose us to liquidity risk. We may not be able to renew existing bank facilities or obtain other sources of financing. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

We expect to continue to spend substantial amounts on R&D, advancing the development of our products and commercializing our products. Our existing cash and cash equivalents may not be sufficient to enable us to complete all development or commercially launch all of our current products and to invest in additional programs. Accordingly, we may require further funding through public or private offerings, debt or equity financing, collaboration and licensing arrangements or other sources. We cannot assure you that our financial resources will be adequate to support our operations. Our future funding requirements will depend on many factors, including but not limited to:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely procure requisite test samples in our planned and potential future clinical trials;
- the outcome, timing and cost of regulatory approvals of our products;
- the number and characteristics of products that we may develop;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- distribution costs associated with our products and any existing or future products that may be approved, including the cost and timing of expanding the marketing and sales activities of our products;
- the terms and timing of any potential future collaborations, licensing or other arrangements that we may establish;
- cash requirements of any future acquisitions and/or the development of other products;
- the cost and timing of development and completion of commercial-scale internal or outsourced, if any, manufacturing activities; and
- our headcount growth and associated costs.

If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our R&D programs or commercialization efforts.

Our financial prospects depends on the success of our product portfolio.

Our business substantially depends on the successful development, regulatory approval and commercialization of the products in our existing product portfolio and other products we may develop in the future. We have invested a significant portion of our efforts and financial resources in the development of our existing product portfolio. We incurred net losses for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, because the expenses we incurred exceed the gross profit generated from the sales of our current products, with R&D costs amounting to 57.7%, 35.7%, 34.4% and 38.4% of our total revenue for the same periods, respectively. Whether we can generate profit from our operating activities largely depends on the successful commercialization of our product portfolio.

For example, for PGT-M kit, one of our core genetic testing reagent products, we expect to commence our clinical trial in late 2020. We are also plan to commence clinical trials for PGT-SR, CNV and WES kits between 2021 and 2022. The successful commercial launch of our products will depend on several factors, including but not limited to:

- successful procurement of test samples, and completion of, clinical trials, as well as completion of preclinical studies;
- favorable clinical trial data from our clinical trials and other studies;
- receipt of regulatory approvals;
- maintaining sufficient commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- the performance by any third parties we may retain in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- successful commercialization of our products, if and when approved;
- obtaining favorable governmental and private medical reimbursement for our products, if and when approved; and
- competition with other genetic testing products.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or be unable to obtain approvals for and/or to successfully commercialize our products, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

Our deferred tax assets may not be recovered.

As of September 30, 2020, our deferred tax assets amounted to RMB16.7 million, representing approximately 4.4% of our total assets. We periodically assess the probability of the realization of deferred tax assets, using accounting judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, these deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, we cannot assure you that our expectation of future earnings will materialize, due to factors beyond our control such as general economic conditions or, negative development of a regulatory environment, in which case we may not be able to recover our deferred tax assets which in turn could have a material adverse effect on our financial condition and results of operations.

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.

Due to the relatively short history of PGT in the PRC, a comprehensive regulatory framework has not been established. In recent years, the PRC government has consistently emphasized the importance and necessity of quality control in hospitals and reproductive clinics offering such services, which indicates more strict regulations may be implemented in the future. In accordance with current applicable PRC laws and regulations, including the Administrative Measures for the Registration of IVD Reagents (《體外診斷試劑註冊管理辦法》) and the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), certain instruments, equipment, IVD reagents and calibrators, materials and other similar or related articles for the purposes of medical treatment or diagnosis of human patients that are intended to be used for medical treatment or diagnosis by testing a human body's samples are regulated as medical devices. The manufacture and sales of these products require various certificates, licenses and permits. including but not limited to medical device manufacturing licenses, medical device registration certificates and medical device operation licenses. According to the Notice on Further Strengthening the Supervision of the Use of IVD Reagents Managed by Medical Devices (《關於進一步加強按醫療器械管理的體外診斷試劑使用監管的通知》) issued by the Beijing Municipal Medical Products Administration (北京市藥品監督管理局) on December 17, 2018, medical institutions shall not use IVD reagents for scientific research or clinical trials purposes in clinical diagnosis. Because certain of our products are categorized as medical devices under the foregoing regulations, we are required to comply with these regulatory requirements.

Although we have obtained a Class III medical device registration certificate for our PGT-A kit in February 2020, it is uncertain whether we can successfully obtain medical device registration certificates for our product candidates and how long it will take us to obtain such registration certificates. There is however a degree of uncertainty whether our PGT kits sold for the purpose other than medical treatment or diagnosis are "medical devices" and therefore subject to the above mentioned laws and regulations. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties from the relevant authorities for the manufacture and sale of our product candidates. As confirmed by our PRC Legal Advisors, the pre-approval sales of our in-house developed genetic test kit products for limited scientific research purposes did not violate any applicable PRC laws and regulations and the risk of us being penalized by the authorities for our pre-approval sales is remote. However, we cannot assure you that the competent authorities will not take different views or interpretations from us or enact new detailed or more restrictive rules and regulations that materially adversely affect our business. Failure to comply with these laws or regulations may subject us to penalties, including fines, confiscation of our PGT kits, disgorgements of illegal gains or even suspension of our business. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

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.

Government policies relating to the reproductive genetics medical device industry and the medical device industry in the PRC generally are still in a preliminary stage of development and may change significantly in the future, depending on the objectives prioritized by the Chinese government, as well as the political and social climate, public opinion and media coverage at any given time and the continued development of the PRC reproductive genetics medical device industry and medical device industry. Such future changes, if adopted and implemented, may increase the cost of revenue, intensify competition, or otherwise negatively affect us disproportionately compared to competitors. Unfavorable public opinion or negative media coverage of the reproductive genetics medical device industry or medical device industry may also trigger implementation of more stringent policies and heightened scrutiny on quality of medical devices. If we fail to keep up with new policies or best practices, our standard of operation may fall short of the latest standard and we could become more prone to non-compliance, resulting in increased cost of compliance and operation.

In addition, the regulatory framework for the IVD reagents industry in China has evolved in recent years, and we expect it will continue to evolve. For example, the regulatory framework in China for sales and use of IVD products has undergone significant changes, including, with respect to research and development, filing and registration procedures and quality control for IVD products. Our ability to develop and commercialize genetic testing products may be limited, and our business, financial condition and results of operations may

be materially and adversely affected, by such differences in interpreting, implementing and enforcing and changes in government policies or regulations, which may then affect our business, results of operations and financial condition.

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.

Before obtaining regulatory approvals for the commercial sale of any product, we must demonstrate in preclinical studies and well-controlled clinical trials, and, with respect to approval in China, to the satisfaction of the NMPA, that the product is effective for use for the approved purposes and that the manufacturing facilities, processes and controls are adequate. Obtaining regulatory approvals is a lengthy, expensive and uncertain process, and approvals may not be obtained. When we submit a filing application to the NMPA, the NMPA will decide whether to accept or reject the submission for filing. We cannot be certain that any submissions will be accepted for filing and review by the NMPA. NMPA may also slow down, suspend or cease review of our applications and any of these could prolong the registration process of our products.

Our products could fail to receive regulatory approval for many reasons, including but not limited to:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a product is effective;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- data integrity issues related to our clinical trials;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval or require us to amend our clinical trial protocols;
- regulatory requests for additional analyses, reports, data, nonclinical studies and clinical trials, or questions regarding interpretations of data and results and the emergence of new information regarding our products or other products;
- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols;

- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial; and

- rejection by the relevant authorities to approve pending applications or supplements to approved applications filed by us or suspension, revocation or withdrawal of approvals.

The NMPA approved our PGT-A kit in February 2020 with the condition of collecting post-approval clinical data to continuously validate the production performance. We need to submit the clinical trial reports to the NMPA before we getting our registration certificate renewed. See "Regulatory Overview—Laws and Regulations Relating to Medical Devices—Regulations Relating to Medical Device Production and Operation." We may not be able to successfully complete or timely finish the required post approval clinical trial and may result in postponement or non-renewal of our registration certificate. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that we will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates.

Changes in regulatory requirements and guidance may also occur, such as the introduction of simplified approval procedures, or a relaxation in clinical trial requirements, which would lower the entry barrier for potential competitors, or increased stringency in regulatory requirements, which may increase the difficulty for us to satisfy such requirements. Any of such changes may have a material adverse impact on our business, financial condition, results of operations and prospects, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes.

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.

The PRC reproductive genetics medical device industry is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, our R&D expenses amounted to RMB18.8 million, RMB19.9 million, RMB14.4 million and RMB22.0 million, respectively. We expect to continue to invest significant amounts of human and capital resources to develop our products and enhance our technologies that will allow us to advance our pipeline products. We intend to continue to strengthen our technical capabilities in the development and manufacture of our products, which are capital and time intensive. We cannot assure you that we will be able to develop, improve or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products or obtain the necessary regulatory approvals in a timely and cost-effective manner, or,

if such products are introduced, that those products will achieve or maintain market acceptance. Any failure to do so may render our efforts obsolete, which could significantly reduce demand for our products and harm our business and prospects.

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.

The timely completion of clinical trials in accordance with protocols depends, among other things, on our ability to procure a sufficient number of test samples for our clinical trial. We may experience difficulties in doing so for a variety of reasons, including but not limited to:

- the number and nature of the samples;
- the qualified samples defined in the protocol;
- the size of the study required for analysis of the trial's primary endpoints;
- perceived risks and benefits of our products;
- the design of the trial; and
- our ability to obtain and maintain required consent to use the samples.

In addition, our clinical trials may compete with our competitors' clinical trials. Such competition will reduce the number and types of samples available to us. Even if we are able to procure a sufficient number of test samples in our clinical trials, delays in patient enrolment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our products.

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.

Clinical development is expensive and can take years to complete, and its outcome is inherently uncertain. These trials or procedures may not be completed in a timely or cost-effective manner or result in a commercially viable product. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could have a material adverse effect on our prospects. Clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results. Failure can occur at any time during the clinical trial process. The results of preclinical studies may not be predictive of the results of clinical trials, and initial or interim results of a trial may not be predictive of the final results. Products in later stages of clinical trials may fail to show the desired effectiveness despite having progressed through preclinical studies and initial clinical trials. In addition,

there can be significant variability in the results between different trials of the same product due to numerous factors, including changes in trial procedures set forth in protocols and differences in the size and type of the patient populations. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites involved in such trials.

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.

Our products are required to go through product registration testing to demonstrate the safety and effectiveness before obtaining a product registration testing report to conduct clinical trial. Such testing is conducted by third-party testing institutions recognized by the NMPA. The product registration testing schedule of these testing institutions are beyond our control, and we cannot assure you that our pipeline products will pass these tests in a timely manner, or at all.

Before obtaining regulatory approval for the sale of our products, we must conduct clinical trials to demonstrate the effectiveness of our products. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our products, including but not limited to:

- regulators or ethics committees may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- our inability to reach agreements on acceptable terms with prospective hospitals as trial centers, the terms of which can be subject to extensive negotiation and may vary significantly among different hospitals as trial centers;

- manufacturing issues, including problems with manufacturing, supply quality, or obtaining sufficient quantities of a product for use in a clinical trial;

- clinical trials of our products may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;

- the number of patients required for clinical trials of our products may be larger than we anticipate, and test samples procured may be insufficient or slower than we anticipate;

- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we might have to suspend or terminate clinical trials of our products for various reasons, including a finding of a lack of clinical response or other unexpected characteristics;

- regulators or ethics committees may require that we suspend or terminate clinical research or not rely on the results of clinical research for various reasons, including non-compliance with regulatory requirements;
- the cost of clinical trials of our products may be greater than we anticipate; and
- the supply or quality of our products or other materials necessary to conduct clinical trials of our products may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our products beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our products or other testing, if the results of these trials or tests are not positive or are only modestly positive, we may:

- be delayed in obtaining regulatory approval for our products;
- not obtain regulatory approval at all;
- obtain approval for indications that are not as broad as intended;
- have the product removed from the market after obtaining regulatory approval;
- be subject to restrictions on how the product is distributed or used; and/or
- be unable to obtain reimbursement for use of the product.

If we experience delays in the completion of, or the termination of, a clinical trial of any of our products, the commercial prospects of that product may be harmed, and our ability to commence commercial sales of products will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product development and approval process, and jeopardize our ability to commence commercial sales. Any of these occurrences may harm our business, financial condition and prospects significantly.

If we fail to commercialize our pipeline products or new products, we may not be able to maintain long-term competitiveness and our business prospects could be adversely affected.

Our long-term competitiveness depends on our ability to enhance our existing products and to commercialize new products. We may not be able to successfully commercialize the new products we develop. We are developing four genetic testing devices and instruments in-house, namely, our liquid nitrogen storage dewar (BCT38A/B), cryostorage system (BSG800A), automated workstation (BS1000) and NGS sequencer (DA500) products, to complement our genetic test kit products, with a focus on enabling more efficient, automated and intelligent storage and management of embryos and other reproductive materials. The competitive landscape for products we develop may change significantly over the development period, particularly because the approval process for new products is increasingly lengthy, and our

products may lose the competitive advantages in pricing or effectiveness that we have anticipated during their development. We could also fail to develop and implement an effective marketing strategy with respect to those products we are able to successfully develop. In the event we fail to successfully commercialize new products, our business prospects could be adversely affected.

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.

Our products and manufacturing processes are required to meet certain quality standards. We have established a quality control management system and standard operating procedures to help prevent quality issues in respect of our products. Please refer to "Business—Quality Control" for further details of our quality control management system and standard operating procedures. Despite our quality control system and procedures, we cannot eliminate the risk of errors, defects or failure. We may fail to detect or cure quality defects as a result of a number of factors, many of which are outside our control, including but not limited to:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and
- quality issues with the raw materials we purchase or produce.

In addition, when we expand our manufacturing capacity in the future, we may not be able to ensure consistent quality between products manufactured in the existing and new facilities, or need to incur substantial costs for doing so. Furthermore, if we acquire other companies, we may not be able to immediately ensure that their manufacturing facilities and processes will meet our own quality standards.

Our products are designed to address the unmet needs and demands for genetic testing in the context of reproductive genetics, and any quality defect may result in misdiagnosis and product liability claims. Product liability claims against us may include allegations of defects in design and manufacturing, improper handling or transportation of products, negligence, strict liability and a breach of warranties. We may be subject to product liability claims if our products have latent quality issues that were undetected during our inspections and quality control. Even if our products do not have latent defects, other factors that are out of our control, such as the quality and skill of clinicians using our products, may affect the outcome of the testing. Patients may still initiate legal proceedings against hospitals, reproductive clinics and us, and the hospitals and reproductive clinics may claim, with or without merit, that our

products have latent defects. Failure to detect quality defects in our products or to prevent such defective products from being delivered to customers could result in product recalls or withdrawals, license revocation or regulatory fines, or other problems that could seriously harm our reputation and business, expose us to liability, and adversely affect our revenues and profitability.

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.

During the Track Record Period, we manufactured and assembled all of our in-house developed products in our manufacturing facility in Suzhou. The continued operation of our production site and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of our control. These may include fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, or other natural disasters, as well as loss of licenses, certifications and permits, changes in governmental planning for the land underlying the facility or its vicinity and regulatory changes.

If the operation of our production site is substantially disrupted, we may not be able to replace the equipment or inventories at such facility, or use different sites or a third-party contractor to continue our production in a legal, timely and cost-effective manner or at all. Although we maintain property insurance for our production facility and material equipment, the amount of our insurance coverage may not be sufficient to cover our losses in the event of a significant disruption to our production site. Problems may also arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, the expansion of our existing production site, implementing changes in production site and limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, physical limitations that could inhibit continuous supply, man-made or natural disasters and environmental factors. As a result of disruption to our production site or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenues and profitability 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.

We depend on third parties for different aspects of our business, such as supplying raw materials for our production. Our raw materials for our genetic test kits primarily include chemical and biochemical materials, such as cell lysates, pre-amplification enzymes, amplification enzymes, fragmenting enzymes, terminal repair enzymes, DNA ligases, PCR enzyme mixtures and PCR primer mixtures, and packaging materials. Our raw materials for our liquid nitrogen storage dewar and cryostorage system are primarily insulation champers, circuit boards and temperature control devices. We mainly rely on third-party suppliers to supply such

raw materials with consistently high quality and in sufficient volumes. Selecting, managing and supervising these third-party suppliers requires significant resources and expertise. Any disruption in production or inability of our suppliers to produce adequate quantities to meet our needs could impair our ability to manufacture products as scheduled and to operate our business on a day-to-day basis. Moreover, we expect our demand for such raw materials to increase as we expand our business scale and commercialize our products, and we cannot guarantee that current suppliers have the capacity to meet our demand. We are also exposed to the possibility of increased raw material costs, which we may not be able to pass on to customers, and as a result, lower our profitability. In addition, although we have implemented quality inspection procedures on such materials before they are used in our manufacturing process and require our suppliers to maintain high quality standards, we cannot guarantee that we will be able to detect all quality issues in the supplies we use. These third parties may not be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the raw materials supplied to us. If they are unable to do so and the quality of our products suffers as a result, we may have to delay manufacturing and sales, recall our products, be subject to product liability claims, fail to comply with continuing regulatory requirements and incur significant costs to rectify such issue, which may have a material and adverse effect on our business, financial condition and results of operations.

We rely on a limited number of suppliers for our products and may not be able to find replacements or immediately transition to alternative suppliers.

We source raw materials used in our production and procure manufacturing machinery and equipment from a limited number of suppliers. Our production may be interrupted if we encounter delays or difficulties in securing these supplies, or if we become unable to procure supplies from any of these suppliers due to their lack of required licenses, permits or certifications. If we cannot timely obtain an acceptable substitute, our business, financial condition, results of operations and reputation could be adversely affected.

We believe that a number of replacement suppliers are capable of supplying all of the raw materials necessary for our production and machinery and equipment. However, transitioning to a new supplier may be time consuming and expensive, and may result in interruptions in our production. In addition, there can be no assurance that replacement suppliers will meet our quality control and performance requirements. If we encounter delays or difficulties in procuring equipment and supplies we require, our business, financial condition, results of operations and reputation could be adversely affected.

If we fail to increase our production capacity, our business prospects could be adversely affected.

Although we believe we have adequate production capacity to meet our current business plans, we may be required to scale up our production capacity in the future. There are uncertainties inherent in expanding our manufacturing and service capabilities, and we may not be able to sufficiently increase our capacity in a timely manner. We currently manufacture all of our in-house developed products at our manufacturing facility located in Suzhou, China, which is designed with an annual production capacity of 400,000 reactions. Our ability to expand our production capacity is subject to a number of risks and uncertainties, including our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new production facilities and production lines, the risk of construction delays and delays in equipment procurement, as well as our ability to timely recruit sufficient qualified staff to support the increase in our production capacity. Consequently, we may not be able to increase our production capacity in the manner we contemplate, or at all. In the event we fail to increase our production capacity, we may not be able to capture the expected growth in demand for our existing products, or to successfully commercialize additional products, each of which could adversely affect our business prospects. Moreover, our plans to increase our production capacity require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could adversely affect the return on our expenditure. In addition, manufacturing and product quality issues may arise as we increase production rates at our manufacturing facilities and launch new products. We may also not manufacture the right product mix to meet customer demand, especially as we introduce new products. All of these could adversely affect our business, financial condition, or results of operations.

Failure to maintain and predict inventory levels in line with demand for our products could cause us to lose sales or face excess inventory risks and holding costs.

Our inventories primarily consist of raw materials, finished goods and devices and instruments we distribute. For our in-house products, we generally purchase raw materials based the orders received. We maintain a finished goods inventory for the NIPT kits we distribute. We also maintain a device and instrument inventory for DA8600 we distribute. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, our inventory turnover days were 101 days, 122 days and 76 days, respectively. We cannot guarantee that we will be able to maintain proper inventory levels for our raw materials, finished goods and instrument and equipment as we continue to expand our sales network. Inventory levels in excess of product demand may result in inventory write-downs, expiration of products and increase in inventory holding costs. Conversely, we may experience inventory shortages if we underestimate demand for our products or products we distribute, which may result in unfilled orders and have a negative impact on our relationship with distributors, hospitals and doctors. To manage our inventory level, we implemented certain measures. See "Business—Inventory Control Measures." However, we cannot assure you that these measures will be effective. If we fail to maintain and predict inventory levels in line with the level of demand for our products, our financial condition and cash flow could be materially and adversely affected.

Risks Relating to the Reproductive Genetics Medical Device Industry

The reproductive genetics medical device industry in which we participate is competitive, and if we do not continue to compete effectively, our results of operations could be harmed.

The reproductive genetics medical device industry in China is relatively nascent and rapidly growing. While the NMPA registration of our PGT-A kit gives us a first-mover advantage in the third-generation IVF market, we face potential competition from many different entities, including international and domestic biotechnology companies. We compete primarily based on our product portfolio, technologies, ability to commercialize products and brand recognition. Our key competitors vary by genetic test kits types. Most of our genetic test kits currently do not have competing products that have obtained NMPA Class III medical device registration certificates in China. However, any products that we successfully develop and commercialize may face competition in the future.

Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize products that are more effective, more convenient or are less expensive than any products that we commercialize or may develop. Our competitors may also be applying for marketing approvals in China for products with the same intended use as our products. Our competitors may obtain approval from the NMPA or other comparable regulatory authorities for their products more rapidly than we obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market and/or obtain our regulatory approval.

In the future we may compete with companies that with significantly greater financial resources and expertise in R&D, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the medical device industries may result in even more resources being concentrated among a small number of companies that could compete with us. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with larger and established companies. These third parties may compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and obtaining samples for clinical trials. Our business and results of operations will suffer if we fail to compete effectively.

Ethical, legal and social concerns, unfavorable patient perception, or negative developments and news related to the use of reproductive genetics medical devices and technologies could reduce demand for our products, and thus may adversely affect our business, financial condition and results of operations.

Patient sentiment and distrust of the use of genetic testing medical devices may lead to less demand for our products. For example, genetic testing has raised ethical, legal and social issues regarding privacy and the appropriate uses of the resulting information. Government authorities could, for social or other purposes, limit or regulate the use of genetic information or genetic testing or prohibit testing for genetic predisposition to certain conditions, for

example those that have no known cure. Similarly, these concerns may lead patients to refuse to use, or physicians to be reluctant to order, genetic tests even if permissible. These and other ethical, legal and social concerns may limit market acceptance of genetic testing medical devices or reduce patient demand for such products, either of which could have a material adverse effect on the business, financial condition and results of operations of the medical facilities in our network, and us.

The reproductive genetics medical device industry in the PRC in still under development, and any material unwanted events connected with effectiveness may erode public confidence in our products and have an adverse effect on our business and financial condition.

China's reproductive genetics medical device market is a developing market and expect to be driven by, among others, rising infertility rates and demand for assisted reproduction treatments (such as IVF), rising health awareness in China, increasing affordability and availability of genetic testing and the advancement of technologies. Any material unwanted events questioning the effectiveness of genetic testing devices, such as quality defects and human error in testing process, may have the potential to erode public confidence in genetic testing products and developers, manufacturers and authorities delivering them. Any future negative publicity may lead to a slowdown of the overall development and harm the reputation of the PRC reproductive genetics medical device industry, and in turn reduce the demand of our products and cause adverse effect on our business and financial results. In addition, there could be future negative publicity in the PRC reproductive genetics medical device industry related to its effectiveness, which may continue have a material adverse impact on our business and financial condition.

Risks Relating to Our Intellectual Property Rights

We may not be able to obtain or maintain sufficient intellectual property rights for our products.

Our success depends in large part on our ability to protect our proprietary technology and products from competition by obtaining our intellectual property rights, including patent rights. We seek to protect the products and technology that we consider commercially important by filing patent applications in China. As of the Latest Practicable Date, we owned 18 patents and had made 48 patent applications in China relating to our product portfolio. See "Business—Intellectual Property." However, as of the same date, we did not have any approved patents in relation to our Core Product, the PGT-A kit. If we are unable to obtain patent protection with respect to our products and technologies, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us. Our ability to successfully commercialize any product or technology may be adversely affected, and our business, financial condition, results of operations and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner in all desirable territories. In addition, patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application, lack of novelty or inventiveness of the underlying invention or technology, or failure to comply with the confidentiality examination requirement. In China, the National Intellectual Property Administration of the PRC (國家知識產權局), or the CNIPA, may require us to amend our patent applications after substantive examinations, including reducing the patentable coverage, and if we fail to respond within a specified period, our applications will be deemed to be withdrawn. Furthermore, the CNIPA may still reject the patent applications after our amendment.

We may also fail to develop patentable technologies or products or identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, collaborators, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection of such output. In addition, China has adopted the "first-to-file" system under which whoever first files a patent application on an invention will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

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.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and patent applications are due to be paid to the CNIPA and other patent agencies in several stages over the lifetime of a patent. The CNIPA and other governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. We are required to take the necessary action to comply with these requirements with respect to our intellectual property. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in China. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative.

- others may be able to independently develop similar or alternative technologies or designs that are similar to our services and products but that are not covered by the claims of the patents that we own, or duplicate any of our technologies without infringing our intellectual property rights;

- we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in the future exclusively license, which could result in the patent applications not issuing or being invalidated after issuing;

- we might not have been the first to file patent applications covering certain of our inventions, which could result in the patent applications not issuing or being invalidated after issuing;

- our pending patent applications may not lead to issued patents;

- issued patents that we own may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive services and products for commercialization in our major markets;

- we may fail to develop additional proprietary technologies that are patentable;

- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and

- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing one or more of our products candidates.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business.

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.

Intellectual property laws, including patent laws, are continuing to change and evolve, and we cannot guarantee that changes to these laws would not adversely affect our intellectual property protection. In China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in China. For example, the Patent Law of the PRC was amended by the Standing Committee on October 17, 2020 and will come into effect from June 1, 2021, which may have potential impact on our existing patent rights and future patent applications. We also cannot guarantee that other changes to PRC intellectual property laws would not have a negative impact on our intellectual property protection.

Moreover, changes in other laws and regulations in our target markets, as well as changes in the geopolitical environment in China and globally may adversely affect our intellectual property protection. For example, stricter enforcement of intellectual property laws in China has been a source of disagreement between China and the United States in the ongoing trade war. It is uncertain as to how the trade war will develop, and whether and how it will affect intellectual property laws, enforcement and protection in China.

If we are unable to protect the confidentiality of our trade secrets, including unpatented know-how, technology and other proprietary information, our business and competitive position would be harmed.

In addition to patents and pending patent applications, we rely on trade secrets and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products. Protection of our unpatented proprietary information is especially important for our product portfolio. We seek to protect our trade secrets and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, hospital collaborators, outside scientific collaborators, sponsored researchers, consultants, advisors and other third parties. In addition, each of our employees is required to sign a confidentiality agreement upon joining our company and key members of our in-house R&D team are required to sign an invention assignment agreement with us. Nevertheless, an employee or a third party could make an unauthorized disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors or business partners might intentionally or inadvertently disclose our trade secret information to competitors or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable.

Granted patents covering one or more of our major products or technologies could be found invalid or unenforceable if challenged in court.

Despite measures we take to obtain patent protection with respect to our product portfolio, any of our granted patents could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our products, the defendant could counterclaim that our patent is invalid and/or unenforceable. Although we believe that we have conducted our patent prosecution in accordance with the duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a product. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Any loss of patent protection could have a material adverse impact on our product portfolio and our business.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could disrupt our business.

The validity, enforceability and scope of intellectual property rights protection in China are uncertain and still evolving. We cannot be certain that our products, tests and technologies do not or will not infringe patents, software copyrights, trademarks or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such proceedings and claims could result in significant costs to us and divert the time and attention of our management and technical personnel from the operation of our business. These types of claims could also potentially adversely impact our reputation and our ability to conduct business and raise capital, even if we are ultimately absolved of all liability. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more devices or tests and could result in a substantial award of damages against us. Intellectual property litigation can be very expensive, and we may not have the financial means to defend ourselves or our customers or collaboration partners.

Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our products, tests or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our devices or tests. A substantial amount of litigation involves patents and other intellectual property rights in our industry. If a third-party claims that we infringe upon a third-party's intellectual property rights, we may have to:

- seek to obtain licenses that may not be available on commercially reasonable terms, if at all;
- abandon any product alleged or held to infringe, or redesign our products or processes to avoid potential assertion of infringement;
- pay substantial damages including, in exceptional cases, treble damages and attorneys' fees, if a court decides that the device, test or proprietary technology at issue infringes upon or violates the third-party's rights;
- pay substantial royalties or fees or grant cross-licenses to our technology; and/or
- defend litigation and/or administrative proceedings that may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

Intellectual property litigation may lead to unfavorable publicity that harms our reputation and causes the market price of our common stock to decline.

During the course of any intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our products, programs or intellectual property could be diminished. Accordingly, the market price of our H Shares may decline. Such announcements could also harm our reputation or the market for our products, which could have a material adverse effect on our business.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We own a number of trademarks and trademark applications in China and in other jurisdictions. Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our

ability to build brand identity and possibly leading to market confusion. In addition, potential trade name or trademark infringement claims could be brought by owners of other registered trademarks or trademarks that incorporate variations our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our competitive position, business, financial condition, results of operations, and prospects.

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.

Our past performance is not necessarily indicative of future results. In addition, our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our H Shares to decline. The effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our manufacturing facility, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. As we continue our business integration and expansion, we cannot assure you that we will achieve the expected results or maintain the same levels of revenue growth and profitability as we have achieved historically. We believe that period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our operating results.

We recorded negative cash flows from operating activities and had net liabilities during the Track Record Period.

We have experienced significant cash outflow from operating activities since our inception. We had net cash used in operating activities of RMB26.7 million, RMB38.1 million and RMB47.1 million for the years ended December 31, 2018, 2019 and the nine months ended September 30, 2020, respectively. The cost of continuing operations could further reduce our cash position, and an increase in our net cash outflow from operating activities could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our business and to fund our investments in our business expansion. While we believe we have sufficient working capital to fund our current operations, we may, however, experience net cash outflows from our operating activities for the foreseeable future. If we are

unable to maintain adequate working capital, we may default in our payment obligations and may not be able to meet our capital expenditure requirements or pursue our growth strategies, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

As of December 31, 2018 and 2019 and September 30, 2020, we had net liabilities of RMB411.9 million, RMB945.9 million and net assets of RMB307.0 million, respectively. Our net liabilities during the Track Record Period were primarily due to significant amount of financial instruments issued to our Series A, Series B and Series C Pre-IPO Investors pursuant to their respective investment agreements, which were recorded as financial instruments issued to investors in our non-current liabilities. On July 23, 2020, we entered into supplementary investment agreements with the Pre-IPO Investors, pursuant to which the Pre-IPO Investors waived certain priority rights. These agreements enabled these financial instruments to be classified into our equity on July 23, 2020, after which we no longer recognized these financial instruments as financial liabilities or any changes in the carrying amount of such financial liabilities in our statements of profit or loss.

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.

During the Track Record Period, certain of our subsidiaries are entitled to preferential tax treatment as a high and new technology enterprise and as a small to medium scientific enterprise. See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Income Tax." Our eligibility to receive preferential tax treatment requires that we continue to qualify for them. The preferential tax treatment are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce such preferential tax treatment, generally with prospective effect. Such government authorities may also choose to discontinue or refuse to renew such preferential tax treatment. The discontinuation of the preferential tax treatment currently available to us could have a material adverse effect on our financial condition, 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.

During the Track Record Period, local governments in China granted government grant from time to time to us and our PRC subsidiaries as part of our efforts to encourage the development of local businesses. We recognized RMB2.9 million, RMB2.4 million, RMB2.0 million and RMB0.8 million of government grants as other income for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not

have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

We are subject to the anti-bribery laws in China that generally prohibits companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. As our business expands, the applicability of the applicable anti-bribery laws to our operations has increased. Although we have policies and procedures designed to ensure that we, our employees, our agents or any persons working on our behalf comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent them from engaging in bribery activities and our procedures and controls to monitor compliance with anti-bribery law may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with the applicable anti-bribery laws due to either our own deliberate or inadvertent acts or those of others, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

If we fail to implement our expansion strategies effectively, our business, financial condition and results of operations may suffer.

As part of our business strategy, we intend to further expand our sales of our PGT-A kits in China and advance our product portfolio towards commercial sales. We also plan to develop new products and technologies and build an ecosystem for genetic testing for reproductive genetics in China. For more details, see "Business—Business Strategies." Generally, we are subject to the following risks associated with our expansion strategy:

- significant demands on our management's time and attention and diversion of resources from our expansion may be costly and time-consuming and may require us to obtain third party financing, which may not be available on commercially acceptable terms;

- uncertainties associated with the local rules and regulations which we may not be familiar with;

- failure to achieve the expected operating levels, target return on investment or intended benefits or operating synergies from new business opportunities; and/or

- our due diligence may not uncover all unknown or contingent liabilities or other negative developments with respect to acquired targets.

There is no assurance that our expansion strategies will be successful. To manage and support our growth, we may need to improve our existing operational and administrative systems, as well as our financial and management controls. If we fail to expand at our expected pace, we may face capacity constraints in the future which may adversely affect our business and financial condition. We also need to continue to properly maintain our relationships with our suppliers and customers. All of these endeavors will require substantial management attention and efforts and significant additional expenditures.

We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business, financial condition and results of operations.

Our future success depends on our ability to retain key personnel in our R&D team, sales and marketing team and executives and to attract, retain and motivate qualified personnel.

Our business and growth depend on the continued service of our senior management and personnel in our R&D team to develop products and our sales and marketing team to promote our products. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us at any time. We do not maintain key person insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

To incentivize valuable employees to remain at our Company, in addition to salary and cash incentives, we have granted equity interests to certain eligible employees. The value to employees of these equity grants may be significantly affected by movements in the Share price that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time, with or without notice. In addition, we rely on consultants and advisors, including our medical advisory board, to assist us in formulating our clinical development and commercialization strategy. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous medical device companies for similar personnel.

We also experience competition for the hiring of R&D and clinical personnel from universities and research institutions. Our consultants and advisors may be engaged by our competitors and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.

As our development and commercialization plans and strategies evolve, we need to recruit a significant number of additional managerial, R&D, manufacturing, sales, marketing, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including but not limited to:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our products, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our products will depend, in part, on our ability to effectively manage our recent growth and any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

If we are not able to effectively manage our growth and further expand our organization by hiring new employees and expanding our groups of consultants and contractors as needed, we may not be able to successfully implement the tasks necessary to further develop and commercialize our products and, accordingly, may not achieve our research, development and commercialization goals.

If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, contractors, business partners and other third parties that we engage for our business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Fair value changes for our financial assets measured at fair value through profit or loss may materially affect our financial condition and results of operations.

During the Track Record Period, we purchased wealth management products, which were recorded as financial assets at fair value through profit or loss. As of December 31, 2018 and 2019 and September 30, 2020, we had financial assets at fair value through profit or loss of RMB50.1 million, RMB32.1 million and nil, respectively. The fair value of such financial assets is estimated by discounting the future contractual cash flows at the market interest rate available to us for similar financial instruments. The estimation of our financial assets at fair value through profit or loss primarily uses unobservable inputs, such as the expected rate of return of the wealth management products. This requires our management to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. As a result, such treatment of carrying amounts of our financial assets measured at fair value through profit or loss may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under PRC laws and administrative regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practice in the PRC, we have elected not to maintain certain types of insurance, such as business interruption insurance or key man insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Our products could become the subject of litigation and other claims, and we may not be adequately insured against these liabilities.

We rely on the physicians and other medical professionals to correctly use our products in testing process to obtain accurate test results. However, we do not have full and direct control over every step of clinical activities undertaken at each of the hospitals, reproductive clinics and medical laboratories using our products. Any incorrect clinical decision or malpractice on the part of physicians and other medical professionals, or any failure by the medical facilities in our network to properly manage their clinical activities may result in unsatisfactory testing outcomes, which could lead to disputes with patients and/or their families or the medical professionals. Any dispute or legal proceeding with patients and/or their families or the medical professionals, regardless of its merit or eventual outcome, could result in significant legal costs and reputational damage to our products, and further affect our business, financial condition and results of operations.

Security breaches, loss of data, and other disruptions could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we collect and store sensitive data, including protected health information, personally identifiable information, financial information, intellectual property, and proprietary business information owned or controlled by ourselves or our customers and other parties. We manage and maintain our applications and data utilizing on-site systems. These applications and data encompass a wide variety of business-critical information, including research and development information, commercial information, and business and financial information. We face a number of risks relative to protecting this critical information, including loss of access risk, inappropriate use or disclosure, inappropriate modification, and the risk of our being unable to adequately monitor, audit, and modify our controls over our critical information.

The secure processing, storage, maintenance, and transmission of this critical information are vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other malicious or inadvertent disruptions. In addition, while we have implemented security measures and a formal, dedicated enterprise security program to prevent unauthorized access to sensitive data, such data is currently accessible through multiple channels, and there is no guarantee we can protect our data from breach. Unauthorized access, loss, or dissemination could also result in delays of our services and products development and commercialization as well as damage our reputation, including our ability to conduct research and development activities, collect, process, and prepare company financial information, provide information about patient and physician education and outreach efforts through our website, and manage the administrative aspects of our business. Any such unauthorized access, loss or dissemination of information could also result in legal claims or proceedings, liabilities under PRC laws and regulations in relation to the protection of personal information and cybersecurity as well as those specifically governing patient and medical data. We shall establish, maintain and execute such internal system to safeguard relevant personal healthcare data. Any failure to comply with above-mentioned regulation would result in administrative liabilities including but not limited to informed criticism.

We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, the COVID-19 outbreak in China and worldwide has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition.

We are vulnerable to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, and other catastrophes, which may materially and adversely affect our business. Since December 2019, a novel strain of coronavirus or COVID-19, has become widespread in China and around the world. In March 2020, the World Health Organization declared the COVID-19 a pandemic, given its threat beyond a public health emergency of international concern that the organization had declared in January 2020. Since early 2020, China and many other countries have taken various restrictive measures to contain the virus' spread, such as quarantines, travel restrictions and home office policies. In response to this pandemic, hospitals and physicians across China focused their efforts on treating COVID-19 patients and prioritized resources toward containing the virus, resulting in many diagnostic procedures of genetic testing being deferred.

While COVID-19 has begun to show signs of stabilizing in China and our business has started to recover, the downturn brought by and the duration of the COVID-19 outbreak is difficult to assess or predict and the full impact of the virus on our operations will depend on many factors beyond our control. Our business operations could be disrupted if any of our employees is suspected of contracting COVID-19, since our employees could be quarantined and/or our offices be shut down for disinfection. Our business operations may also be adversely affected if our suppliers, partner hospitals or other business partners continue to be affected by

COVID-19. The extent to which the COVID-19 outbreak impacts our business, results of operations and financial condition remains uncertain, and we are closely monitoring its impact on us. Our business, results of operations, financial condition and prospects could be materially adversely affected to the extent that COVID-19 harms the Chinese and global economy in general. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

If we fail to comply with environmental, health and safety laws and regulations, we could be subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous and flammable materials, including chemicals. Our operations may also produce hazardous waste products. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials or our or third parties' disposal of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

We, our Shareholders, Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

If we fail to maintain adequate internal controls, we may not be able to manage our business effectively and may experience errors or information lapses affecting our business.

As we continue to expand, our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. We will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business such as filings with clerical errors. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in internal controls, our ability to manage our business effectively may be affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products; and could otherwise materially and adversely affect our business, operations or competitive position.

A substantial amount of our business, assets, operations and revenues are located in or derived from our operations in China and, as a result, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including, but not limited to:

- the extent of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- the allocation of resources;
- an evolving regulatory system; and
- the level of transparency in the regulatory process.

Although China has experienced rapid economic growth over the past decades, its continued growth has slowed since the second half of 2008. There is no assurance that future growth will be sustained at similar rates or at all. The Chinese government implements various measures intended to encourage economic growth and guide the allocation of resources. These

measures may include differential policies towards specific groups of biotechnology companies, which may have an adverse effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Further, any adverse change in the economic conditions or government policies in China could have a material adverse effect on overall economic growth and the level of healthcare investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our business.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although the Chinese government has implemented reform measures allowing for an increasingly market-based economy, reduced state ownership of productive assets and established sound corporate governance practices in business enterprises, a substantial portion of the productive assets in China is owned by the Chinese government. The continued control of these assets and other aspects of the national economy by the Chinese government could materially and adversely affect our business. The Chinese government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Changes and developments in China's economic, political and social conditions could adversely affect our financial condition and results of operations. In particular, the reproductive genetics medical device market may grow at a slower pace than expected, which could adversely affect our business, financial condition or results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

The majority of our operations are conducted in China, and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the non-binding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on

government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a joint stock company incorporated under the laws of the PRC with limited liability, and a substantial amount of our assets are located in the PRC. In addition, a majority of our Directors and Supervisors and all of our senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors, Supervisors and senior management personnel. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administration Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. It is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgement," "specific legal relationship" and "written form." A final judgement that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect and the outcome and

effectiveness of any action brought under the 2019 Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

Dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H shares through the sale or transfer by other means of H shares.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT on gains derived by holders of our H Shares from their disposition of our H Shares may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

We are subject to PRC governmental controls on currency conversion, and the fluctuation of the Renminbi exchange rate may materially and adversely affect our business and our ability to pay dividends to holders of H shares.

We expect that a substantial majority of our revenue will be denominated in Renminbi, which is currently not a fully freely convertible currency. A portion of our revenues may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing laws and regulations on foreign exchange, following the completion of the Global Offering, we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. As a result, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. From 1994 until July 2005, the conversion of the Renminbi into foreign currencies in the PRC, including the Hong Kong dollar and U.S. dollar, had been based on fixed rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar where the Renminbi is permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the PBOC. On June 19, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. Following this announcement, the Renminbi had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.12 per U.S. dollar as of June 15, 2015. On August 11, 2015, PBOC further enlarged the floating band for trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and the Renminbi depreciated against the U.S. dollar by approximately 1.9% as compared to August 10, 2015, and further depreciated nearly 1.6% on the next day. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the special drawing rights and decided that with effect from October 1, 2016, the Renminbi is determined to be a freely useable currency and will be included in the special drawing rights basket as a fifth currency. With the development of foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further reforms to the exchange rate system, and the Renminbi could appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

Holders of H Shares may be subject to PRC taxation.

Under applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of H shares ("**non-resident individual holders**"), and gains realised through the sale or transfer by other means of H shares by such shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced by the applicable tax treaties or arrangements.

Under applicable PRC tax laws, the dividends we pay to, and gains realised through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares ("**non-resident enterprise holders**") are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. Pursuant to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) dated August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay Enterprise Income Tax for the dividends declared and paid by us at a tax rate of 5%.

For non-resident individual holders, gains realized through the transfer of properties are normally subject to PRC individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance and the STA on Issues Concerning Income of Individuals Tax Policies (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the STA (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals' tax

exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the STA should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the STA.

Pursuant to the Circular of the STA on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the STA, on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H shares (including HKSCC Nominees). Such withholding tax can be reduced or waived based on applicable tax treaties or arrangement. There are uncertainties regarding the interpretation and implementation of the EIT Law and its implementing rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H shares will be collected from non-PRC resident enterprise holders of H shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H shares may be materially and adversely affected.

Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers of the H Shares. Please refer to "Appendix III—Taxation and Foreign Exchange."

Any possible conversion of our Unlisted Shares, including Domestic Shares and Unlisted Foreign Shares, into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

Subject to the approval of the State Council securities regulatory authority, all of our Unlisted Shares may be converted into H Shares, and such converted Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the listing and trading of the converted Shares on an overseas stock exchange. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, shares currently held on our Domestic Share register or the Unlisted Foreign Share register may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

RISKS RELATING TO THE GLOBAL OFFERING

No public market currently exists for our H Shares, and an active trading market for our H Shares may not develop.

No public market currently exists for our H Shares. The initial Offer Price for our H Shares to the public will be the result of negotiations between our Company and the Joint Global Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the H Shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will rise following the Global Offering.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and/or
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The initial price to the public of our H Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Our Controlling Shareholders have substantial control over the Company and their interests may not be aligned with the interests of the other Shareholders.

Immediately following the completion of the Global Offering, our Controlling Shareholders will be entitled to exercise voting rights of 34.25% of the total issued share capital of our Company. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our H Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per H Share in the Global Offering that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of September 30, 2020. Therefore, purchasers of our H Shares in the Global Offering will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share

on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their H Shares. See "Appendix II—Unaudited Pro Forma Financial Information."

We may have discretion as to how we use the net proceeds of the Global Offering and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield favorable returns for our Shareholders. We plan to use the net proceeds from the Global Offering for research and development, clinical trials, registration filings, manufacturing and commercialization of our products and working capital and general corporate purposes. See "Future Plans and Use of Proceeds—Use of Proceeds." However, our management will have discretion as to the actual utilization of the net proceeds within the disclosed scope of planned usage. You are entrusting your funds to our management, upon whose judgment you must depend for the specific uses we will make of the net proceeds from the Global Offering.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to the PRC, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutes and/or other third party reports we generally believe to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials. Therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

No dividend has been paid or declared by the Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash

requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our network of medical facilities, our industry or the Global Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industries and the Global Offering. None of us or any other person involved in the Global Offering has authorized the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecast, view or opinion expressed by the press and/or other media regarding our H Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecast, view or opinion expressed in any such publication. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our headquarters and all of our business operations are principally located, managed and conducted in the PRC, our Company does not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted our Company a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. Our Company has made the following arrangements to maintain effective communication between the Stock Exchange and us:

(i) both of our Company's authorized representatives, Dr. Liang, an executive Director, and Mr. Lok Kwan YIM (嚴洛鈞), a joint company secretary of our Company, will act as our Company's principal channel of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and email;

(ii) each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(iii) each Director has provided his mobile phone number, office phone number and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he will provide the phone number of the place of his accommodation to the authorized representatives;

(iv) each of the Directors of our Company not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

(v) our Company has, in compliance with Rule 3A.19 of the Listing Rules, appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**"), who will also act as an additional channel of communication with the Stock Exchange for the period commencing from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Pursuant to Rule 19A.05(2) of the Listing Rules, we shall ensure that the Compliance Advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Stock Exchange;

(vi) any meeting between the Stock Exchange and the Directors will be arranged through the authorized representatives or the Compliance Advisor or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and our Compliance Advisor; and

(vii) we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after Listing.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further sets out the factors that the Stock Exchange will consider in assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, he/she also needs to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as company secretary.

We have appointed Ms. DAI Jing as one of our joint company secretaries. However, given Ms. DAI Jing does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. DAI Jing as our joint company secretary. In order to provide support to Ms. DAI Jing, we have appointed Mr. Lok Kwan YIM, an associate member of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance to Ms. DAI Jing, for a three-year period from the Listing Date so as to enable her to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties.

We have therefore applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the conditions that: (i) Mr. Lok Kwan YIM is appointed as a joint company secretary to assist Ms. DAI Jing in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be

revoked immediately if Mr. Lok Kwan YIM, during the three-year period, ceases to provide assistance to Ms. DAI Jing as the joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. We expect that Ms. DAI Jing will acquire the qualifications or relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period after the Listing. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. DAI Jing, having had the benefit of Mr. Lok Kwan YIM's assistance for three years and has acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors, Supervisors and Senior Management" of this prospectus for further information regarding the qualifications and experience of Ms. DAI Jing and Mr. Lok Kwan YIM.

CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue to engage in certain transactions which will constitute a non-exempt continuing connected transaction of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to such continuing connected transaction between us and certain connected persons under Chapter 14A of the Listing Rules. Please see "Connected Transaction" of this prospectus for further details.

EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS PROSPECTUS

According to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report prepared by our Company's auditor with respect to profits and losses of our Company in respect of each of the three financial years immediately preceding the issue of the prospectus and the assets and liabilities of our Company at the last date to which the financial statements were prepared.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

According to Rule 18A.06 of the Listing Rules, an eligible biotech company shall comply with Rule 4.04 modified so that references to "three financial years" or "three years" in that rule shall instead reference to "two financial years" or "two years", as the case may be.

Accordingly, we applied to the SFC for, and the SFC has granted, a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the conditions that the particulars of the exemption are set forth in this prospectus and this prospectus will be issued on or before January 27, 2021, on the following grounds:

(a) our Company is primarily engaged in providing genetic testing solutions for assisted reproduction, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(b) the Accountants' Report for each of the two financial years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020 has been prepared and is set out in Appendix I to this prospectus in accordance with Rule 18A.06 of the Listing Rules;

(c) notwithstanding that the financial results set out in this prospectus are only for the two years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this prospectus pursuant to the relevant requirements; and

(d) furthermore, as Chapter 18A of the Listing Rules provides track record period for biotech companies in terms of financial disclosure is two years, strict compliance with the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for our Company.

Our Company is of the view that the Accountants' Report covering the two years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, together with other disclosure in this prospectus, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this prospectus. Therefore, the exemption would not prejudice the interests of the investing public.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The Accountants' Report set out in Appendix I to this prospectus contains the audited consolidated results of our Group for the two years ended December 31, 2019 and the nine months ended September 30, 2020. The loss estimate set out in Appendix IIA to this prospectus contains the loss estimate for the year ended December 31, 2020 which is estimated by our Directors based on the audited results for the nine months ended September 30, 2020 and the management accounts for the three months ended December 31, 2020.

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this prospectus must include, among others, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Paragraph 4.4(1) of the Guidance Letter HKEX-GL25-11 issued by the Stock Exchange provides that where an applicant issues its listing document within two months after the latest year end, a Rule 4.04(1) waiver would be subject to the following conditions: (i) the applicant must list on the Stock Exchange within three months after the latest year end; (ii) the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (iii) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the listing document or the applicant must provide justification why a profit estimate cannot be included in the listing document; and (iv) there

must be a directors' statement in the listing document that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

According to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report prepared by our Company's auditor with respect to profits and losses and assets and liabilities of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules not to include in this prospectus the results of our Company in respect of the financial year immediately preceding the issue of this prospectus, and such waiver has been granted by the Stock Exchange on the conditions that:

(a) this prospectus must be issued on or before January 27, 2021;

(b) the H Share of our Company will be listed on the Stock Exchange on or before March 31, 2021;

(c) this prospectus contains a loss estimate for the year ended December 31, 2020 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and a Directors' statement that after performing all due diligence work which they consider appropriate, there is no material and adverse change to the financial and trading positions or prospects of our Company with specific reference to the trading results from October 1, 2020 to December 31, 2020; and

(d) our Company obtains a certificate of exemption from the SFC on strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Accordingly, an application has been made to the SFC for, and SFC has granted, a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the conditions that (i) the particulars of the exemption be set forth in this prospectus; (ii) this prospectus must be issued on or before January 27, 2021; and (iii) the H Shares of our Company will be listed on the Stock Exchange on or before March 31, 2021. (i.e. within 3 months after the latest financial year end).

The applications to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds that strict compliance with the above requirements would be unduly burdensome and the waiver and exemption will not prejudice the interests of the investing public given the following:

(a) there would not be sufficient time for our Company and our reporting accountants to finalize the audited financial statements for the year ended December 31, 2020 for inclusion in this prospectus. If the financial information for the year ended December 31, 2020 is required to be audited, our Company and our reporting accountants would have to carry out substantial work to prepare, update and finalize the Accountants' Report and this prospectus, and the relevant sections of this prospectus will need to be updated to cover such additional period;

(b) the Accountants' Report for each of the two financial years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020 has been prepared and is set out in Appendix I to this prospectus;

(c) notwithstanding that the financial results set out in this prospectus are only for the two years ended December 31, 2018 and 2019 and nine months ended September 30, 2020, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this prospectus pursuant to the relevant requirements;

(d) our Directors are of the view that, up to the date of this prospectus, there has been no material adverse change to the financial and trading positions or prospects since September 30, 2020 (being the date of the latest audited statement of financial position in the Accountants' Report set out in Appendix I to this prospectus) to the date of this prospectus; and there has been no event since September 30, 2020 and up to the date of this Prospectus which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus, the loss estimate for the year ended December 31, 2020 as set out in Appendix IIA to this prospectus and the section headed "Financial Information" in this prospectus and other parts of this prospectus. Based on the due diligence work performed by the Sole Sponsor so far, nothing has come to the attention of the Sole Sponsor for them to cast doubt on the views of our Directors expressed above;

(e) our Company shall publish the annual results and annual report within the time prescribed under the Rules 13.49(1) and 13.46(1) of the Listing Rules, respectively; and

(f) our Company is of the view that the Accountants' Report covering the two years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, together with other disclosure in this prospectus, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this prospectus.

WAIVER AND CONSENT IN RELATION TO CORNERSTONE INVESTMENT BY AN EXISTING SHAREHOLDER AND ITS CLOSE ASSOCIATES

OPM is an existing shareholder and a Pre-IPO Investor of the Company, which will hold approximately 1.59% of the total issued share capital of the Company immediately before the Global Offering. OPM and certain of its close associates, namely OrbiMed Genesis Master Fund, L.P. ("**Genesis**"), OrbiMed New Horizons Master Fund, L.P. ("**ONH**") and The Biotech Growth Trust Plc ("**BGT**", together with OPM, Genesis and ONH, the "**OrbiMed Funds**"), have entered into a cornerstone investment agreement with the Company, pursuant to which the OrbiMed Funds have agreed to, subject to certain conditions, acquire at the Offer Price a certain number of our Offer Shares in the Global Offering.

Waiver from strict compliance with 10.04 of the Listing Rules and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules

Rule 10.04 of the Listing Rules provides that an existing shareholder of an issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or her own name or through nominees if the conditions in Rule 10.03(1) and (2) are satisfied. The requirements of Rule 10.03 of the Listing Rules are that (1) no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among others, that without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless certain conditions are fulfilled.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with 10.04 of the Listing Rules and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to permit Genesis and ONH, both being, close associates of OPM, to participate as cornerstone investors in the Global Offering, subject to the following conditions:

(a) the Company will comply with the public float requirements of Rules 8.08(1) and 18A.07 of the Listing Rules;

(b) the Offer Shares to be subscribed by and allocated to the OrbiMed Funds in the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors (including being subject to a six-month's lock up following the Listing);

(c) no preferential treatment has been, nor will be, given to OrbiMed Funds by virtue of their relationship with the Company in any allocation in the placing tranche other than the preferential treatment of assured entitlement under the cornerstone investment which follows the principles set out in the Guidance Letter HKEX-GL51-13, that the cornerstone investment agreement of the OrbiMed Funds does not contain any material terms which are more favorable to it than those in other cornerstone investment agreements; and

(d) details of the cornerstone investments by the OrbiMed Funds and the allocation will be disclosed in the Prospectus and the allotment results announcement of the Company.

For further information, including the identity and background of the OrbiMed Funds and the terms of their cornerstone investment, please see "Cornerstone Investors".

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading or deceptive.

CSRC APPROVAL

The CSRC has given us its approval for the listing of our H Shares on the Hong Kong Stock Exchange and the Global Offering on November 17, 2020. In granting this approval, the CSRC does not accept responsibility for the financial soundness of our Company, or for the accuracy of any of the statements made or opinions expressed in this prospectus and the Application Forms.

As advised by our PRC Legal Advisors, our Company has obtained all necessary approvals and authorizations in the PRC in relation to the Global Offering and the Listing.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (for themselves and on behalf of the Hong

Kong Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be determined between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, February 1, 2021 and, in any event, not later than Tuesday, February 2, 2021 (unless otherwise determined between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before Tuesday, February 2, 2021, the Global Offering will not become unconditional and will lapse immediately.

For further information about the Underwriters and the underwriting arrangements, see "Underwriting."

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

For details of the structure of the Global Offering, see "Structure of the Global Offering."

RESTRICTIONS ON OFFER AND SALE OF H SHARES

Each person acquiring the H Shares will be required to confirm, or by his/her/its acquisition of H Shares be deemed to confirm, that he/she/it is aware of the restrictions on offers and sales of the H Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offering and sales of the H Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the H Shares have not been publicly offered or sold, directly or indirectly, in the PRC.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, (i) the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) any H Shares to be converted from Unlisted Foreign Shares. Our Domestic Shares and Unlisted Foreign Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in "Share Capital—Conversion of our Unlisted Shares into H Shares."

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Monday, February 8, 2021. Save as disclosed in this prospectus, no part of our shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All Offer Shares will be registered on the H Share Registrar in order to enable them to be traded on the Hong Kong Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Global Offering, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Hong Kong Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out "Structure of the Global Offering." Assuming that the Over-allotment Option is exercised in full, our Company may be required to issue at the Offer Price up to an aggregate of additional 10,000,000 H Shares, representing approximately 15% of the total number of H Shares initially available under the Global Offering.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the H Shares or exercising any rights attached to them. It is emphasized that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates, directors, supervisors, officers, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of any holders of the H Shares resulting from the subscription, purchase, holding or disposal of the H Shares or exercising any rights attached to them.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders as recorded in our H Share register, and sent by ordinary post, at the Shareholders' own risk, to the registered address of each Shareholder.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Special Regulations and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive. For further details, see "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of Articles of Association";

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his/her/its behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations (i) of certain Renminbi amounts into Hong Kong dollars; (ii) of Renminbi amounts into U.S. dollars; and (iii) of Hong Kong dollars amounts into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation (i) of Renminbi into Hong Kong dollars; (ii) of Renminbi into U.S. dollars; and (iii) of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rates:

RMB0.83363	HK$1.00
RMB6.46330	US$1.00
HK$7.75320	US$1.00

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

TRANSLATION

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English version of this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
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Please see the section headed "Directors, Supervisors and Senior Management" in this prospectus for further details.

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Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai, PRC
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Remuneration and appraisal Committee	Dr. KANG Xixiong *(Chairman)* Dr. Liang Mr. YU Kwok Kuen Harry
Nomination Committee	Dr. Liang *(Chairman)* Dr. KANG Xixiong Mr. YU Kwok Kuen Harry
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The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public, market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan to prepare this Report, an independent industry report in respect of the Global Offering (the "F&S Report")[1]. We believe that the sources of the information in this section and other sections of this prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us, the Sole Sponsor, or any other persons or parties involved in the Global Offering or their respective directors, officers, employees, advisers and agents (except for Frost & Sullivan), and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that after making reasonable enquiries, there is no adverse change in the market information since the date of the F&S Report that would qualify, contradict or have a material impact on the information in this section.

THE REPRODUCTIVE GENETICS MEDICAL DEVICES MARKET IN CHINA

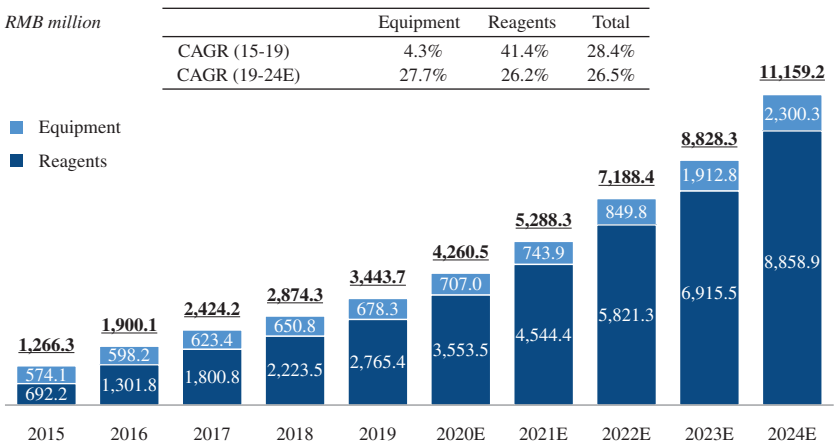
Reproductive genetics is a medical field that primarily involves conducting different tests for predicting possible outcomes of future pregnancies or accessing genetic changes that have likelihood of causing some disease after pregnancy in either mother or child, encompassing assisted reproduction, genetic counseling, and pre-implantation, prenatal and postnatal screening and diagnosis. Medical devices for reproductive genetics primarily include reagents, medical equipment, instruments, and software. Reproductive genetic reagents refer to *in vitro* diagnostic (IVD) reagents and compounds used in the field of reproductive genetics. Based on different stages of the reproductive cycle in which they are used, reproductive genetic reagents generally are classified into three categories: (i) pre-implantation reagents, which generally include three types: pre-implantation genetic testing for aneuploidy (PGT-A), for monogenic diseases (PGT-M), and for structural rearrangement (PGT-SR); (ii) prenatal reagents, which primarily include NIPT kits, SGR kits, amniocentesis kits and CNV kits; and (iii) postnatal reagents. Typically, four types of genetic testing measures are available for newborns and parents, namely glucose-6-phosphate dehydrogenase genetic testing, congenital deafness

1 We have agreed to pay Frost & Sullivan a fee of RMB500,000 for the preparation of the F&S Report, which we consider in line with market rates. Except as otherwise noted, all data and forecasts in this section are derived from the F&S Report and Frost & Sullivan has used exchange rate conversions as set out in the F&S Report. Frost & Sullivan's independent research was undertaken primarily through secondary research which primarily involved analyzing data from various publicly available data. In compiling and preparing the F&S Report, Frost & Sullivan has made the following key assumptions: (i) the global economy is likely to maintain a steady rate of growth in the next five years; (ii) the key growth drivers mentioned in this section are likely to drive the growth of the reproductive genetics medical devices market in China from 2020 to 2024; and (iii) there is no force majeure or industry regulation that affects any of such markets dramatically or fundamentally. In this section, Frost & Sullivan presents historical market information for five years (i.e., from 2015 to 2019) which is a longer period compared to the two-year-and-nine-month Track Record Period and is a more accurate reflection of the trends affecting our markets.

genetic testing, WES and genetic metabolic disease testing. Reproductive genetic medical equipment include machines used to preserve or process genetic materials. Based on their function, reproductive genetics medical equipment can be classified as testing equipment, operation equipment and storage equipment. Reproductive genetic instruments are machines used to measure data or small operational tools, such as follicle aspiration needles. Reproductive genetic software is primarily used on computers and reproductive genetic equipment for bioinformatics analysis, such as NGS-based bioinformation analysis software. In particular, reagents and medical equipment are the two major types of reproductive genetics medical devices, and collectively account for the vast majority of the market of reproductive genetics medical devices in China.

The reproductive genetics medical devices market in China is relatively nascent and rapidly growing. Driven by rising infertility rates and demand for assisted reproduction treatments (such as IVF), rising health awareness in China, increasing affordability and availability of genetic testing and the advancement of technologies, the reproductive genetics medical devices market in China in terms of sales revenue (based on ex-factory prices) grew from RMB1.3 billion in 2015 to RMB3.4 billion in 2019 at a 28.4% CAGR, and is expected to reach RMB11.2 billion in 2024, representing a 26.5% CAGR from 2019 to 2024. Within this market, the reproductive genetics reagents sector has maintained a higher growth rate in the past few years and is expect to continue such high-speed expansion in the foreseeable future. The reproductive genetics reagents market in China in terms of sales revenue (based on ex-factory prices) grew from RMB0.7 billion in 2015 to RMB2.8 billion in 2019 at a 41.4% CAGR, and is expected to reach RMB8.9 billion in 2024, representing a 26.2% CAGR from 2019 to 2024. The following chart sets forth a breakdown of the reproductive genetics medical device market in China for the period indicated.

The Market of Reproductive Genetics Medical Devices in China, 2015-2024E(1)

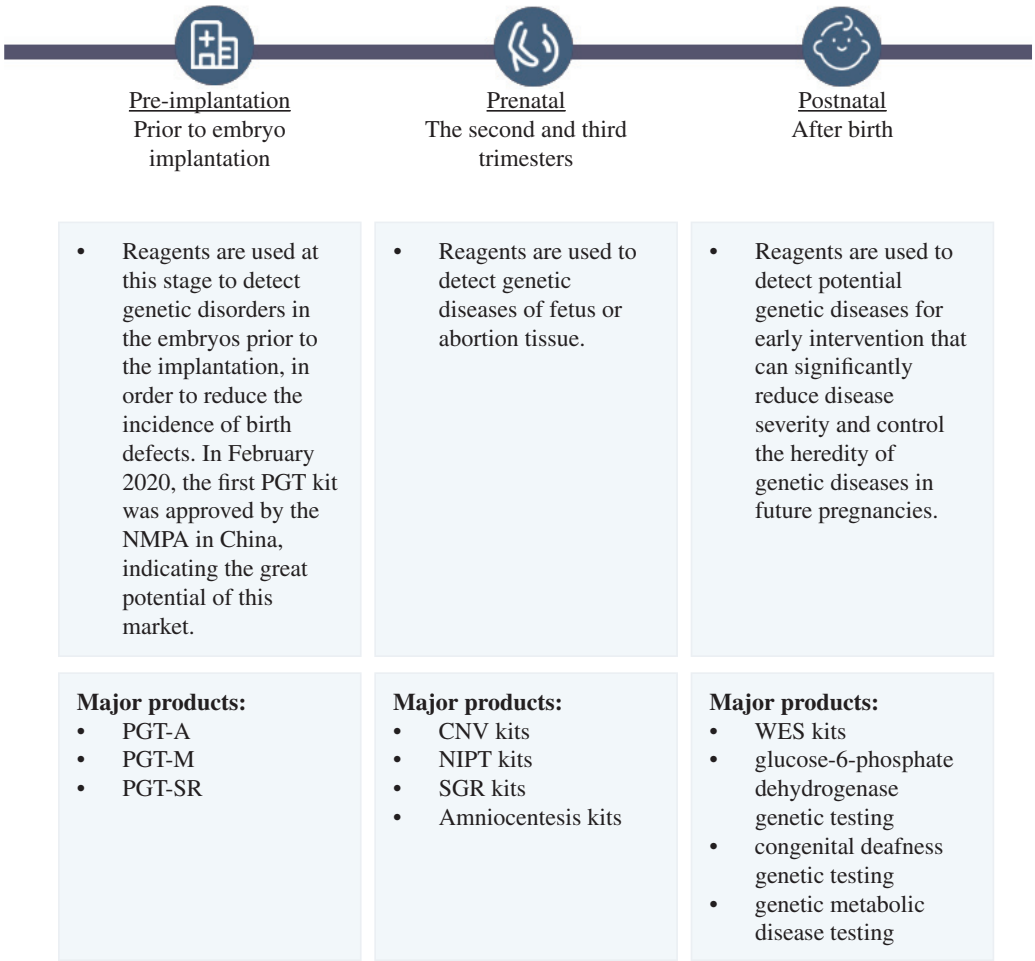


(1) The market size is calculated in terms of the sales revenue of reproductive genetics medical devices, which is based on the ex-factory prices.

Source: F&S Report

THE REPRODUCTIVE GENETICS REAGENTS MARKET IN CHINA

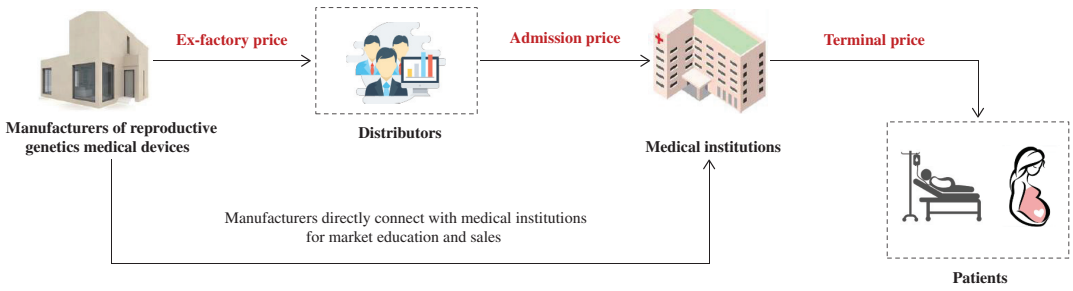
Reagents used in reproductive genetics are primarily those used in genetic testing in the three main stages of the reproductive cycle:



Value Chain of the Reproductive Genetics Reagents Market in China

Major players in the reproductive genetics reagents market can be classified into upstream sector, midstream sector or downstream sectors based on the products or services they provide. Companies in the upstream sectors are manufacturers and suppliers of reproductive genetics reagents, which generate revenue by selling their proprietary reagents to distributors and end customers on ex-factory prices. Companies in the midstream sectors are primarily distributors of the reagents, who purchase reagents from manufacturers and resell them to hospitals and reproductive clinics at wholesale prices. The players in the downstream sector primarily refer to medical institutions such as hospitals and reproductive clinics which use reproductive genetics reagents (charged at retail prices) in providing assisted reproductive services to patients. Within this market, without an approval from NMPA, manufacturers are not permitted to sell their products for commercial purposes. In this case, hospitals and reproductive clinics

could purchase reagents for limited scientific research purposes, or conduct genetic testing in their own laboratories with enzymes, in order to provide relevant services to patients. The following chart illustrates the value chain of reproductive genetics reagents market in China.



Reproductive Genetics Reagents Market Size

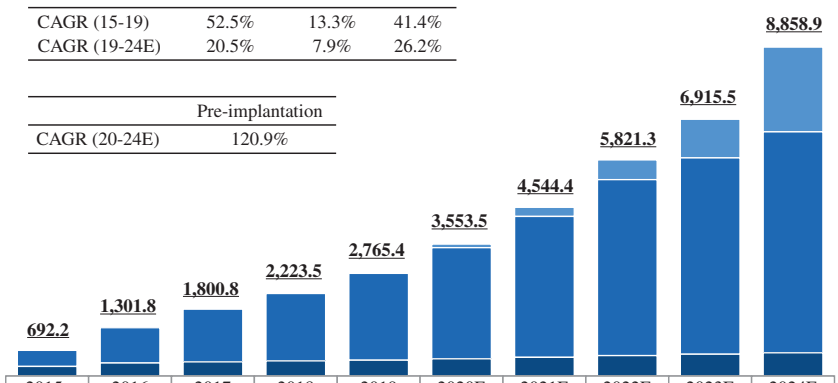
The reproductive genetics reagents market in China has developed rapidly in recent years, with its market size in terms of sales revenue (based on ex-factory prices) growing from RMB0.7 billion in 2015 to RMB2.8 billion in 2019, representing a CAGR of 41.4%, and is expected to reach RMB8.9 billion in 2024, representing a CAGR of 26.2% from 2019 to 2024. In particular, the pre-implantation genetic testing (PGT) reagents market, which emerged in 2020 when the first PGT reagent product was approved by the NMPA, is expected to increase faster than the overall market from 2020 to 2024, with a CAGR of 120.9% during such period. The following chart sets forth a breakdown of reproductive genetics reagents market in China for the period indicated.

Reproductive Genetics Reagents Market in China, 2015-2024E[(1)]

RMB million

	Pre-natal	Post-natal	Total
CAGR (15-19)	52.5%	13.3%	41.4%
CAGR (19-24E)	20.5%	7.9%	26.2%

	Pre-implantation
CAGR (20-24E)	120.9%



	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Total	692.2	1,301.8	1,800.8	2,223.5	2,765.4	3,553.5	4,544.4	5,821.3	6,915.5	8,858.9
Pre-implantation	–	–	–	–	–	95.9	245.4	531.5	1,040.1	2,282.3
Pre-natal	432.7	950.2	1,418.7	1,814.5	2,338.2	2,992.8	3,794.7	4,738.6	5,287.4	5,950.4
Post-natal	259.5	351.6	382.2	408.9	427.2	464.8	504.3	551.2	588.0	626.2

(1) The market size is calculated in terms of the sales revenue of reproductive genetics reagents, which is based on the ex-factory prices.

Source: F&S Report

PGT Reagent Market in China

Overview of PGT and the third-generation IVF Treatments

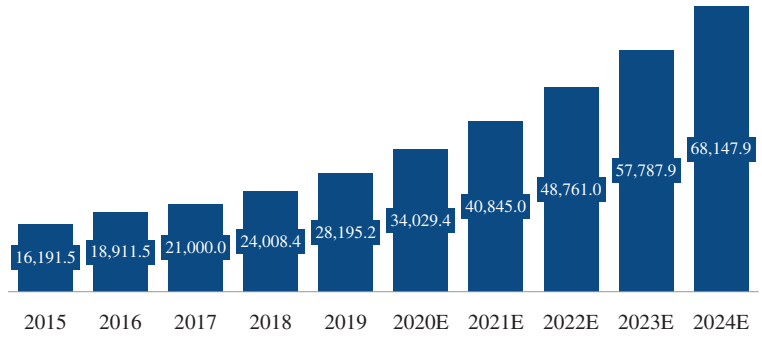
Since 1978, when the IVF treatment was invented, refinements in laboratory technology and clinical practice have allowed IVF treatment to evolve into a medical procedure that is efficient, safe, readily accessible and relatively affordable. In its three decades of development, IVF treatment has evolved through three generations in terms of technologies applied: conventional IVF treatment where sperms and eggs are incubated together in laboratory to produce embryos (the first generation), IVF treatment with applied intracytoplasmic sperm injection technologies (the second generation) and IVF treatment with applied PGT (the third-generation).

The following chart sets forth the growth of IVF service market in China for the period indicated.

IVF Service Market in China, 2015-2024E(1)

RMB million

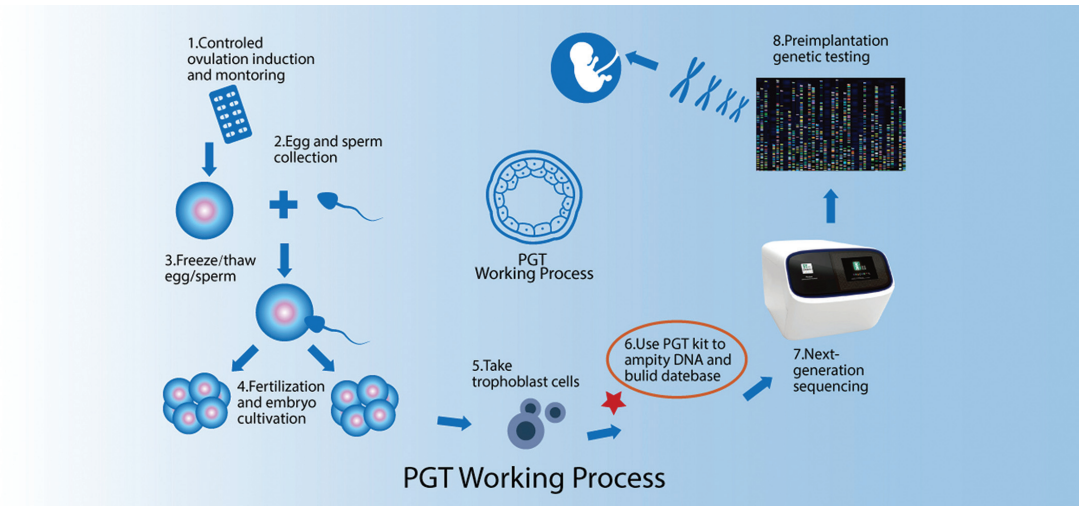
	IVF service
CAGR (2015-2019)	14.9%
CAGR (2019-2024E)	19.3%



(1) The market size is calculated in terms of the total expenditures of patients on IVF service, which is based on the retail prices in medical institutions.

Source: F&S Report

PGT is a sophisticated scientific technique that uses reagents to prepare DNA samples of pre-implantation embryos, which are then read by a sequencing medical device and analyzed for genetic disorders. PGT is a critical step in the third-generation IVF treatments. Although IVF treatments have been available in China for several decades, earlier generations of IVF treatments did not involve PGT. Third-generation IVF treatment, with the first baby born with this technology in China in 2000, is characterized by including a PGT before the embryos are transplanted into mothers, which can increase the success rates of IVF and lower miscarriage rates. The following diagram illustrates the working process of PGT.



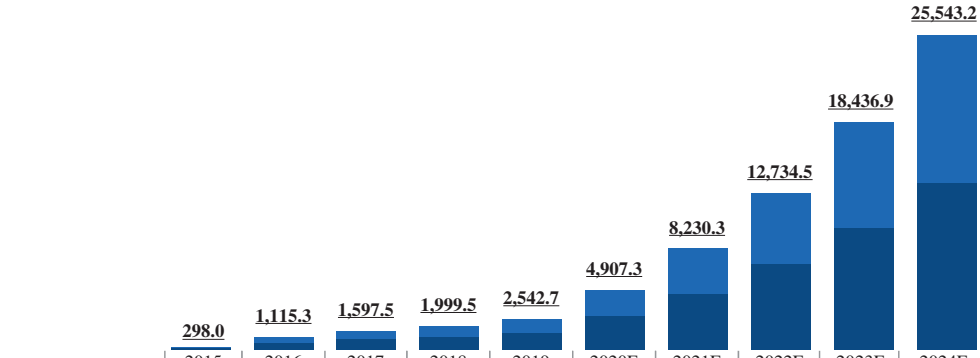
Source: F&S Report

The demand for IVF treatments has grown significantly in recent years due to increasing affordability, rising health awareness, people's willingness to reduce incidence of miscarriage, and rising infertility rates in China. The incidence of miscarriage in China gradually increased from 1.36 million in 2015 to 1.46 million in 2019, with a sharp increase in 2016 at 1.75 million, and is expected to reach 1.53 million in 2024. Infertility rates in China, calculated by dividing the number of infertile couples of reproductive age by the number of married couples of reproductive age, increased from 3.5% in 1997 to 16.4% in 2019. During the same period, the number of infertile couples in China increased from 44.1 million in 2015 to 49.9 million in 2019 and is expected to reach 52.6 million in 2024. Such increases result in a growing demand for third-generation IVF services, which include medical consulting, IVF treatments (i.e. egg retrieval, fertilization, embryo transfer), medication and PGT. The size of the third-generation IVF services, in terms of total expenditures of patients (include registration fee, consulting fee, examination fee, medication cost and PGT service fee), increased from RMB0.3 billion in 2015 to RMB2.5 billion in 2019 at a CAGR of 70.8%, and is expected to reach RMB25.5 billion in 2024, representing a CAGR of 58.6% from 2019 to 2024. The following chart sets forth a breakdown of the third-generation IVF services market in China for the period indicated.

Third-Generation IVF Service Market in China, 2015-2024E[1]

RMB million

		PGT service	Others	Third Generation IVF service
■ PGT Service	CAGR (2015-2019)	70.7%	71.1%	70.8%
■ Others	CAGR (2019-2024E)	60.8%	56.8%	58.6%



	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Total	298.0	1,115.3	1,597.5	1,999.5	2,542.7	4,907.3	8,230.3	12,734.5	18,436.9	25,543.2
■ PGT Service	131.5	491.8	703.7	879.9	1,117.4	2,153.1	3,637.6	5,758.7	8,515.3	12,029.9
■ Others	166.5	623.6	893.8	1,119.7	1,425.3	2,754.2	4,592.7	6,975.8	9,921.6	13,513.3

(1) The market size is calculated in terms of the total expenditures of patients on the third-generation IVF service and PGT service, which is based on the retail prices of PGT reagents.

Source: F&S Report

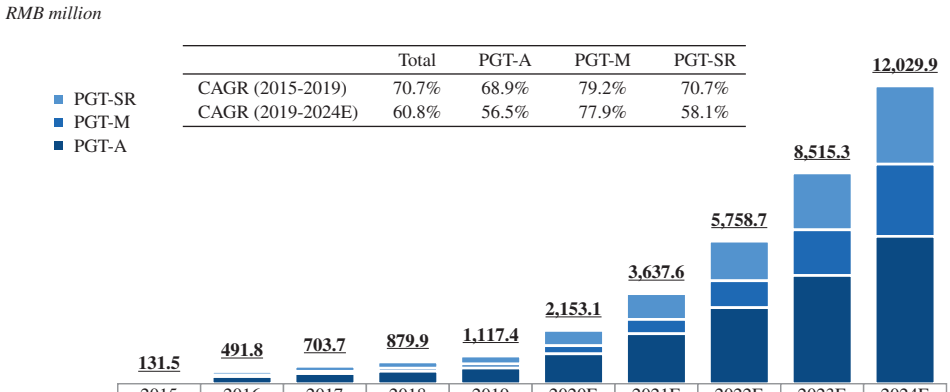
PGT Service Market in China

As the third-generation IVF is characterized by including a PGT before the embryos are transplanted into mothers, a significant portion of expenditure of patients on the third-generation IVF service are spent on PGT services. Because third-generation IVF treatments are the most advanced IVF treatments in China, demand for such treatments, and in turn, PGT, is growing rapidly in China. The number of PGT cycles increased from approximately 3,700 in 2015 to approximately 30,400 in 2019, representing a CAGR of 69.4%, and is expected to reach approximately 270,000 in 2024, representing a CAGR of 55.3% from 2019 to 2024. Assuming the standard six embryos per cycle, this translates to approximately 0.2 million embryos in 2019 and 1.6 million in 2024. The penetration rate of PGT in China, calculated by dividing the number of third-generation IVF cycles by the total number of IVF cycles, was relatively low in 2015 at 0.8%. The PRC government has introduced policies to promote PGT in China in 2016. Frost & Sullivan expects that these policies will drive an increase in penetration rate. In the meantime, the number of PGT centers which are hospitals and reproductive clinics with PGT licenses granted by the NHC (國家衛健委) increased significantly from 40 in 2016 to 70 in 2019, and is expected to continue growing. As such, the penetration rate of PGT in China, is expected to increase from 3.8% in 2019 to reach 18.4% in 2024. Compared to the United States, which has a penetration rate of 35.2% in 2018, penetration of PGT in China is relatively low with significant growth potential.

PGT can be generally divided into three types: pre-implantation genetic testing for aneuploidy (PGT-A), for monogenic diseases (PGT-M), and for structural rearrangement (PGT-SR). PGT-A is typically the first genetic test that couples will undertake in IVF treatments and is generally recommended to be undertook before PGT-M and PGT-SR. In line with the increasing number of PGT cycles and increasing penetration rate of PGT in China, the market for PGT services in China, measured by the total expenditure of patients on PGT, increased from RMB0.1 billion in 2015 to RMB1.1 billion in 2019, representing a CAGR of 70.7%, and is expected to reach RMB12.0 billion in 2024, representing a CAGR of 60.8% from 2019 to 2024. The following chart sets forth a breakdown of PGT market in China for the period indicated by PGT type.

PGT Services Market By Service Type, 2015-2024E(1)

RMB million



	Total	PGT-A	PGT-M	PGT-SR
CAGR (2015-2019)	70.7%	68.9%	79.2%	70.7%
CAGR (2019-2024E)	60.8%	56.5%	77.9%	58.1%

	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Total	131.5	491.8	703.7	879.9	1,117.4	2,153.1	3,637.6	5,758.7	8,515.3	12,029.9
PGT-SR	37.7	141.1	201.8	252.1	320.0	616.4	1,040.8	1,599.1	2,298.0	3,159.4
PGT-M	15.9	62.7	94.3	123.5	163.8	328.7	577.1	1,086.9	1,844.4	2,916.3
PGT-A	77.8	288.0	407.7	504.3	633.6	1,208.0	2,019.8	3,072.7	4,372.9	5,954.2

(1) The market size is calculated in terms of the total expenditures of patients on PGT service, which is based on the retail prices of PGT reagents.

Source: F&S Report

The rapid growth in the past and the estimated expansion of the PGT services market in the future indicate an increasing demand of PGT services in China. With the launch of first NMPA-approved PGT reagent in February 2020, such increasing demand is expected to stimulate the sales of PGT reagents in the foreseeable future.

The Impact of the First NMPA-Approved PGT Reagent and the Birth of PGT Reagent Market

Reagents are an important part of PGT service and are provided as test kits, a consumable product used on pre-implantation embryos. In February 2020, the Company's PGT-A kit was approved as a Class III medical device by the NMPA. The Company's PGT-A kit is a genetic testing reagent kit used in assisted reproduction procedures to test for aneuploidy (i.e. an abnormal number of chromosomes) in pre-implantation embryos. This marks the birth of the

PGT reagent market for commercial sales in China. Before February 2020, genetic testing reagents used in assisted reproduction procedures, including PGT kits, were sold to hospitals and reproductive clinics for limited scientific research purposes. During such period, PGT kits in China were primarily supplied by five companies, including Beijing Zhongyikangwei Medical Equipment Co., Ltd, Xukang Medical Technology (Suzhou) Co., Ltd, Unimed Biotech (Shanghai) Co., Ltd, Genemind Biosciences Co., Ltd and the Company. Although the application of PGT kits in China for NMPA approval was not completely inhibited previously, no PGT kits was approved until February 2020, primarily due to difficulties in clinical trials and high barriers to enter this market.

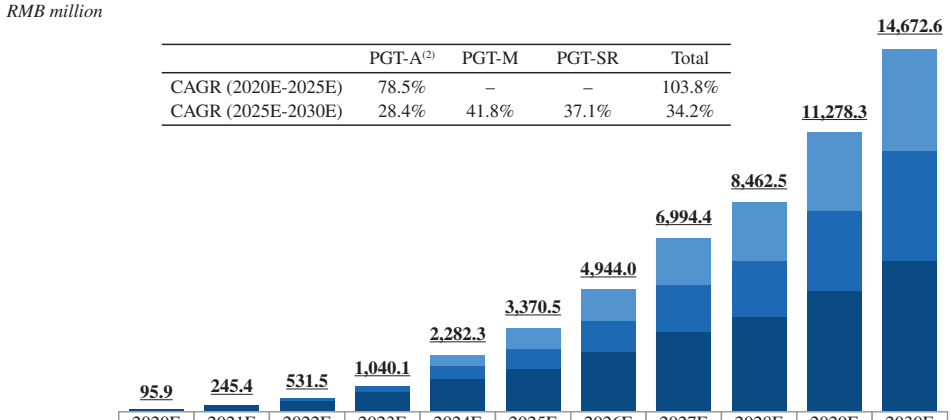
With the launch of NMPA-approved PGT kits, hospitals are able to purchase PGT reagents at standard prices through public bidding and centralized procurement and have the ability to purchase PGT kits on a large scale, which in turn reduces their costs and enables them to provide PGT services to patients with higher efficiency and at more affordable prices. For PGT kit developing companies, the launch of NMPA-approved PGT kits offers them an opportunity to earn more profit by selling NMPA-approved PGT kits to hospitals through centralized procurement, which would incentivize them to obtain approval from the NMPA for their products. More importantly, with the increasingly widespread use of PGT kits, more hospitals and reproductive clinics are developing the capability to provide PGT services to patients. The PRC government has also delegated the PGT license review and approval to provincial authorities to shorten the time to obtain approvals, in an effort to encourage capable medical institutions to obtain a PGT license and offer such services. Due to the increasing demand for the third-generation IVF in China, it is in the interest of medical institutions to purchase NMPA-approved PGT products, as it may have higher quality and lower costs.

PGT Reagent Market Size

Marked by the approval of the Company's PGT-A kit, the PGT reagent market in China emerged in 2020. As of the Latest Practicable Date, the Company's PGT-A kit is the only NMPA-approved PGT kit on the market, and there were no NMPA-approved PGT-M or PGT-SR kits available on the market. The first PGT-M and PGT-SR kits are expected to be approved by NMPA in 2022 and 2024, respectively. Driven by the commercial launch of PGT reagents, the PGT reagents market in China is expected to increase rapidly in the next few years, with its market size in terms of sales revenue (based on ex-factory prices) growing from RMB95.9 million in 2020 to RMB3.4 billion in 2025, representing a CAGR of 103.8%, and further to RMB14.7 billion in 2030, representing a CAGR of 34.2% from 2025 to 2030. Compared to the PGT service market, which is measured by total expenditures by patients on PGT services, the PGT reagent market is measured by sales revenue of PGT reagents producers (based on ex-factory prices), which depict a clear picture of future sales of PGT reagents in China. Generally, the ex-factory prices of PGT reagents account for approximately 40% to 60% of their retail prices. As PGT emerges as a major segment, the size of PGT reagent market, as a percentage of reproductive genetics reagents market in China, is expected to increase significantly from 2.7% in 2020 to 25.8% in 2024. The chart below set forth the breakdown of the PGT reagents market in China by reagent type for the period indicated.

Breakdown of PGT Reagents of Reproductive Genetics Market By Segment, 2020-2030E[1]

RMB million



	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	95.9	245.4	531.5	1,040.1	2,282.3	3,370.5	4,944.0	6,994.4	8,462.5	11,278.3	14,672.6
PGT-SR	–	–	–	–	427.2	858.2	1,298.6	1,875.1	2,363.1	3,179.7	4,160.1
PGT-M	–	–	96.2	250.0	537.7	776.8	1,244.2	1,899.2	2,287.3	3,238.6	4,447.6
PGT-A	95.9	245.4	435.3	790.2	1,317.4	1,735.5	2,401.2	3,220.1	3,812.1	4,860.0	6,064.9

(1) The market size is calculated in terms of the sales revenue of PGT reagents, which is based on the ex-factory prices.

(2) The CAGR of PGT-A reagents are relatively high from 2020 to 2025 compared to that from 2025 to 2030 primarily because the market is nascent and the initial value of the first period is relatively small compared to the second period.

Source: F&S Report

Competitive Landscape

PGT-A

As of the Latest Practicable Date, the PGT-A kit of the Company is the only PGT reagent product approved by the NMPA for commercial sale in China and our potential domestic and international competitors are still years away from receiving regulatory approval for their product candidates, according to Frost & Sullivan. The following tables set forth details of the approved PGT kit and other PGT kits in clinical trials or registration stages in China as of the Latest Practicable Date.

Approved PGT-A Kit

Company	Purposes	Approval time	Addressable population	Sequencing platform
The Company	Assisting physicians to determine whether an embryo is suitable for implantation by detecting the DNA of certain cells of the embryo and analyzing whether an abnormal number of aneuploidy is in the embryonic chromosome	February 2020	Embryos in the IVF treatment process	DA8600

PGT-A Kits in Clinical Trial or Registration Stages

Company	Purposes	Time of entering special approval channel	Estimated approval time	Addressable population	Sequencing platform	Approval status
Beijing Zhongyikangwei Medical Equipment Co., Ltd (嘉寶仁和)	Assisting physicians to determine whether an embryo is suitable for implantation by detecting the DNA of certain cells of the embryo and analyzing whether an abnormal number of aneuploidy is in the embryonic chromosome	July 2016	2022	People with genetic diseases or genetic risks, such as women's advanced age (≥35 years old), repeated IVF implantation failures, repeated miscarriages, and severe male infertility	Illumina MiSeq, MiSeqDx (Reversible terminal termination sequencing method)	In progress of NMPA reviewing
Xukang Medical Technology (Suzhou) Co., Ltd (億康基因)		May 2017	2023		Thermo Ion Torrent (Semiconductor sequencing)	In progress of NMPA reviewing

The following table sets forth details of the suppliers in China of PGT reagents sold for limited scientific research purpose as of the Latest Practicable Date.

Reagent type	Company	Development stages	Time of entering special approval channel
PGT-A	Beijing Zhongyikangwei Medical Equipment Co., Ltd (嘉寶仁和)	Clinical trials/Registration	July 2016
	Xukang medical technology (Suzhou) Co., Ltd (億康)	Clinical trials/Registration	May 2017
	Unimed Biotech (Shanghai) Co., Ltd. (和卓生物)	N/A	–
	GeneMind (真邁生物)	N/A	–
	BGI (華大基因)	N/A	–
PGT-M	Beijing Zhongyikangwei Medical Equipment Co., Ltd (嘉寶仁和)	N/A	–
	Xukang medical technology (Suzhou) Co., Ltd (億康)	N/A	–
	Unimed Biotech (Shanghai) Co., Ltd. (和卓生物)	N/A	–
	BGI (華大基因)	N/A	–
PGT-SR	Beijing Zhongyikangwei Medical Equipment Co., Ltd (嘉寶仁和)	N/A	–
	Xukang medical technology (Suzhou) Co., Ltd (億康)	N/A	–
	Unimed Biotech (Shanghai) Co., Ltd. (和卓生物)	N/A	–

Generally, a PGT kit could be used only on a certain type of sequencing platform. As of the Latest Practicable Date, DA8600 is the only NGS sequencer approved by the NMPA for PGT in China. However, certain other sequencing platform could also be potentially used for PGT kits. In the future, it is expected that there will be a significant progress of the research and development of PGT kits used on these sequencing platforms. The following table sets forth details of sequencing platforms could be potentially used for PGT kits as of the Latest Practicable Date.

Company	Sequencing platform	Technology	Approval status
Beijing Zhongyikangwei Medical Equipment Co., Ltd (嘉寶仁和)	Illumina	Reversible terminal termination sequencing method	NMPA approved
Xukang medical technology (Suzhou) Co., Ltd (億康)	MiSeq™Dx Life Technologies PGM Dx	Semiconductor sequencing	NMPA approved
Unimed Biotech (Shanghai) Co., Ltd. (和卓生物)	Illumina MiniSeq	Sequencing by Synthesis	No
GeneMind (真邁生物)	GenoCare 1600	Single molecule fluorescent sequencing	No
Berry Genomics (貝瑞和康)	NextSeq CN500	Sequencing by Synthesis	NMPA approved
BGI (華大基因)	MGISEQ-2000	Combined probe-anchored polymerization sequencing method	NMPA approved

Drivers and Trends of the PGT Reagent Market in China

The primary drivers and trends of the PGT reagent market in China include:

- *Growing demand for third-generation IVF and PGT.* With the increase in the per capital annual disposable income of the Chinese population and the rising health awareness, more infertile couples and families with genetic diseases are expected to choose IVF treatments. With the infertility rate increasing from 3.5% in 1997 to 16.4% in 2019, the total number of assisted reproductive cycles in China reached approximately 800,000 in 2019. In particular, as people are more willing to increase the success rate of IVF, and reduce the possibilities of miscarriage and birth defects, more couples are expected to choose third-generation IVF and PGT. Compared with the traditional measures in preventing genetic diseases that require intervention through prenatal diagnosis, PGT completes the screening of embryos before the embryos are implanted, reducing the need to intervene mid-pregnancy. As such, demand for PGT reagents is expected to be significant in the future.

- *Increasing penetration rate of PGT.* In the past, due to the uneven quality of PGT reagents without NMPA approval, the lack of the knowledge of genetic testing or PGT, and the limitations of other genetic testing methods, such as PCR and FISH, physicians have generally underestimated the clinical value of PGT. Therefore, just a small portion of patients in need would undertake PGT. With the NMPA approval and commercial launch of PGT-A products and the promising clinical data in improving the success rate of IVF and reducing abortion rates, more physicians are expected to recommend PGT to their patients. In the meantime, the number of hospitals and reproductive clinics with PGT capacity typically increases by 10 to 15 per year. Together with the development of PGT-A technology, continuing market promotion, patient education and physician training regarding genetic testing, the awareness of PGT is rising among patients and physicians. As a result, the penetration rate of PGT is expected to grow significantly in the foreseeable future, and reach 18.4% in 2024.

- *Continuing development of PGT technology.* The first generation of PGT technology used FISH, which could provide results within a short time but had a higher rate of inaccuracies. As a result of continued investment in R&D, new technologies such as CGH, SNP-array, and NGS have been applied in PGT. Currently, the most advanced technology in PGT have higher resolution, whole genome coverage and shorter testing time. Continuing upgrades to PGT technologies are expected in the future as the leading market participants invest significant amount of resources in R&D to use cutting-edge technologies to gain competitive edge.

- *Favorable policies for NMPA-approved products.* In February, the first PGT kit was approved by the NMPA. In the future, the PRC government is expected to continue to strengthen the regulation of the PGT reagent market, facilitating the approval process of PGT kits and limiting the commercial sales of unapproved products. The NMPA is expected to require PGT centers in China to purchase NMPA-approved PGT kits in the future, as a prerequisite to obtaining licenses. PGT kits without NMPA approval are not permitted to be sold to public hospitals through public bidding or centralized procurement. As a result, producers with approved PGT kits enjoy competitive advantages.

Entry Barriers of the PGT Reagent Market in China

The entry barriers for the PGT reagent market in China primarily include the following:

- *Advanced technologies.* Providers of PGT kits need to have deep technical expertise and knowledge in the fields of biology, chemistry and genetics. PGT technology has already evolved to the third-generation, which may take new entrants years to catch up with the current leading players. To conduct research in this field, a new company needs a team of experienced researchers and scientists, which usually takes a long time to build since such talent is typically scarce. Therefore, it is usually challenging for new entrants to establish their completive advantage regarding PGT technology.

- *Difficulties in clinical trials*. For new entrants to the market, completing clinical trials for PGT reagents is difficult, requiring over 10,000 test samples based on PRC laws and regulations. In China, several companies have discontinued clinical trials for their PGT kit candidates, and many companies need significant time and cost in completing these trials.

- *Strict regulation.* As Class III medical devices, PGT kits are subject to a series of regulations issued by the NMPA, and an NMPA approval is needed for the commercial sales of a PGT kit. In recent years, the PRC government has consistently emphasized the importance and necessity of quality control in assisted reproduction services providers, which indicates more strict regulations should be implemented in the future. Generally, it takes a long time for new entrants to obtain NMPA approval and the length of time could be unpredictable. Moreover, according to the current PRC laws and regulations, foreign investors are not permitted to enter this market.

- *Genetic consulting capability.* In China, the genetic consulting service is at an early stage of development, with a large number of physicians at hospitals and reproductive clinics lacking the knowledge to provide genetic consulting services to patients and unable to recommend suitable genetic testing measures to patients in need. Under such circumstances, companies which have capabilities in genetic consulting can provide training to physicians to increase their awareness of genetic testing processes and products and have a better opportunity to promote their products.

- *Ability to provide comprehensive services.* Currently, a great majority of assisted reproductive services providers are part of the public hospital system, subject to systemic limitation on investments in new equipment and technologies. They also tend to carry on an outdated mindset, focusing on the manual operation aspects, which prepares them poorly for rapidly developing advanced technologies such as the third-generation IVF technologies where comprehensive testing, analysis and, in particular, counseling capabilities are of paramount importance. Under the circumstances, market participants which are able to provide comprehensive services in addition to the products, which work together as a whole package to help assisted reproductive services providers establish from scratch, or further enhance, their reproductive genetic testing, analysis and counseling capabilities could have better opportunities to increase the clinical penetration of their products.

- *High capital requirement.* Providers of PGT kits need to invest significant amounts of resources, including capital, in the research and development of PGT kits before it can be launched to market and generate revenue. While established players in this field may have sufficient funding, new entrants in the PGT industry may face pressure on funding their business through the stages before commercialization.

Prenatal Reproductive Genetic Reagents Market in China

Prenatal gene testing uses blood, body fluids, or cells to test DNA in order to conduct early intervention of birth defects and help families control the heredity of genetic diseases in future pregnancies. As of the Latest Practicable Date, three types of prenatal reproductive genetics reagents had been approved by the NMPA in China for commercial sale: NIPT kits, SGR kits and the amniocentesis kit. In recent years, driven by the development of NGS-based NIPT kits, the prenatal reproductive genetic reagents market in China has been the largest segment of the reproductive genetics reagents market in China since 2015, with its market size increasing from RMB0.4 billion in 2015 to RMB2.3 billion in 2019, representing a CAGR of 52.5%, and is expected to reach RMB6.0 billion in 2024, representing a CAGR of 20.5%.

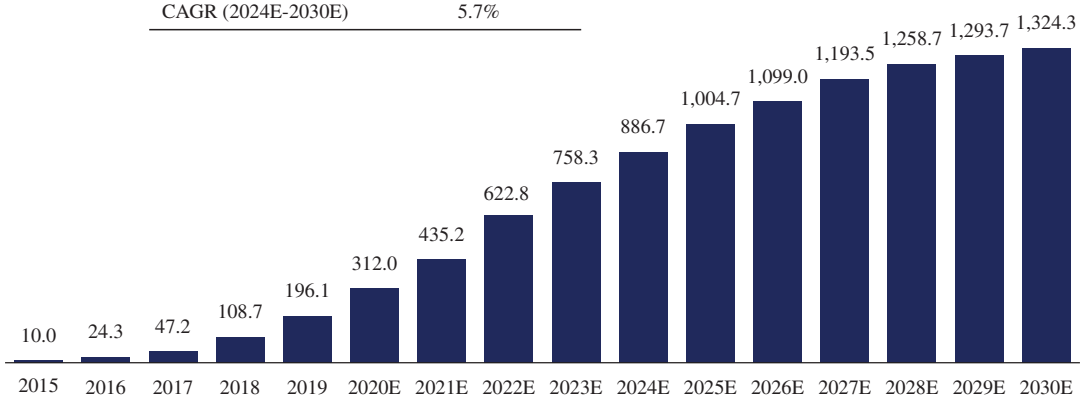
CNV Service Market in China

CNV testing is typically used at the prenatal stage to test abortive tissues for a comprehensive panel of genes commonly associated with miscarriage, with the ability to analyze the risk of miscarriage and lower miscarriage rates by identifying copy number variations. In addition, CNV testing can also be used to test amniotic fluid of pregnant women with fetal structural abnormality for early interventions. In 2019, the total number of assisted reproductive cycles in China was approximately 800,000. Considering that the average miscarriage rate was approximately 30%, and 40% of embryos need to do CNV testing for fetal structural abnormality, approximately 460,000 CNV tests need to be conducted. In recent years, more assisted reproduction services providers have offered CNV testing service for patients of assisted reproduction treatments. Driven by the improvement of CNV testing accuracy and speed, and the more affordable price, the CNV service market is expected to experience significant growth, with its market size, in terms of total expenditures of patients on CNV service, expecting to reach RMB0.9 billion in 2024 and RMB1.3 billion in 2030, representing a CAGR of 35.2% from 2019 to 2024 and a CAGR of 5.7% from 2024 to 2030. The first CNV kit is expected to be approved by the NMPA in 2021 in China, which is expected to represent the birth of an independent CNV reagent market in China. The following chart sets forth the growth of CNV services market in china for the period indicated.

CNV Services Market in China, 2015-2030E(1)

RMB million

	CNV Services Market
CAGR (2015-2019)	110.5%
CAGR (2019-2024E)	35.2%
CAGR (2024E-2030E)	5.7%



(1) The market size is calculated in terms of the total expenditures of patients on CNV service, which is based on the retail prices of CNV reagents.

Source: F&S Report

Competitive Landscape

As of the Latest Practicable Date, no CNV kits developed by domestic or international competitors had been approved by the NMPA in China. The first CNV kit is expected to be approved by the NMPA in 2021 in China. The following table sets forth details of the CNV kit which had completed clinical trials in China as of the Latest Practicable Date.

Company	Purposes	Acceptance of registration application by the NMPA	Estimated approval time	Addressable population/situation	Sequencing platform	Approval status
Berry Genomics	Detect whether the number of 23 pairs of chromosomes of aborted fetus are abnormal and guide subsequent conception	May 2020	2021	Screening for the causes of autism and complex diseases; women with unexplained repeated miscarriages; fetuses and parents whose chromosomal karyotype analysis results are normal, but ultrasound shows abnormal structures; clinical manifestations are developmental delay, mental retardation, and various patients with deformities, fertility disorders, and etc	NGS	Approved for registration application

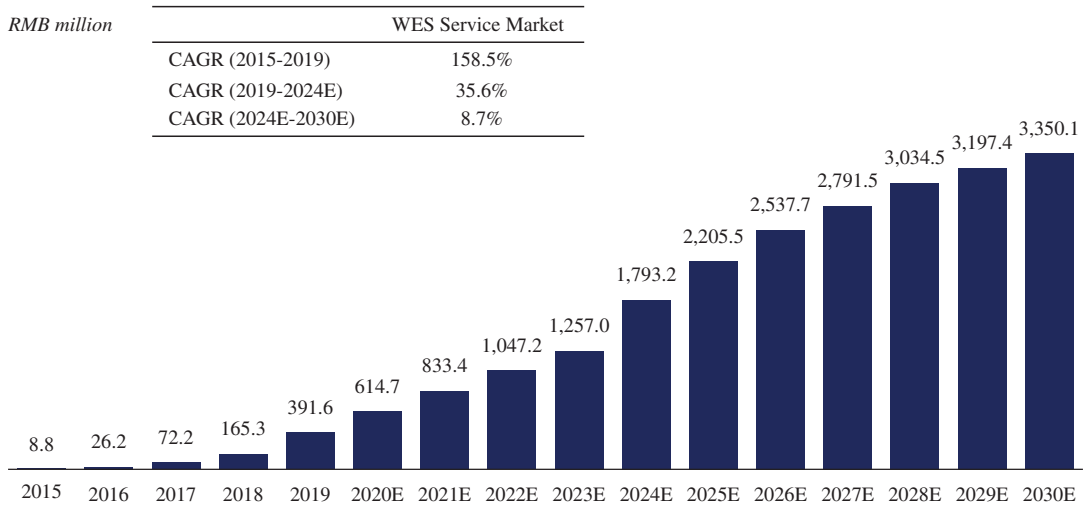
Postnatal Reproductive Genetic Reagents Market in China

Genetic testing conducted on newborns and parents allows early intervention that can significantly reduce disease severity and control the heredity of genetic diseases in future pregnancies. Typically, four types of genetic testing measures are available for newborns and parents, namely glucose-6-phosphate dehydrogenase genetic testing, congenital deafness genetic testing, WES and genetic metabolic disease testing. As of the Latest Practicable Date, two types of postnatal reproductive genetic reagents, the glucose-6-phosphate dehydrogenase gene detection kit and the congenital deafness genetic test kit, had been approved by the NMPA in China.

WES Service Market in China

Driven by growing awareness of genetic diseases and the benefits of genetic testing, as well as the affordability of WES, parents are more likely to undertake WES testing for newborns and themselves, resulting an increase in the penetration rate of WES in recent years, which increased from 0.01% in 2015 to 0.55% in 2019, is expected to reach 2.79% in 2024. Driven by the growing number of newborns in China and the increasing penetration rate of WES, the WES services market is expected to experience significant growth, with its market size, in terms of total expenditures of patients on WES services, expecting to reach RMB1.8 billion in 2024 and RMB3.4 billion in 2030, representing a CAGR of 35.6% from 2019 to 2024 and a CAGR of 8.7% from 2024 to 2030. The first WES kit is expected to be approved by the NMPA in 2025 in China, which is expected to represent the birth of an independent WES reagent market in China. The following chart sets forth the growth of WES service market in china for the period indicated.

WES Service Market in China, 2015-2030E[(1)]



(1) The market size is calculated in terms of the total expenditures of patients on WES services, which is based on the retail prices of WES reagents.

Source: F&S Report

Competitive Landscape

As of the Latest Practicable Date, no WES kits developed by domestic or international competitors had been approved for marketing by the NMPA in China or had entered into clinical trials or registrations stages in China. The first WES kit is expected to be approved by the NMPA in 2025 in China.

Reproductive Genetics Medical Equipment Market in China

Reproductive genetics medical equipment refers to the equipment that processes and operates the genetic materials of couples, pregnant women, embryos, fetuses and newborns at PGT, prenatal and postnatal stages. Most of the reproductive genetics medical equipment are used in the PGT stage. Based on their function, reproductive genetics medical equipment can be classified as testing equipment, operation equipment and storage equipment. The following chart sets forth a summary of the characters of different types of reproductive genetics medical equipment.

	Storage	Operation	Testing
Definition	• Storage equipment stores up human tissues, body fluids or genetic materials under low temperature for a long time	• Operation equipment processes the sample for the next experimental operation	• Testing equipment converts biochemical information in the sample into electronic/image signals for further analysis
Representative Types	• Cryopreservation Equipment • Refrigerators and Freezers	• Embryo incubator • IVF ultra-clean workbench	• Genetic sequencer
Purposes	• Used to contain, freeze, and maintain gametes and/or embryos at an appropriate freezing temperature	• Used to prepare, store, manipulate, or transfer human gametes or embryo for assisted reproduction procedures	• Used for sequencing DNA from human samples to provide evidence for genetic counselling
Applications	• Embryo storage • Long-term and short-term storage for sperm and oocyte	• In vitro fertilization • Embryo pre-implantation • Andrology tests	• Carrier identification • Embryo Pre-implantation • Prenatal diagnosis • Newborn screening

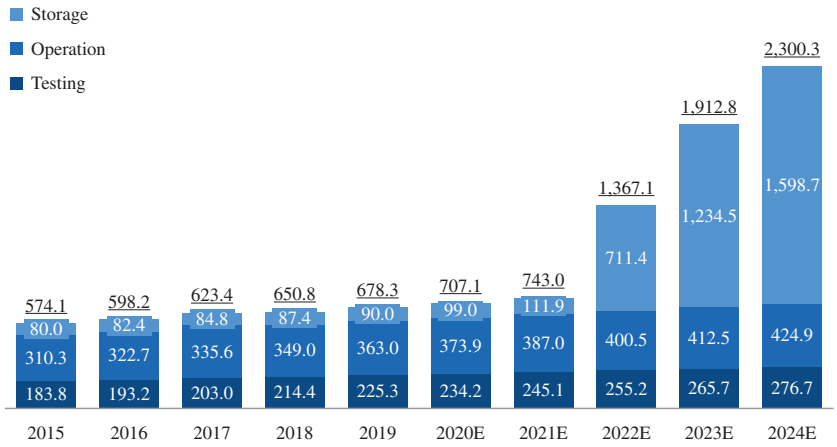
Source: F&S Report

With the development of technology, the medical equipment market is undergoing significant changes where traditional manual operation equipment is gradually replaced by more intelligent and automated equipment. More integrated medical equipment which is able to operate and store embryos automatically has become available on the market, and has become successful products on the market, as such equipment is able to simplify the manual operation process of embryo management and reduce human errors. As PGT and other testing kits can only run on designated genetic sequencers, the demand for genetic sequencers is expected to increase along with the development of such testing kits. The size of genetic sequencer market in China, in terms of sales revenue based on ex-factory prices, increased from RMB136.3 million in 2015 to RMB171.0 million in 2019, representing a CAGR of 5.8%, and is expected to reach RMB210.0 million in 2024, with a CAGR of 4.2% from 2019 to 2024. The size of reproductive genetics medical equipment market in China, in terms of sales revenue (based on ex-factory prices), increased from RMB0.6 billion in 2015 to RMB0.7 billion in 2019, representing a CAGR of 4.3%, and is expected to reach RMB2.3 billion in 2024, representing a CAGR of 27.7% from 2019 to 2024. In particular, the storage equipment segment, driven by the development of cryostorage equipment, is expected to increase faster than the overall market in the foreseeable future, with its market size in terms of sales revenue (based on ex-factory prices) expected to increase from RMB90.0 million in 2019 to RMB1.6 billion in 2024, representing a CAGR of 77.8% from 2019 to 2024, with a sharp increase from RMB111.9 million in 2021 to RMB711.4 million in 2022. Historically, there was a strong demand for embryo cryostorage systems and ancillary loading pods in China, but no such products have been approved by the NMPA or are available in China. With the first embryo cryostorage system and ancillary loading pods expected to be approved by the NMPA in 2022, this sector is expected to experience rapid growth starting from 2022. The following chart sets for the a breakdown of the reproductive genetics medical equipment market in China for the period indicated.

The Market of Reproductive Genetics Medical Equipment in China, 2015-2024E[(1)]

RMB million

	Storage	Operation	Testing	Total
CAGR (15-19)	3.0%	4.0%	5.2%	4.3%
CAGR (19-24E)	77.8%	3.2%	4.2%	27.7%



(1) The market size is calculated in terms of the sales revenue of reproductive genetics medical equipment, which is based on the ex-factory prices.

Source: F&S Report

Competitive Landscape

Genetic Sequencer

As of the Latest Practicable Date, 16 types of genetic sequencers had been approved by the NMPA, among which DA8600 is the only NGS sequencer approved by the NMPA for PGT in China. The following table sets forth details of the approved genetic sequencers in China as of the Latest Practicable Date.

Company	Product model	Technology	Date of approval by the NMPA
Guangzhou DaAn Gene Technology Co., Ltd.	DA8600	Semiconductor sequencing	November 2014
Shenzhen HYK Gene Technology Co., Ltd.	HYK-PSTAR-IIA	Sequencing by ligation	December 2014
CapitalBio Technology Inc.	BioelectronSeq 4000	Semiconductor sequencing	February 2015
Berry Genomics	NextSeq CN500	Sequencing by synthesis	March 2015
Nanjing BGI Genomics Co., Ltd.	BGISEQ-500	Combined probe-anchored polymerization sequencing method	October 2016
	BGISEQ-50		December 2017
	MGISEQ-2000		June 2018
	MGISEQ-200		June 2018
Annoroad Gene Technology Beijing Co., Ltd.	NextSeq 550AR	Sequencing by synthesis	March 2017
Illumina, Inc.	MiSeqTMDx	Sequencing by synthesis	July 2018
Life Technologies Holdings Pte, Ltd	PGM Dx	Semiconductor sequencing method	April 2019
Gene Plus Co., Ltd.	Gene+Seq-2000	Combined probe-anchored polymerization sequencing method	August 2019
	Gene+Seq-200		August 2019
Genetron Health Technologies Inc.	GENETRON S5	Combined probe-anchored polymerization sequencing method	November 2019
	GENETRON S2000		January 2020
Guangzhou Kingcreate Biotechnology Co., Ltd.	KM MiniSeqDx-CN	Sequencing by reversible termination	March 2020

MARKET DRIVERS OF THE REPRODUCTIVE GENETICS MEDICAL DEVICES MARKET IN CHINA

The primary market drivers for the reproductive genetics medical devices market in China include:

- *Standardized products.* In 2014 and 2020, the NMPA approved the first NIPT and PGT-A kit in China, respectively, which strengthened the regulation of reproductive genetic medical devices on the market. In the past few years, a series of regulations have been issued, such as Notice of NMPA on Strengthening the Management of Mandatory Industry Standards for Medical Devices and Notice of the General Office of NHC on Issuing the Provision on Strengthening the Management of Assisted Reproductive Technology Service Institutions and Personnel, to further regulate the market. Historically, hospitals and reproductive clinics could only use reagents sold for limited scientific research purpose or purchase genetic testing services, which could result in supply deficiencies from time to time.

- *Increasing demand from hospitals.* In recent years, the demand of reproductive genetic measures and reproductive genetic medical devices has increased significantly and is expected to continue growing in the future. In response to the growing demand, hospitals in recent years endeavor to increase their capabilities in providing genetic testing services, in order to obtain licenses for PGT and enhance their influence. To achieve their goals, hospitals would implement standard operation procedures, purchase high-quality reagent kits approved by the NMPA,

and update their laboratories with automated medical device and equipment. Moreover, in order to reduce the risk of medical accidents, hospitals would be more willing to purchase NMPA-approved reagent kits, because of their high quality and reliability.

- *Rising health awareness in China.* Due to health education in China and the national measures implemented to reduce the incidence of birth defects, health awareness and the importance of genetic testing for reproductive genetics has been rising. Because of rising health awareness, couples are more willingly to seek early intervention measures, such as genetic testing, to prevent birth defects, which would increase the penetration rate and consumption of reproductive genetics medical devices. Moreover, because of the promotion of genetic education in China, more physicians are able to provide genetic counselling services to patients.

- *Advancement of technology.* With the continuing development of reproductive genetics technologies, the effectiveness and efficiency of reproductive genetics medical devices are expected to improve in the future. Such improvement is expected to lead to an increase in the number of NMPA-approved products, which in turn is expected to drive the development of the reproductive genetics medical devices market in China. For example, the NGS technology, originally used in NIPT, was applied on PGT-A recently. As of the Latest Practicable Date, the only NMPA-approved PGT-A reagent product was based on the NGS technology. Market participants could also have opportunities to gain more market share by development products with more advanced technology.

- *Increasing affordability.* As of the Latest Practicable Date, genetic testing for reproductive genetics had not been included in any national or provincial medical insurance in China. As the cost of reproductive genetic measures is relatively high, the acceptance of reproductive genetics measures depends on their affordability. Driven by the increase in the per capital annual disposable income of Chinese residents and the decrease in services prices, the reproductive genetics measures have become increasingly affordable and more widely accepted by patients.

Future Trends of the Reproductive Genetics Medical Devices Market in China

The primary future trends for reproductive genetics medical devices market in China include:

- *Higher penetration rate of commercial use.* Due to the improvement of clinical outcomes and work efficiency of physicians and laboratory personnel, driven by the development of reproductive genetics technologies and the launch of new reproductive genetics medical devices, the penetration rate of clinical use of reproductive genetics medical devices is expected to increase in the foreseeable future.

- *Increasing demand for fast, automated and intelligent medical equipment.* In the future, demand for reproductive genetics equipment is expected to expand. Physicians are expected to be more focused on the convenience and efficiency of medical equipment. In order to reduce laboratory labor costs and human error, and provide patients with diagnosis and treatment services in a timely manner, medical institutions are expected to have significant demand for medical equipment with higher testing efficiency and more automated operating systems. In addition, with the increasing number of cell samples and DNA samples, demand for intelligent and automated cryostorage systems should increase.

- *More NMPA-approved medical devices.* As category III medical devices, reproductive genetics medical devices must be approved by the NMPA to be launched on the market. In the past, reproductive genetics medical devices were mainly genetic test kits based on PCR and FISH. With the development of gene sequencing technology, an increasing number of reproductive genetics medical devices have obtained licenses, such as NIPT and PGT-A. In the future, products with higher accuracy and wider coverage, are expected to be approved and enter the reproductive genetics medical devices market. For example, the launch of PGT-M and PGT-SR kits is expected to expand the PGT reagent market and meet the increasing demand of patients.

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, rules and regulations that we believe are relevant to our business and operations.

LAWS AND REGULATIONS RELATING TO MEDICAL DEVICE

Major Regulatory Authorities

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "**Medical Device Regulations**") which was issued by the State Council in 2000 and recently amended on May 4, 2017, the NMPA shall be responsible for the supervision of medical devices of the PRC. All relevant departments of the State Council shall be responsible for the supervision of medical devices within their respective scope of duties. Medical product administrations at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

We conduct our business in PRC and we are now principally subject to the supervision of the National Medical Products Administration (國家藥品監督管理總局) and its local counterparts. The National Medical Products Administration was established in accordance with the Institutional Reform Program of the State Council (《國務院機構改革方案》) promulgated by the National People's Congress (the "**NPC**") in March 2018, and the predecessor of the National Medical Products Administration is the China Food and Drug Administration (國家食品藥品監督管理總局) (the "CFDA", together with the National Medical Products Administration, hereinafter collectively, the "**NMPA**"). The NMPA is a newly established regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical devices under the supervision of the State Administration for Market Regulation (國家市場監督管理總局) (the "**SAMR**"), a newly established institution for supervising and administrating the market in China.

The National Health Commission of the PRC, formerly known by the names the Ministry of Health and National Health and Family Planning Commission (hereinafter collectively, the "**NHC**"), is China's primary healthcare regulatory agency. It is responsible for overseeing the operation of medical institutions, some of which also serve as clinical trial sites.

Regulations Relating to Medical Device Registration

Classification of Medical Devices

According to the Notice on Strengthening the Management of Products and Technologies Related to Clinical Use of Gene Sequencing (《關於加強臨床使用基因測序相關產品和技術管理的通知》), as promulgated by the NMPA and NHC in February 2014, gene sequencing diagnostic products (including genetic sequencer and related diagnostic reagents and software) are regulated as medical devices and must be registered pursuant to relevant regulations.

The Medical Device Regulations regulates entities that engage in the research and development, production, operation, use, supervision and administration of medical devices in the PRC. Medical devices are classified according to their risk levels. Class I medical devices are medical devices with low risks, and the safety and effectiveness of which can be ensured through routine administration. Class II medical devices are medical devices with moderate risks, which are strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices are medical devices with relatively high risks, which are strictly controlled and administered through special measures to ensure their safety and effectiveness. The evaluation of the risk levels of medical devices take into consideration the medical devices' objectives, structural features, methods of use and other factors. Registration certificates are required for Class II and Class III medical devices. The classification of specific medical devices is stipulated in the Medical Device Classification Catalog (《醫療器械分類目錄》), which was issued by the NMPA on August 31, 2017 and became executive on August 1, 2018.

The Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》), or the Medical Devices Registration Measures, as promulgated by the NMPA and took effect on October 1, 2014, provide that Class I medical devices are subject to record-filing, while Class II and Class III medical devices are subject to registration. According to the Medical Devices Registration Measures, the registration and record-filing of IVD reagents that are regulated as medical devices are governed by the Administrative Measures for the Registration of IVD Reagents (《體外診斷試劑註冊管理辦法》), or the IVD Registration Measures, which was first promulgated by the NMPA and took effect on October 1, 2014, and amended on January 25, 2017. Pursuant to the IVD Registration Measures, Class I IVD reagents are subject to filing, and Class II and Class III IVD reagents are subject to inspection, approval and registration.

According to the Administrative Measures for the Registration of IVD Reagents (for Trial Implementation) (《體外診斷試劑註冊管理辦法(試行)》), or the Trial IVD Registration Measures, which was promulgated by the NMPA on April 19, 2007 and became effective on June 1, 2007, products that are intended to be use only for research purposes (and not for clinical diagnosis purposes) do not need to apply for registration certificates, but shall mark "for scientific research use only, not for clinical diagnosis" in the instructions and package labels. The Trial IVD Registration Measures was replaced by the IVD Registration Measures on October 1, 2014, where the specific provision regarding permitted scientific research use was removed. According to IVD Registration Measures, *in vitro* diagnostic reagents refer to *in vitro* diagnostic reagents regulated as medical devices. Medical devices, as specified in Medical Device Regulation, refer to the instruments, equipment, appliance, in vitro diagnostic reagents and calibrators, materials and other similar or related articles, the purposes of which are, among others, to provide information for the purpose of medical treatment or diagnose by testing of samples from a human body. Medical devices, as specified in the Medical Device Regulation, does not include any device for scientific research purposes.

Clinical Trials

Pursuant to the Notice of the Newly Revised Catalogue of Medical Devices Exempted from Clinical Trials (《關於公布新修訂免於進行臨床試驗醫療器械目錄的通告》) issued by the NMPA on September 28, 2018, medical device products that are not included in the exemption catalog shall go through clinical trials before registration.

According to the Medical Devices Registration Measures, clinical trials are not required for the recordation of the Class I medical devices, but are required for the application for the registration of the Class II and Class III medical devices. However, medical devices may be exempt from clinical trials under any of the following circumstances:

- they have clear and definite working mechanisms, finalized designs and mature manufacturing techniques, the marketed medical devices of the same category have been put into clinical application for years with no record of severe adverse event, and their general purposes remain unchanged;

- the safety and utility of such medical devices can be proved through non-clinical evaluation; or

- the safety and utility of such medical devices can be proved through the analysis and evaluation of the data obtained from the clinical trials or clinical application of medical devices of the same category.

For IVD Reagents, clinical trials are not required for the recordation of the Class I IVD Reagents, but are required for the application for the registration of the Class II and Class III IVD Reagents. However, according to the IVD Registration Measures, IVD Reagents may be exempt from clinical trials under any of the following circumstances:

- they have clear and definite reaction mechanisms, finalized designs and mature manufacturing techniques, the marketed IVD Reagents of the same category have been put into clinical application for years with no record of severe adverse event, and their general purposes remain unchanged, and applicants can provide evaluation data equivalent to the marketed IVD Reagents;

- the safety and utility of such IVD Reagents can be proved through the evaluation of clinical samples covering the intended use and interference factors.

The catalogue of medical devices (including IVD Reagents) exempt from clinical trials shall be established, adjusted and published by the NMPA.

Clinical trials for those medical device products that are not included in the exemption catalog shall be conducted in accordance with the Norms on the Quality Management for the Clinical Trials of Medical Devices (《醫療器械臨床試驗質量管理規範》), or the Clinical Trial Norm, which was issued by the NMPA and the NHC jointly on March 1, 2016. The Clinical

Trial Norm includes full procedures of clinical trial of medical devices, including, among others, the protocol design, conduct, monitoring, verification, inspection, and data collection, recording, analysis and conclusion and reporting procedure of a clinical trial. Prior to commencement of a clinical trial, the applicant must complete the preclinical research of the medical device, including, among others, product design, quality test and risk analysis, the results of which should support the clinical trial. The clinical trial must be conducted in two or more clinical trial organizations that are qualified to do such trials. Prior to commencement of a clinical trial, approval by the ethics committees of the relevant clinical trial organization should be obtained and the applicant, the clinical trial organization and the researchers must enter into agreements in writing in respect of trial design, trial quality control, allocation of responsibilities during the trial, trial-related fees borne by the applicant and the principles of responses to emergencies that may occur during the trial.

Specifically, the clinical trial must be conducted in no less than three (including three) qualified clinical trial institutions for Class III IVD Reagents and in less than two (including two) qualified clinical trial institutions for Class II IVD Reagents according to the IVD Registration Measures. In September 2014, the NMPA issued the Guiding Principles for Clinical Trial Techniques of IVD Reagents(《體外診斷試劑臨床試驗技術指導原則》) to provide more detailed requirements and guidance, including the requirements of clinical trial institutions and personnel, principles of clinical trial design and preparation of clinical trial report. Guiding Principles for Clinical Trial Techniques of IVD Reagents also stipulate the principles of clinical design of IVD clinical trials. The applicant shall organize the formulation of scientific and reasonable clinical trial plans in accordance with the types, risks and expected uses of the specific IVD reagent used for clinical trial. For newly developed IVD reagents where there was no product of its kind had been approved for commercialization, appropriate subjects shall be selected and synchronous comparisons shall be conducted between the IVD reagent and the "gold standard" for diagnosing the disease. Generally, the total sample size for Class III IVD reagents' clinical trials and for newly developed IVD reagents shall be at least 1,000 and the total sample size for Class II IVD reagents shall be at least 200. For markers closely related to clinical treatment and medication and other brand-new markers with new clinical significance, the total sample size in clinical trials shall be at least 1,000; for one of the markers for comprehensive diagnosis and treatment of multiple indicators in clinical use and for a marker related to auxiliary diagnosis, differential diagnosis, disease monitoring, and prognosis, the sample sizes in clinical trials shall be at least 500.

Clinical trials of Class III medical devices which present a relatively high risk to the human subjects must be pre-approved by the NMPA prior to commencement. An index of such Class III medical devices (the Index of Class III Medical Devices subject to Clinical Trial Approval,《需進行臨床試驗審批的第三類醫療器械目錄》) (the "**Index**") is maintained and from time to time adjusted and published by the NMPA. Class III medical devices that are not involved in the Index shall complete recordation procedures with the medical product administrations of provinces under the central government of the PRC prior to commencement of a clinical trial.

General Procedure of Registration of Class II and III Medical Devices

Drawing up technical specifications

According to the Medical Devices Registration Measures, to file or apply for registration of a medical device, the applicant shall draw up technical specifications for the medical device proposed to be filed or registered. Specifications for a Class II or III medical device shall be approved by the medical product administrations (for Class II medical device, the medical product administrations of provinces, for Class III medical device, the NMPA) when approving the registration of medical devices.

Registration testing

According to Medical Devices Registration Measures, a medical device candidate seeking to be registered under Class II or Class III shall be subject to registration testing; such testing shall be performed by medical device testing institutions according to the technical requirements for such products, the medical device testing institutions shall be qualified for medical device testing, conduct testing within their scope of business, and pre-evaluate the technical requirements submitted by the applicants.

Specifically, according to the IVD Registration Measures (體外診斷試劑管理辦法), an IVD reagent seeking to be registered under Class II and Class III shall be subject to registration testing on samples from three consecutive production batches.

Conducting clinical trial

According to Clinical Trial Norm:

(1) Quality test. Before launching clinical trial, the sponsor shall complete preclinical study on the medical device designed for trial, including, among others, product design, quality test and risk analysis, and the results of such preclinical study shall be positive to support the clinical trial. Quality test results shall include a self-test report and a registration testing report issued by an eligible inspection institution and shall be valid within one year.

(2) Approval of ethics committee. Clinical trials are subject to approval from the ethics committees of clinical trial institutions. Class III medical devices that are listed in the Index are subjects to approval of NMPA.

(3) Filing of clinical trial. Before launching a clinical trial, the sponsor shall file with the medical product administrations at the provincial level where the sponsor is located.

Application for product registration

According to the Medical Device Regulations, to apply for registration of a Class II or III medical device, the following documents shall be submitted: (i) risk analysis information; (ii) technical specifications; (iii) inspection report; (iv) clinical evaluation information; (v) instructions and label sample; (vi) documents of quality control system relating to development and production of the product; and (vii) other information supporting safety and efficacy of the product. Applicants shall be responsible for authenticity of the documents submitted.

Acceptance of application for product registration

According to the Medical Devices Registration Measures, the medical product administrations (for Class II medical device, the medical product administrations of provinces, for Class III medical device, the NMPA) shall carry out formal examination of application materials received, and act in light of the following circumstances: (i) accept the application if the application falls within its scope of authorities and the application materials are complete and comply with format requirements; (ii) if possible, allow the applicant to make on-site corrections of application materials; (iii) if the application materials are incomplete or do not comply with format requirements, instruct the applicant, in a one-off manner and within five working days, to submit supplementary materials and if no instruction is made within the prescribed time, application materials are deemed accepted on the submission date; (iv) if the application is not within the scope of authorities, promptly inform the applicant of the non-acceptance of the application. Upon acceptance or non-acceptance of an application for medical device registration, the medical product administrations (for Class II medical device, the medical product administrations of provinces, for Class III medical device, the NMPA) shall issue a dated notice of acceptance or non-acceptance stamped with the seal of the administration.

Technical assessment

According to the Medical Devices Registration Measures, the medical product administrations (for Class II medical device, the medical product administrations of provinces, for Class III medical device, the NMPA) shall, within three working days after accepting an application for medical device registration, forward the application documents to the relevant technical assessment institution. The institution shall complete technical assessment within 60 working days for a Class II medical device, or within 90 working days for a Class III medical device. Where external experts are to be engaged or the assessment is to be made together with a pharmaceutical assessment institution, the time needed is not counted in the time limits above, and the institution shall notify the applicant in writing of the time needed. When organizing a technical assessment for products, the medical product administrations (for Class II medical device, the medical product administrations of provinces, for Class III medical device, the NMPA) may access original research documents and organize inspections of the applicant's quality management system which is related to product development and manufacture.

Issuing medical device registration certificate

According to the Medical Devices Registration Measures, the medical product administrations (for Class II medical device, the medical product administrations of provinces, for Class III medical device, the NMPA) that has accepted an application for registration shall make decisions within 20 working days after the completion of technical assessment. Approval shall be granted if requirements on safety and efficacy are met, and a medical device registration certificate shall be issued within 10 working days after the decision of approval.

Special Procedures for Examination and Approval of Innovative Medical Devices

In October 2017, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》), according to which the research and development of innovative medical devices is encouraged. Innovative medical devices supported by major national science or technology projects and key national research and development plans or for which the National Clinical Medicine Research Center (國家臨床醫學研究中心) conducts clinical trials and which the Center's administrative department accredits shall be evaluated and approved in priority.

The Special Procedures for Examination and Approval of Innovative Medical Devices (《創新醫療器械特別審查程序》) promulgated by the NMPA in November 2018 stipulates the special procedures to the examination and approval for innovative medical devices, according to which, medical devices which meet the below requirements are applicable to special procedures: (i) the applicant, through its leading technological innovation activities, has legally owned core technology invention patents in China over its products, or obtained invention patents in China or the right to use them through patent transfers in accordance with the law, and the application time for special procedures is within 5 years from the authorization announcement date of such core technology invention patent; or the patent application of core technology invention has been published by the Patent Administration Department of the State Council and a search report is issued by the Patent Search and Consultation Center of the State Intellectual Property Office, indicating that the core technology solution of the product is novel and creative; (ii) the applicant has completed the preliminary research of the product and has a basic finalized product, and the research process is true and under control, and the research data is complete and traceable; (iii) the main working principle or mechanism of the product is domestic initiative, and the function or safety of the product is fundamentally improved compared with similar products, and the relevant technology is at the international leading level, and the product has significant clinical application value. The Center for Medical Device Evaluation of the NMPA (國家藥品監督管理局醫療器械技術審評中心) shall give priority to the innovative medical devices in their technical review upon receiving the registration application, after which the NMPA shall give priority to the product in their administrative approval.

Laboratory Developed Tests

Currently, these are certain local administrative measures regulating the laboratory development tests.

According to the Implementation Opinions on Promoting Healthy Shanghai Action (《關於推進健康上海行動的實施意見》),which was promulgated by Shanghai Municipal People's Government on August 29, 2019, the government intends to optimize the medical service system through a variety of measures, including, among others, the promotion of Laboratory Developed Tests (LDT). The Healthy Shanghai Action (2019-2030) (《健康上海行動(2019-2030年)》), which was issued on September 10, 2019, further specifies the provision on the development of LDT, including to establish and improve the management requirements and technical specifications for LDT and to implement LDT pilots.

According to the Opinions of the General Office of the People's Government of Hainan Province on Supporting the Application of Genetic Testing Technology (《海南省人民政府辦公廳關於支持基因檢測技術應用的意見》), which was promulgated by the People's Government of Hainan Province on January 16, 2017, and the Several Policies for Promoting the Application of Genetic Testing Technology in Hunan Province (for Trial Implementation) (《湖南省促進基因檢測技術應用若干政策(試行)》) which was promulgated by the General Office of the People's Government of Hunan Province on August 28, 2015, the governments encourage qualified medical institutions, medical education institution and scientific research institutions to carry out the clinical application of LDT in accordance with laws and regulations for the purpose of the prediction, early diagnosis and individualized treatment of critical diseases.

Regulations Relating to Medical Device Production and Operation

Management of Medical Device Production

The NMPA issued the Measures for the Supervision and Administration of Medical Device Production (《醫療器械生產監督管理辦法》) on July 30, 2014 and amended it on November 17, 2017. In order to engage in medical device production, the applicant shall have production premise, environmental conditions, production equipment and professional technicians commensurate with the medical devices produced by it, and it shall have qualified inspectors and the inspection equipment, management rules and after-sales service capability.

To establish an enterprise producing Class I medical devices, the applicant shall undergo the formalities for the recordation of Class I medical devices at the medical product administrations at the level of a districted city, while the applicant shall file an application for production licensing with the medical product administrations of the province for the production of Class II or Class III medical devices. A Medical Device Production License shall be valid for five years and may be renewed pursuant to the relevant regulations.

The Good Manufacturing Practice Rules for Medical Devices (《醫療器械生產質量管理規範》), as promulgated by the NMPA on December 29, 2014 and effective on March 1, 2015, provide basic principles for quality control systems for medical devices manufacturing, and these rules are applicable to the entire process of design and development, production, sales and post-sale services of medical devices.

Pursuant to The Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices (《關於印發<醫療器械生產質量管理規範現場檢查指導原則>等4個指導原則的通知》) promulgated by the NMPA on September 25, 2015 and coming into effect on September 25, 2015, during the course of on-site verification of the registration of medical devices and on-site inspection of production permit (including changing production permit), the inspection team shall, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed," "Failed" or "Reassessment after rectification." During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have direct impact on product quality are not satisfied, the enterprise shall suspend production and go through rectification. If it is found that the requirements of the ordinary items are not satisfied, and it does not directly affect product quality, the enterprise shall rectify in a prescribed time. The regulatory authorities shall examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group, and issue the final inspection results.

Management of Medical Device Operation

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) promulgated by the NMPA on July 30, 2014 and amended on November 17, 2017, licensing or recordation is not required for business activities involving Class I medical devices, while recordation administration shall apply to business activities involving Class II medical devices, and licensing administration shall apply to business activities involving Class III medical devices. An enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have a quality control department or personnel suitable for the medical devices it operates. Also, a quality control system compatible with the medical devices it operates is required, and an enterprise engaging in business activities involving Class III medical devices shall also have a qualified computer information management system.

An enterprise engaged in the operation of Class II medical devices shall file with the municipal level medical product administrations and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an enterprise engaged in the operation of Class III medical devices shall apply for an operation permit to the municipal level medical product administrations and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices. An operation permit is valid for five years and may be renewed pursuant to the relevant regulations.

Medical Devices Subject to Cold Chain Management

According to the Guidelines for Cold Chain (Transport & Storage) Management of Medical Devices (《醫療器械冷鏈(運輸、貯存)管理指南》), as promulgated by the NMPA in September 2016, medical devices subject to cold chain management, such as our reagent kits, are medical devices requiring refrigeration and frozen management in the process of transportation and storage in accordance with relevant instructions and labels. Medical device manufacturers and wholesalers must equip with cold storage, refrigerated vehicles and containers, and other facilities and equipment, which fit the variety and scale of the medical devices they produce or operate. To ensure proper temperature control during transportation, operators must choose a reasonable means of transportation, and take adequate temperature control measures based on transportation conditions, which, among others, include the quantity of medical devices subject to cold-chain management, the distance and time requirements, and the temperature requirements. Operators who engage third-party carriers must examine the carrier's qualifications and capabilities, and enter into relevant agency agreements for transportation.

Tendering Processes for Medical Devices

The Chinese government has implemented measures to encourage pooled procurement of expensive medical consumables through tendering processes. In June 2007, NHC issued the Notice on Further Strengthening the Administration of Centralized Procurement of Medical Devices (《關於進一步加強醫療器械集中採購管理的通知》), which requires that all non-profit medical institutions established by local governments, associations or state-owned enterprises participate in the centralized procurement. Public tendering will be the principal method for centralized procurement.

Two Invoice System

On December 26, 2016, eight government departments including the NMPA issued the Notice on Opinions on the Implementation of the "Two Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行兩票制的實施意見(試行)》), or the Notice. According to the Notice, the "Two Invoice System" refers to issuing invoice at the time from a pharmaceutical manufacturer to a circulating enterprise, and issuing invoice again at the time from a circulating enterprise to a medical institution.

On March 5, 2018, six government departments including the NHC of the PRC issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals 《(關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which stipulates the implementation of the centralized purchase of high value medical consumables, and that the "Two Invoice System" in relation to high-value medical consumables shall be gradually implemented.

On July 19, 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發<治理高值醫用耗材改革方案>的通知》), according to which, high-value medical consumables refer to the medical consumables that are directly used for human bodies, and are strictly required for safety, and are in great clinical demand and priced relatively high, and can impose heavy burdens on patients for affording them. Local governments are encouraged to adopt the "Two Invoice System" combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales. This task is expected to be completed by the end of 2020.

Some provinces including but not limited to Ningxia Province, Hainan Province, Liaoning Province, Sichuan Province, Guangdong Province, Hunan Province, Guizhou Province, Gansu Province, Jiangxi Province, Heilongjiang Province, Fujian Province, Shaanxi Province and Anhui Province, have implemented the "Two Invoice System" in the field of medical consumables. On July 23, 2018, Fujian Provincial Medical Security Management Committee Office (福建省醫療保障管理委員會辦公室) issued the Notice on the Sharing of Transparent Procurement Results of Medical Devices (Medical Consumables) across the Province (《關於開展醫療器械(醫用耗材)陽光採購結果全省共享工作的通知》), which stipulates medical consumables procurement strictly implements the "Two Invoice System" and encourages the implementation of the "One Invoice System." On July 23, 2018, eight local government departments of Shaanxi Province including Deepen Medical and Healthcare System Reform Leading Group Office of Shaanxi Province (陝西省深化醫藥衛生體制改革領導小組辦公室) issued the Notice on Further Promoting the "Two Invoice System" on Medicines and Medical Consumables (《關於進一步推進藥品和醫用耗材"兩票制"的通知》), which stipulates that on the basis of the full implementation of the "Two Invoice System" of medical consumables in the urban public medical institutions, the primary medical and healthcare institutions of the county and below the county shall begin to implement the "Two Invoice System" in the procurement of medical consumables from August 1, 2018. On November 15, 2017, five local government departments of Anhui Province including the Food and Drug Administration of Anhui Province (安徽省食品藥品監督管理局) issued the Opinions on Implementation of the "Two Invoice System" in Medical Consumables Procurement by Public Medical Institutions in Anhui Province (for Trial Implementation) (《安徽省公立醫療機構醫用耗材採購"兩票制"實施意見(試行)》), pursuant to which the Class II or above public medical institutions shall begin to implement the "Two Invoice System" in the procurement of medical consumables from December 1, 2017.

Medical Device Recalls

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》), which was promulgated by the NMPA on January 25, 2017 and came into effect on May 1, 2017, in light of the severity harm, medical device recalls are divided into three classes, including: (i) class I recall where the circumstances leading to the recall may cause or have caused serious health hazards; (ii) class II recall where the circumstances leading to the recall may cause or have caused temporary or reversible health hazards; or (iii) class III recall where the circumstances leading to the recall are not likely to cause harm.

Medical device manufacturers shall determine the recall class based on the specific situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices.

Regulations Relating to Advertisement of Medical Device

According to the Medical Device Regulations, the medical device advertisements shall be examined and approved by the medical product administrations of the provinces where the medical device production enterprises or agents of import medical devices are located, and obtain the approval documents for medical device advertisements. The advertisement publishers who publish the medical device advertisements shall verify beforehand the approval documents for the advertisements and the authenticity thereof, and may not publish the medical device advertisements which have not obtained approval documents, whose approval documents have not been verified to be authentic, or whose contents are inconsistent with those of the approval documents.

The SAMR promulgated the Interim Measures for the Administration of the Examination and Administration of Drugs, Medical Devices, Health Foods, and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) on December 24, 2019, which came into effect from March 1, 2020 and replaced the Measures for the Examination of Medical Devices Advertisements (《醫療器械廣告審查辦法》). According to such measures, the content of the medical device advertisements shall be based on the registration certificate or the recordation proof. Medical device advertisement involving the name, scope of application, mechanism of action, or structure and composition of the medical device must not exceed the scope of registration certificate or the recordation proof.

Regulations on Human Assisted Reproductive Services

The Administrative Measures on Human Assisted Reproductive Technology(《人類輔助生殖技術管理辦法》) was promulgated by the NHC on February 20, 2001, which became effective on August 1, 2001. It stipulates that human assisted reproductive procedures should only be carried out in approved and registered medical institutions. No entity or individual should carry out human assisted reproductive procedures without the approval of competent authority. Furthermore, medical institutions shall obtain human assisted reproductive technology licenses, which are subject to regular examinations by the governmental approval authority. In the event the medical institution fails to pass the examination, the human assisted reproductive technology licenses would be revoked.

The Notice of the National Health and Family Planning Commission on Issuance of the Guiding Principles of Human Assisted Reproductive technology allocation planning (2015) (《國家衛生計生委關於印發<人類輔助生殖技術配置規劃指導原則(2015版)>的通知》), which was promulgated by the NHC on April 9, 2015, and came into effect on the same day, requires Human Assisted Reproductive Technology Allocation Plan (2015-2020) (《人類輔助生殖技術配置規劃(2015-2020)》) (the "**Allocation Plan**") to categorise areas by province

(region, city), serving to meet the demands for assisted reproductive technology. The Allocation Plan aims to promote the healthy development of the reproductive medicine industry by promoting the application of assisted reproductive technology in an orderly manner through rational usage of regional medical and health resources and establishing a standardized assisted reproductive technology service system.

The NHC promulgated the Guiding Opinions of the National Health and Family Planning Commission Regarding Management on Human Assisted Reproductive Technology and Sperm Banks (《國家衛生計生委關於加強人類輔助生殖技術與人類精子庫管理的指導意見》) on April 9, 2015 became effective on the same date. The Guiding Opinions stipulate that the administrative departments of health and family planning at each provincial level shall formulate their own provincial (regional, municipal) assisted reproductive technology allocation plan consistent with the requirements of the State based on factors such as the economic and social development level of the administered region, the health-related business development plan, the regional health plan, the population size and infertility rate, the urban layout and traffic conditions and the standards of treatment in medical institutions. The approval of new medical institutions that carry out human assisted reproductive technology must comply with the (regional, municipal) assisted reproductive technology allocation plan. Institutes applying to carry out human assisted reproductive procedures shall obtain a Medical Institutions Business Permit (醫療機構執業許可證) and possess appropriate facilities, equipment and technical staff necessary to carry out such procedures, reaching the corresponding technical level. Professional and technical personnel engaged in human assisted reproductive technology shall attend training in accordance with the regulations.

The Supplemental Regulations of the National Health and Family Planning Commission on Standardization of Approval of Human Assisted Reproductive Technology and Human Sperm Bank (《國家衛生計生委關於規範人類輔助生殖技術與人類精子庫審批的補充規定》), which was promulgated by the NHC on April 13, 2015, and came into effect on the same day, specifies the procedures for medical institutions in applying to carry out human assisted reproductive technology and that approved medical institutions shall carry out the corresponding assisted reproductive technology within the scope and in accordance with the relevant requirements. The medical institutions approved for carrying out assisted reproductive technology shall be restricted to carrying out the relevant technology services within the approved registered location of practice.

The Notice of the Ministry of Health on the Issuance of Examination, Review and Approval Procedure of Human Assisted Reproductive Technology and Human sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫評審、審核和審批管理程序的通知》), which was promulgated by the NHC on June 27, 2003 and came into effect on the same day, requires medical institutions that provided human assisted reproductive technology services to be selected by the health departments and bureaus of each province, autonomous region and municipality based on the objective needs and affordability of people and technical capabilities of the province. It also stipulates the principles of the planning and layout of human assisted reproductive technology medical institutions, as well as the procedures for application, examination, review, filing and approval. Medical institutions shall obtain licenses

for human assisted reproductive technology, and the granting of such licenses requires applicants to meet the requirements of the allocation plan for human assisted reproductive technology technical norms and ethical principles.

Regulations on Human Genetic Resources

The Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》), promulgated by the Ministry of Science and Technology and the NHC in June 1998, aimed at protecting and fair utilizing human genetic resources in the PRC. The Ministry of Science and Technology promulgated the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》in July 2015, according to which, the sampling, collection or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating organization of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. The Ministry of Science and Technology further promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) in October 2017, which became effective in December 2017 and simplified the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

The Regulation on the Management of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》), as promulgated by the State Council on May 28, 2019 and effective on July 1, 2019, further regulates the collection, preservation, usage and provision of human genetic resources. According to this regulation, "human genetic resource" includes human genetic resource materials and information. Human genetic resource materials refer to organs, tissues, cells and other genetic materials containing human genome, genes and other genetic materials. Human genetic resource information refers to information, such as data, generated by human genetic resources materials. The Administrative Department of Science and Technology under the State Council is responsible for the management of human genetic resources at the national level, and the administrative departments of science and technology under the provincial governments are responsible for the management of human genetic resources at local level and are vertically directed by the central government of the PRC. Foreign organizations, individuals and institutions established or actually controlled by foreign organizations and individuals are not allowed to collect or preserve human genetic resources (including organs, tissues, cells and other genetic materials of human genome and gene) in China or provide human genetic resources abroad.

REGULATIONS RELATING TO IMPORTATION AND EXPORTATION OF GOODS

According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, latest amended on July 1, 2018, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

NATIONAL MEDICAL INSURANCE PROGRAM

Pursuant to the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發<城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見>的通知》) promulgated on June 30, 1990, part of the fees of diagnostic and treatment devices and diagnostic tests would be paid through the basic medical insurance scheme. Detailed reimbursement coverage and rate are subject to provincial local policies. Pursuant to the Decision on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) issued by the General Office of the State Council on January 16, 2003, the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) issued by the State Council on July 10, 2007, and the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) promulgated on January 3, 2016, all employees and residents in rural and urban areas would be involved in medical insurance program.

The General Office of the State Council further released the Guidance On Further Deepening the Reform of the Payment Method of Basic Medical Insurance (《關於進一步深化基本醫療保險支付方式改革的指導意見》) in June 2017. The main objectives are to implement a diversified reimbursement mechanism including diagnosis related groups, per-capita caps, and per-bed-day caps. These new reimbursement methods will be rolled out nationwide by 2020 to replace the current reimbursement method that is based on service category and product price. Local administration of healthcare security will introduce a total budget control for their jurisdictions and decide the amount of reimbursement to public hospitals based on hospitals' performance and the spending targets of individual basic medical insurance funds.

According to Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables, the State plans to establish a basic medical insurance access system for high-value medical consumables and implement catalogue management of high-value medical consumables, and to improve dynamic catalogue adjustment and timely supplement necessary new technological products. Also, the State plans to make policies on payment by medical insurance through, among others, scientifically formulating the standards for payment by medical insurance for high-value medical consumables and establishing a dynamic adjustment mechanism.

According to the Notice of the Ministry of Labor and Social Security, the Ministry of Finance, the State Economic and Trade Commission, the MOH and the State Administration of Traditional Chinese Medicine on Issuing the Opinions on Strengthening the Basic Medical Insurance Diagnosis and Treatment Projects, Medical Service Facilities and Payment Standards for Urban Employees (《勞動和社會保障部、財政部、國家經濟貿易委員會、衛生部、國家中醫藥管理局關於印發加強城鎮職工基本醫療保險診療項目、醫療服務設施範圍和支付標準意見的通知》), which was issued on June 30, 1999 and became effective on the same day, diagnosis and treatment items regarding to the various infertility (pregnancy) and sexual dysfunction conditions do not fall within the scope of the national basic medical insurance.

REGULATIONS RELATING TO PRODUCT LIABILITY

Pursuant to the Product Quality Law (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and latest amended on December 29, 2018 by the Standing Committee of the NPC (the "**SCNPC**"), Seller shall be responsible for the repair, replacement or return of the product sold if (1) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (2) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (3) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of purchased product, the seller shall compensate for such losses.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and became effective on January 1, 2021, where a patient suffers damage due to defects in drugs, the patient may seek compensation from the drug marketing authorization holder or also from the medical institution. Where the patient seeks compensation from the medical institution, the medical institution, after it has made the compensation, shall have the right to recover the compensation from the liable drug marketing authorization holder.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any consumer information they obtain during their

business operations. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign Investment

Investment activities in the PRC by foreign investors were principally governed by the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) or the Catalogue, which was issued and amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. The latest effective Catalogue came into effect on July 28, 2017 and was partially abolished by The Special Administrative Measures (Negative List) for Access of Foreign Investment (2020 version) (《外商投資准入特別管理措施(負面清單)(2020年版)》), or the Negative List, and Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄(2019年版)》), or the Encouraging List. Industries listed in Catalogue are divided into three categories: "encouraged", "restricted" and "prohibited". The Negative List, which came into effect on July 23, 2020, sets out special administrative measures in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on July 30, 2019, sets out the encouraged industries for foreign investment.

Foreign-Invested Enterprises

On December 29, 1993, the SCNPC issued the PRC Company Law (《中華人民共和國公司法》), or the Company Law, which was lasted amended on October 26, 2018. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the SCNPC on March 15, 2019 and came into effect as of January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) and Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-owned Enterprise Law

of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises(《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

REGULATIONS RELATING TO THE H SHARE FULL CIRCULATION

"Full circulation" means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company ("**H-share listed company**"), including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (Announcement of the CSRC [2019] No. 22) (《H股公司境內未上市股份申請"全流通"業務指引》(中國證券監督管理委員會公告[2019]22號)) ("Guidelines for the '**Full Circulation**'").

According to the Guidelines for the "Full Circulation", shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". To file an application for "full circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company". After the application for "full circulation" has been approved by the CSRC, an H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the China Securities Depository and Clearing Co., Ltd. ("**CSDC**") of the shares related to the application has been completed.

On December 31, 2019, CSDC and Shenzhen Stock Exchange ("**SZSE**") jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) ("**Measures for Implementation**"). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation.

In order to fully promote the reform of H-shares "full circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發布<H股"全流通"業務指南>的通知》) in February 2020, which specified the business preparation, account arrangement, cross-boarder share transfer registration and overseas centralized custody, etc. In February 2020, China Securities Depository and Clearing (Hong Kong) Co., Ltd. ("**CSDC (Hong Kong)**") also promulgated the Guide to the Program for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股"全流通"業務指南》) to specify the relevant escrow, custody, agent service of CSDC (Hong Kong), arrangement for settlement and delivery and other relevant matters.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, which was promulgated by the SCNPC on December 26, 1989, came into effect on the same day and last amended on April 24, 2014, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Environmental Impact Appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017, depending on the impact of the construction project on the environment, an construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》), or the Environmental Impact Appraisal Law, which was promulgated by the SCNPC on October 28, 2002, amended on July 2, 2016 and December 29, 2018, for any

construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITIES

Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), or the Labor Law (issued by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and revised on August 27, 2009 and December 29, 2018), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) or the Labor Contract Law (promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012 and became effective on July 1, 2013) and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), or the Implementation Rules of the Labor Contract Law (issued by the State Council on September 18, 2008 and came into effect on the same day). According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure its employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Securities

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which issued by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was newly revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (issued by the State Council on January 22, 1999 and came into effect on the same day and was recently revised on March 24, 2019) prescribes the details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the Regulation on Work-Related Injury Insurance (《工傷保險條例》) (issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010), the Regulations on Unemployment Insurance (《失業保險條例》) (issued by the State Council on January 22, 1999 and came into effect on the same day), the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) (issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995). Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

Housing Provident Fund

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), implemented since April 3, 1999 and amended on March 24, 2002 and March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

Patents

Patents are protected by the Patent Law of the PRC (《中華人民共和國專利法》), or the Patent Law, which was issued by the SCNPC on March 12, 1984, came into effect on April 1, 1985 and revised on September 4, 1992, August 25, 2000 and December 27, 2008 as well as by the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) issued by the State Council on June 15, 2001, came into effect on July 1, 2001 and revised on December 28, 2002 and January 9, 2010. The patent administrative departments are responsible for managing patent work. According to the Patent Law, inventions refer to inventions, utility models and designs. An invention or utility model for which patent rights are granted shall reach the standards of novelty, creativity and practicability. The validity period of patent for an invention is 20 years, while the validity period of patent for a utility model and

design is 10 years, all counted from the date of application. Others may use the patent after obtaining the permit of the patent holder, otherwise such behavior will constitute an infringing act of the patent right. In addition, Draft Amendment to the PRC Patent Law (《專利法修正案草案》) was released in January 2019, and Second Draft Amendment to the PRC Patent Law (《專利法修正案(草案二次審議稿)》) was released to seek public comments in July 2020 and proposed to introduce patent extensions to patents of new drugs that launched in PRC, and such proposal was adopted in the newly amended Patent Law of the PRC, which will come into effect from June 1, 2021.

Examination and Approval of Patent Applications

For inventions:

(i) Preliminary examination and announcement. If the patent application is found to be in compliance with the requirements of Patent Law after preliminary examination, the patent administrative authorities of the State Council shall announce the application once the period of 18 months from the date of application has expired, after receiving a patent application for an invention. The patent administrative authorities of the State Council may announce the application earlier upon request by the applicant.

(ii) Substantial examination. The patent administrative authorities of the State Council may, within three years from the date of patent application for an invention, conduct substantial examination of the application upon request by the applicant at any time; where an applicant fails to request for substantial examination within the stipulated period without a justifiable reason, the application shall be deemed as withdrawn. After substantial examination of a patent application for an invention by the patent administrative authorities of the State Council, if the application is found not to be in compliance with the provisions of Patent Law, the applicant shall be notified and asked to state opinions or make amendments to the application within a stipulated period; where the applicant fails to reply within the stipulated period without a justifiable reason, the application shall be deemed as withdrawn.

(iii) Granting patent rights or rejecting patent application. Where a patent application for an invention has undergone substantial examination and no reason for rejection is found, the patent administrative authorities of the State Council shall decide to grant patent rights to the invention, issue a patent certificate for the invention, and concurrently carry out registration and announcement. The patent rights for an invention shall be effective from the date of announcement. Where the patent administrative authorities of the State Council still find the application not to be in compliance with the provisions of patent Law after the applicant has stated opinions or made amendments to the patent application for an invention, the application shall be rejected. The patent administrative authorities of the State Council shall establish a patent review committee. Where an applicant disagrees with the decision of the patent administrative authorities of the State Council rejecting his/her application,

he/she may submit a request for review to the patent review committee within three months from the date of receipt of notification. The patent review committee shall make decisions after review and notify the applicant for patent. Where the applicant for patent disagrees with the review decision of the patent review committee, he/she may file a lawsuit with competent People's Court within three months from the date of receipt of notification.

For utility models and designs, where a patent application for a utility model or a design has undergone preliminary examination and no reason for rejection is found, the patent administrative authorities of the State Council shall decide to grant patent rights to the utility model or the design, issue the corresponding patent certificate, and concurrently carry out registration and announcement. The patent rights for a utility model or a design shall be effective from the date of announcement.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of PRC (《中華人民共和國商標法實施條例》) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the State Administration for Industry and Commerce of the PRC (the "**Trademark Office**") shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for additional ten year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was issued by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Information Industry is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions.

Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 11, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that

the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been onlent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have

been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, as well as the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》), or the Implementation Rules, promulgated by the State Council on December 6, 2007, came into force on January 1, 2008 and amended on April 23, 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

Value-Added Tax

The major PRC law and regulation governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017), as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) (issued on December 25, 1993 by the Ministry of Finance, the "MOF", came into effect on the same day and revised on December 15, 2008 and October 28, 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of

goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (《關於調整增值稅稅率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

OTHER PRC NATIONAL AND PROVINCIAL LEVEL LAWS AND REGULATIONS

We are subject to changing regulations under many other laws and regulations administered by governmental authorities at the national, provincial and municipal levels, some of which are or may become applicable to our business. For example, regulations control the confidentiality of patients' medical information and the circumstances under which patient medical information may be released for inclusion in our databases, or released by us to third parties. These laws and regulations governing both the disclosure and the use of confidential patient medical information may become more restrictive.

We also comply with numerous additional national and provincial laws relating to matters such as safe working conditions, manufacturing practices, environmental protection and fire hazard control in all material aspects. We believe that we are currently in compliance with these laws and regulations; however, we may be required to incur significant costs to comply with these laws and regulations in the future. Unanticipated changes in existing regulatory requirements or adoption of new requirements could therefore have a material adverse effect on our business, results of operations and financial condition.

OVERVIEW

We are an innovative platform of genetic testing solutions for assisted reproduction in China, according to Frost & Sullivan. The history of our Group can be traced back to December 2010, when our Company was established in Suzhou as a limited liability company under the PRC Company Law, funded primarily by our founder, Dr. Liang, and the other initial shareholder with their own funds. See "Directors, Supervisors and Senior Management" in this prospectus for the relevant industry experience of Dr. Liang.

MILESTONES

The following table summarizes various key milestones in our corporate and business development.

Year	Milestone
2010	Our Company was established in Suzhou.
2013	We established a collaborative relationship with Thermo Fisher, the global life sciences company behind the Ion Proton NGS platform and established a joint laboratory with Thermo Fisher.
2015	We applied for our PGT-A kit to be registered as Class-III Medical Device.
2016	Our PGT-A kit was granted the first Special Approval for Innovative Medical Devices (創新醫療器械特別審批) by the NMPA to conduct clinical trials in China.
2017	We participated in the development of PGT-A quality control evaluation guidelines, filling the gap in the technical standards for quality control of third-generation IVF in China. We were recognized as a High and New Technology Enterprise (高新技術企業) by the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳), the Department of Finance of Jiangsu Province (江蘇省財政廳), the State Taxation Bureau of Jiangsu Province (江蘇省國家税務局) and the Local Taxation Bureau of Jiangsu Province (江蘇省地方税務局).
2018	We were recognized as the Suzhou Reproductive Heredity Engineering Technology Research Center (蘇州市生殖遺傳工程技術研究中心) by the Bureau of Science and Technology of Suzhou City (蘇州市科學技術局).

Year	Milestone
2019	We were recognized as a Suzhou High-growth Innovative Cultivation Enterprise (蘇州市高成長創新型培育企業) by the Suzhou Department of Science and Technology (蘇州市科學技術局).
	We completed the clinical trial for PGT-A kit in China.
2020	Our PGT-A kit received marketing approval from the NMPA and began to be commercialized.
	We were recognized as a Suzhou Unicorn Incubation Enterprise (蘇州市獨角獸培育企業) by the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳).
	Our Company was converted into a joint stock company.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was established in Suzhou as a limited liability company on December 14, 2010 with an initial registered capital of RMB5,000,000. At the time of the establishment, our Company was owned as to 80% and 20% by Saiye (Guangzhou) Biotechnology Co., Ltd. ("**Saiye Guangzhou**", 賽業(廣州)生物科技有限公司) and Dr. Liang, respectively. On October 15, 2013, December 27, 2016 and August 27, 2020, our Company was renamed as Saiye Health Research Center (Taicang) Co., Ltd. (賽業健康研究中心(太倉)有限公司), Jiangsu Double Helix Biology Science and Technology Co., Ltd. (江蘇雙螺旋生物科技有限公司) and Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司), respectively.

Since the establishment, our Company has undertaken a series of capital increases to raise funds for the development of its business and to bring in new shareholders to our Company. The major shareholding changes of our Company are set out below:

1. Share Capital Injection in 2014

On April 25, 2014, each of Guangzhou DaAn Gene Technology Co., Ltd ("**Guangzhou DaAn**", 廣州市達安基因科技有限公司), a subsidiary of Da An, and Guangzhou Darui agreed to inject RMB625,000 to the registered capital of our Company. Upon completion of the capital injection, Saiye Guangzhou, Dr. Liang, Guangzhou DaAn and Guangzhou Darui held 64%, 16%, 10% and 10% of the equity interests in our Company, respectively and our registered capital was increased to RMB6,250,000.

2. Equity Interest Transfers by Saiye Guangzhou in 2014

In recognizing Dr. Liang's contribution to our Group and to incentive him to further promote our development, on September 1, 2014, Saiye Guangzhou and Dr. Liang entered into an equity interest transfer agreement, pursuant to which Saiye Guangzhou agreed to transfer 8% of the equity interests in our Company held by it to Dr. Liang at a nominal consideration of RMB1.00, which was settled on the same date. Upon completion of the transfer, Saiye Guangzhou, Dr. Liang, Guangzhou DaAn and Guangzhou Darui held 56%, 24%, 10% and 10% of the equity interests in our Company, respectively.

3. Series A Financing

On November 8, 2014, our Company, the then existing Shareholders and our Series A Pre-IPO Investors entered into an investment agreement (the "**Series A Investment Agreement**"), pursuant to which each of the Series A Pre-IPO Investors agreed to invest in our Company by purchasing the issued equity interests from Saiye Guangzhou and subscription of increased registered capital of our Company (the "**Series A Financing**").

On November 8, 2014, Saiye Guangzhou entered into equity interest transfer agreements separately with Oriza Seed and Zhejiang Shuangjing Investment Co., Ltd ("**Shuangjing Investment**", 浙江雙井投資有限公司), pursuant to which Saiye Guangzhou agreed to transfer approximately 5.33% and 2.67% of the equity interests in our Company to Oriza Seed and Shuangjing Investment for considerations of RMB2,666,667 and RMB1,333,333, respectively. The considerations were determined based on arm's length negotiation between the parties taking into account the research and development progress of our product candidates and were fully settled in November 2014.

On November 8, 2014, the then existing Shareholders unanimously passed a shareholders' resolution to approve the subscription of the increased registered capital of our Company of an aggregate of RMB1,562,500 by the Series A Pre-IPO Investors. The subscription price of RMB20,000,000, which was determined based on arm's length negotiation between the parties taking into account the research and development progress of our product candidates, was fully settled in November 2014. For details of the Series A Financing, see "—Pre-IPO Investments" below.

Immediately following the completion of the Series A Financing, our Company was held by Saiye Guangzhou, Dr. Liang, Oriza Seed, Shuangjing Investment, Guangzhou DaAn and Guangzhou Darui as to approximately 38.40%, 19.20%, 17.60%, 8.80%, 8.00% and 8.00%, respectively and the registered capital of our Company was increased to RMB7,812,500.

Pursuant to a equity entrustment arrangement between Shuangjing Investment and Ms. JI Dongmei (吉冬梅) in November 2014, 5.5% of the then equity interests in our Company, representing RMB429,688 of the then registered capital of our Company, was held by Shuangjing Investment on behalf of Ms. JI Dongmei. Such equity entrustment arrangement was later terminated in August 2020. See "—Establishment and Major Shareholding Changes of Our Company—10. Equity Interest Transfer by Shuangjing Investment in 2020" for details.

4. Equity Interest Transfers by Saiye Guangzhou in 2015

On December 16, 2015, Saiye Guangzhou and Dr. Liang entered into an equity interest transfer agreement, pursuant to which, Saiye Guangzhou agreed to transfer 38.4% of the equity interests in our Company held by it to Dr. Liang at a consideration of RMB5,000,000, which was determined after arm's-length negotiation taking into account the research and development progress of our product candidates and was fully settled in December 2015. Upon completion of the transfer, our Company was held by Dr. Liang, Oriza Seed, Shuangjing Investment, Guangzhou DaAn and Guangzhou Darui as to approximately 57.60%, 17.60%, 8.80%, 8.00% and 8.00%, respectively.

5. Share Capital Injection by Basecare Investment in June 2016

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 (the "**Employee Beneficiaries**") were indirectly beneficially interested in the equity interests in our Company. The general partner, Dr. Liang and the limited partner, Mr. KONG Lingyin, held the partnership interests on behalf of the Employee Beneficiaries and such entrustment arrangements were terminated in July 2020.

Pursuant to a unanimous shareholders' resolution dated June 15, 2016, Basecare Investment injected RMB868,056 to the registered capital of our Company, which was fully settled on July 28, 2020, a date substantially earlier than the payment deadline stipulated in the then effective articles of association of our Company.

Upon completion of the registration with the competent administration for industry and commerce, our Company was held by Dr. Liang, Oriza Seed, Basecare Investment, Shuangjing Investment, Guangzhou DaAn and Guangzhou Darui as to approximately 51.84%, 15.84%, 10.00%, 7.92%, 7.20% and 7.20%, respectively and the registered capital of our Company was increased to RMB8,680,556.

6. Series B Financing

On September 2, 2016, our Company, the then existing Shareholders and our Series B Pre-IPO Investors entered into an investment agreement (the "**Series B Investment Agreement**"), pursuant to which each of the Series B Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company of an aggregate of RMB2,553,105 at a subscription price of RMB70 million (the "**Series B Financing**"). Such capital injection was approved by the then existing Shareholders by a unanimous resolution on September 2, 2016. The subscription price was determined based on arm's length negotiation between the parties taking into account the research and development progress of our product candidates and was fully settled in September 2016. For details of the Series B Financing, see "—Pre-IPO Investments" below.

The shareholding structure of our Company upon completion of the Series B Financing was as set forth below:

Name of Shareholder	Registered Capital *(RMB)*	Shareholding Percentage
Dr. Liang	4,500,000	40.06%
Oriza Seed	1,375,000	12.24%
Zhongcheng Fangyuan Phase II	1,167,134	10.39%
Suzhou Sungent	1,094,188	9.74%
Basecare Investment	868,056	7.73%
Shuangjing Investment	687,500	6.12%
Guangzhou DaAn	625,000	5.56%
Guangzhou Darui	625,000	5.56%
Guangzhou DaAn Jinghan Medical Health Industry Investment Enterprise (Limited Partnership) ("**DaAn Jinghan**", 廣州達安京漢醫療健康產業投資企業(有限合夥))	291,783	2.60%
Total	**11,233,661**	**100.00%**

7. Share Capital Injections by Basecare Investment in December 2016 and September 2018

Pursuant to unanimous shareholders' resolutions dated December 26, 2016 and September 30, 2018, Basecare Investment injected RMB1,248,184 and RMB656,940 to the registered capital of our Company, respectively. The considerations were fully settled on July 28, 2020, a date substantially earlier than the payment deadline stipulated in the then effective articles of association of our Company.

Upon completion of the registration with the competent administration for industry and commerce, our Company was held by Dr. Liang, Basecare Investment, Oriza Seed, Zhongcheng Fangyuan Phase II, Suzhou Sungent, Shuangjing Investment, Guangzhou DaAn, Guangzhou Darui and DaAn Jinghan as to approximately 34.25%, 21.11%, 10.47%, 8.88%, 8.33%, 5.23%, 4.76%, 4.76% and 2.22%, respectively and the registered capital of our Company was increased to RMB13,138,785.

8. Series C Financing

On November 5, 2018, our Company, the then existing Shareholders and our Series C Pre-IPO Investors entered into an investment agreement (the "**Series C Investment Agreement**"), pursuant to which each of the Series C Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company of an aggregate of RMB1,313,879 at a subscription price of RMB100 million (the "**Series C Financing**"). Such capital injection was approved by the then existing Shareholders by a unanimous resolution on November 5, 2018. The subscription price was determined based on arm's length negotiation between the parties taking into account the research and development progress of our product candidates and was fully settled in March 2020. For details of the Series C Financing, see "—Pre-IPO Investments" below.

The shareholding structure of our Company upon completion of the Series C Financing was as set forth below:

Name of Shareholder	**Registered Capital** *(RMB)*	**Shareholding Percentage**
Dr. Liang	4,500,000	31.14%
Basecare Investment	2,773,180	19.19%
Oriza Seed	1,375,000	9.51%
Zhongcheng Fangyuan Phase II	1,167,134	8.08%
Suzhou Sungent	1,094,188	7.57%
Broad Vision Investment	919,715	6.36%
Shuangjing Investment	687,500	4.76%
Guangzhou DaAn	625,000	4.32%
Guangzhou Darui	625,000	4.32%
DaAn Jinghan	291,783	2.02%
MING Bioventures	262,776	1.82%
Yingtan Jinhu Jiayi Hongsheng Investment Management Limited Partnership Corporation ("**Yingtan Jinhu**", 鷹潭金虎嘉怡弘晟投資管理有限合夥企業)	131,388	0.91%
Total	**14,452,664**	**100.00%**

9. Series D Financing

On July 8, 2020 and July 23, 2020, our Company, the then existing Shareholders and our Series D Pre-IPO Investors entered into an equity transfer agreement and an investment agreement (the "**Series D Investment Agreement**"), respectively, pursuant to which each of the Series D Pre-IPO Investors agreed to invest in our Company by purchasing the issued equity interests from certain then existing Shareholders and subscription of increased registered capital of our Company (the "**Series D Financing**").

On July 8, 2020, each of Dr. Liang, Guangzhou Darui, Oriza Seed and Suzhou Sungent entered into an equity transfer agreement with certain of our Series D Pre-IPO Investors, pursuant to which (i) Dr. Liang agreed to transfer approximately 1.77% of the equity interests in our Company to Broad Vision Harmony at a consideration of RMB19,484,895; (ii) Guangzhou Darui agreed to transfer 1.80% of the equity interests in our Company to Hillhouse HK at a consideration of RMB19,799,951; (iii) Oriza Seed agreed to transfer approximately 2.26% and 0.72% of the equity interests in our Company to Hillhouse HK and Broad Vision Harmony at a consideration of RMB24,824,850 and RMB7,896,159, respectively; and (iv) Suzhou Sungent agreed to transfer approximately 0.55% and 0.95% of the equity interests in our Company to Broad Vision Harmony and OPM at a consideration of RMB6,087,546 and RMB10,412,453, respectively. The aforementioned transfers were approved by the then existing Shareholders by a unanimous resolution on the same day. The considerations were determined based on arm's length negotiation between the parties taking into account the research and development progress of our product candidates and were fully settled in August 2020.

On July 23, 2020, the then existing Shareholders unanimously passed a shareholders' resolution to approve the subscription of the increased registered capital of our Company of an aggregate of RMB915,310 by the Series D Pre-IPO Investors. The subscription price of RMB208,994,147, which was determined based on arm's length negotiation between the parties taking into account the research and development progress of our product candidates, and was fully settled in July 2020. For details of the Series D Financing, see "—Pre-IPO Investments" below.

The shareholding structure of our Company upon completion of the Series D Financing was as set forth below:

Name of Shareholder	**Registered Capital** *(RMB)*	**Shareholding Percentage**
Dr. Liang	4,243,992	27.62%
Basecare Investment	2,773,180	18.05%
Zhongcheng Fangyuan Phase II	1,167,134	7.59%
Hillhouse HK	1,047,816	6.82%

Name of Shareholder	Registered Capital *(RMB)*	Shareholding Percentage
Oriza Seed	945,086	6.15%
Broad Vision Investment	919,715	5.98%
Suzhou Sungent	877,398	5.71%
Broad Vision Harmony	785,862	5.11%
Shuangjing Investment	687,500	4.47%
Guangzhou DaAn	625,000	4.07%
Guangzhou Darui	364,853	2.37%
DaAn Jinghan	291,783	1.90%
MING Bioventures	262,776	1.71%
OPM	244,491	1.59%
Yingtan Jinhu	131,388	0.85%
Total	**15,367,974**	**100.00%**

10. Equity Interest Transfer by Shuangjing Investment in 2020

On August 5, 2020, Shuangjin Investment entered into an equity transfer agreement with Ms. JI Dongmei (吉冬梅), pursuant to which Shuangjin Investment agreed to transfer 2.80% equity interests in our Company held by it on behalf of Ms. JI to Ms. JI at a consideration RMB5,000,000. Ms. Ji paid the RMB5 million investment amount (the "**Investment Amount**") to our Company through Shuangjing Investment for acquiring the equity interests in our Company in November 2014. The Investment Amount was recorded as payables to Ms. Ji under the accounting treatment of Shuangjing Investment in 2014 as the equity interests of our Company was held by it on trust for Ms. JI. The aforementioned RMB5 million consideration of the equity transfer agreement was set solely for the purpose of off-setting such payables of Shuangjing Investment without any actual cash flow, and was fully settled on August 5, 2020. Accordingly, the equity entrustment arrangement between the parties was terminated. Upon completion of such transfer, Shuangjing Investment and Ms. JI held approximately 1.68% and 2.80% of the equity interests in our Company, respectively.

11. Conversion into a Joint Stock Company

On August 11, 2020, our Board passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock company and the change of name of our Company from Jiangsu Double Helix Biology Science and Technology Co., Ltd. (江蘇雙螺旋生物科技有限公司) to Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司). Pursuant to the promoters' agreement dated August 11, 2020 entered into by all the then existing Shareholders, all promoters approved the conversion of the net assets value of our Company as of July 31, 2020 into 200,000,000 Shares of our Company at a ratio of 1:0.5250. On August 26, 2020, our Company

convened our inaugural meeting and our first general meeting, and passed related resolutions approving the conversion into a joint stock company, the Articles of Association and the relevant procedures. Upon the completion of the conversion, the registered capital of our Company became RMB200,000,000 divided into 200,000,000 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then existing Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on August 27, 2020 when our Company obtained a new business license.

As advised by our PRC Legal Advisors, our Company has complied with applicable PRC laws and regulations in relation to the changes of shareholdings as set out above.

See "—Our Shareholding and Corporate Structure—Immediately Prior to the Global Offering" for the shareholding structure of our Group immediately after our conversion into a joint stock company and prior to the Global Offering.

OUR SUBSIDIARIES

Basecare Medical Device

Basecare Medical Device was established in the PRC on February 25, 2015 with a registered capital of RMB15 million, which was later increased to RMB130 million. Basecare Medical Device has been wholly owned by our Company since its establishment. Basecare Medical Device mainly engages in the R&D, production and sales of reproductive genetic testing products.

Basecare Intelligent Manufacturing

Basecare Intelligent Manufacturing was established in the PRC on April 10, 2019 with a registered capital of RMB1 million, and has been wholly owned by our Company since its establishment. Basecare Intelligent Manufacturing mainly engages in the R&D, production and sales of medical ancillary devices and instruments.

For share capital changes of our subsidiaries, see the section headed "Statutory and General Information—A. Further Information about Our Group—4. Changes in Share Capital of Our Subsidiaries" in Appendix VI to this prospectus.

ACQUISITIONS, MERGERS AND DISPOSALS

Throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions or mergers.

In anticipation of the Listing, to streamline our business structure and taking into consideration of our future business strategy and relevant PRC laws and regulations regarding foreign investment in certain businesses under the Special Administrative Measures (Negative

List) for the Access of Foreign Investment (外商投資准入特別管理措施(負面清單)) (the "**Negative List**"), we disposed equity interests in certain of our previous subsidiaries and investment entities during the Track Record Period and thereafter, details of which are set forth below:

No.	Equity Disposal	Transferor	Transferee	Consideration *(RMB)*	Basis of Consideration	Reasons for the Transaction	Completion Date[1]
1.	100% of the equity interests in Suzhou Medical Laboratory	Basecare Medical Device	Suzhou Double Helix[2]	14.5 million	Net asset value of Suzhou Medical Laboratory as of February 29, 2020	We decided to focus on our positioning as a R&D-focused provider of genetic testing solutions, rather than a provider of testing services. In addition, each of Suzhou Medical Laboratory, Shandong Medical Laboratory, Benxi Medical Laboratory and Suzhou Chaoyun engages in genetic diagnosis and treatment business, in which foreign investment is prohibited under the Negative List, as advised by our PRC Legal Advisors.	April 24, 2020
2.	51% equity interests in Shandong Medical Laboratory	Our Company	Suzhou Double Helix[2]	1.5 million	Net asset value of Shandong Medical Laboratory as of February 29, 2020		May 29, 2020
3.	51% equity interests in Benxi Medical Laboratory	Our Company	Suzhou Double Helix[2]	1 million	Net assets value of Benxi Medical Laboratory as of February 29, 2020		June 24, 2020
4.	20% equity interests in Suzhou Chaoyun	Our Company	Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) (蘇州雙螺旋企業管理合夥企業(有限合夥))[2]	0.25 million	Paid-up registered capital		April 30, 2020
5.	70% equity interests in Suzhou Laman Medical Equipment Co., Ltd. ("**Suzhou Laman**", 蘇州拉曼醫療器械有限公司)	Our Company	Mr. ZHAO Yilei (趙一雷), an Independent Third Party	1.00 (nominal consideration)	Suzhou Laman had no substantive business operation since its establishment and our equity interests in Suzhou Laman had not been paid up before the disposal.	Suzhou Laman had no substantive business operation since its establishment and was disposed of in order to streamline our corporate structure.	July 23, 2020

No.	Equity Disposal	Transferor	Transferee	Consideration *(RMB)*	Basis of Consideration	Reasons for the Transaction	Completion Date[1]
6.	51% equity interests in Suzhou Fanghua Gene Technology Co., Ltd. ("**Fanghua Gene**", 蘇州芳華基因科技有限公司)[3]	Our Company	Nanjing Fanghua, an Independent Third Party and a promoter which provided promotion and after-sale services to our Group during the Track Record Period	1.00 (nominal consideration)	The net asset value of Fanghua Gene was negative before the disposal.	During the Track Record Period, we carried out our sales activities through Fanghua Gene and Fanghua Biotech. As part of our efforts to focus on our positioning as a R&D-focused provider of genetic testing solutions, we decided not to maintain a large in-house sales team to conduct sales activities. We plan to mainly rely on third-party promoters to market our products to hospitals and reproductive clinics and rely on distributors to sell our products in the future. Therefore, the principal businesses of Fanghua Gene and Fanghua Biotech are no longer business focus of our Group.	July 23, 2020
7.	20% equity interests in Suzhou Fanghua Biotechnology Co., Ltd. ("**Fanghua Biotech**", 蘇州芳華生物科技有限公司)	Our Company	Mr. SHANG Wei (尚偉), an Independent Third Party	1.00 (nominal consideration)	Our equity interests in Fanghua Biotech had not been paid up before the disposal.		July 28, 2020

Notes:

(1) The completion date refers to the date of completion of the registration with the competent administration for industry and commerce. The considerations of the abovementioned transactions have been fully settled.

(2) As of the Latest Practicable Date, both Suzhou Double Helix and Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) (蘇州雙螺旋企業管理合夥企業(有限合夥)) were ultimately controlled by Ms. LIANG Ping (梁萍), the sister of Dr. Liang. Suzhou Double Helix and Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) are therefore associates of Dr. Liang and thus connected persons of our Company.

(3) Nanjing Fanghua had been a minority shareholder of Fanghua Gene since its establishment. As confirmed by Nanjing Fanghua, it acquired the equity interests in Fanghua Gene mainly to expand its sales and promotion team and capture and solidify its sales channels. Considering the financial position of Fanghua Gene (loss-making throughout the Track Record Period and recorded net liabilities immediately before the disposal), the Group believed that it was fair and reasonable to dispose of the equity interests in Fanghua Gene at nominal value.

As confirmed by our PRC Legal Advisors, the abovementioned disposals have been properly and legally completed, and no regulatory approval was required for such disposal.

PRE-IPO INVESTMENTS

Principal Terms of the Pre-IPO Investments

	Series A Financing	Series B Financing	Series C Financing	Series D Financing
Date of settlement	December 31, 2014	September 5, 2016	March 13, 2020	July 31, 2020
Cost per Share[(1)]	RMB 0.61 *(in respect of the purchase of existing registered capital)* RMB 0.98 *(in respect of the subscription of increased registered capital)*	RMB2.11	RMB5.85	RMB 5.85 *(in respect of the purchase of existing registered capital)* RMB 17.54 *(in respect of the subscription of increased registered capital)*
Amount of registered capital purchased and/or subscribed	RMB2,062,500	RMB2,553,105	RMB1,313,879	RMB2,078,169
Total consideration	RMB24.00 million	RMB70.00 million	RMB100.00 million	RMB297.50 million
Corresponding valuation of our Company	RMB100.00 million	RMB308.00 million	RMB1,100.00 million	RMB3,508.99 million
Discount to the mid-point of the indicative Offer Price range[(2)]	97.28% *(in respect of the purchase of existing registered capital)* 95.62% *(in respect of the subscription of increased registered capital)*	90.58%	73.87%	73.87% *(in respect of the purchase of existing registered capital)* 21.67% *(in respect of the subscription of increased registered capital)*
Use of proceeds	We utilized the proceeds to finance our research and development activities and fund our daily operations. As of the Latest Practicable Date, we had utilized the proceeds from the Series A, B and C Financings in full and 14.25% of the proceeds from the Series D Financing.			
Lock-up Period	Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all current Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them.			
Strategic benefits	At the time of the Pre-IPO Investments, our Directors were of the view that (i) our Company would benefit from the additional capital provided by the Pre-IPO Investors and their knowledge and experience and (ii) the Pre-IPO Investments demonstrated the Pre-IPO Investors' confidence in the operation and development of our Group.			

Notes:

(1) As adjusted to reflect subsequent capital injections or share conversions, as applicable.

(2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$26.86 per H Share (being the mid-point of the indicative Offer Price range).

Information Relating to Our Pre-IPO Investors

Our Pre-IPO Investors include certain Sophisticated Investors, such as dedicated healthcare funds and biotech funds as well as established funds with a focus on investments in the healthcare sector. The background information of our Pre-IPO Investors is set out below.

Name of Pre-IPO Investors	Background
Zhongcheng Fangyuan Phase II	Beijing Zhongcheng Fangyuan Phase II Investment Center (Limited Partnership) (北京中誠方圓二期投資中心(有限合夥)) is a limited partnership established in the PRC that specializes in equity investments in hi-tech industries and providing consulting services. Shenzhen Qianhai Hengrui Fangyuan Investment Co., Ltd. ("**Hengrui Fangyuan**", 深圳前海恒瑞方圓投資管理有限公司), a limited liability company established in the PRC, is the general partner of Zhongcheng Fangyuan Phase II. Zhongcheng Fangyuan Phase II has 15 limited partners. For details of the beneficial ownership of Hengrui Fangyuan, please see the section headed "Substantial Shareholders" in this prospectus.
Hillhouse HK	HH SPR-XIV HK Holdings Limited is managed by Hillhouse Capital. Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

Name of Pre-IPO Investors	Background
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)) is an investment fund managed by Suzhou Industrial Park Oriza Seed Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司), a professional early stage equity investment management platform of Suzhou Oriza Holdings Corporation (蘇州元禾控股股份有限公司). With assets under management of approximately RMB54 billion, it has invested in a number of companies in medical sector, such as CStone Pharmaceuticals (基石藥業) (stock code: 2616.HK) and Ascentage Pharma Group International (亞盛醫藥集團) (stock code: 6855.HK). Oriza Seed has one general partner and nine limited partners. For details of the beneficial ownership of Oriza Seed, please see the section headed "Substantial Shareholders" in this prospectus.
Broad Vision Investment and Broad Vision Harmony	Each of Zhangjiagang Broad Vision Investment Fund (Limited Partnership) (張家港博華創業投資合夥企業(有限合夥)) and 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)) is a limited partnership organized in the PRC and managed by Broad Vision Funds. Broad Vision Funds, with over RMB2 billion assets under management, is a professional private equity investment firm focusing on investment in domestic technology and medical companies with favorable growth prospects and is ultimately controlled by Mr. Xu Wenbo (徐文博), our non-executive Director. Broad Vision Investment has nine limited partners and Broad Vision Harmony has three limited partners. Broad Vision Investment is a Sophisticated Investor.
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)) is a limited partnership established in the PRC, which is managed by SIP Yuansheng Bioventure Capital Management Co., Ltd. (蘇州工業園區元生創業投資管理有限公司), a Sophisticated Investor mainly focused on early and growth stage life science and healthcare investment. Its portfolio includes companies across new drug, medtech, diagnosis and health services sectors. Suzhou Sungent has 20 limited partners. Suzhou Sungent and its general partners and limited partners are Independent Third Parties.

Name of Pre-IPO Investors	Background
DaAn Jinghan	Guangzhou DaAn Jinghan Medical Health Industry Investment Enterprise (Limited Partnership) (廣州達安京漢醫療健康產業投資企業(有限合夥)) is a limited partnership organized in the PRC focusing on equity investments and relevant consulting business in medical and healthcare industry with approximately RMB200 million assets under management. DaAn Jinghan has invested in a number of companies, such as Sinomed Sciences Technology Inc. (賽諾醫療科學技術股份有限公司) (stock code: 688108.SH). The general partner of DaAn Jinghan is Guangzhou DaAn Jinghan Investment Consulting Ltd. (廣州達安京漢投資諮詢有限公司, formerly known as Guangzhou DaAn Daoyuan Investment Consulting Ltd. (廣州達安道遠投資諮詢有限公司)), and the limited partners of DaAn Jinghan are Shenzhen Qianhai Daoyuan Dongsen Equity Investment Fund Partnership (Limited Partnership) (深圳前海道遠東森股權投資基金合夥企業(有限合夥)) and Dongguan Biotech Industry Development Co., Ltd. (東莞市生物技術產業發展有限公司), all of which are Independent Third Parties.
MING Bioventures	Suzhou MING Bioventures Fund I Venture Capital, L.P. (蘇州聚明中泓方仁創業投資合夥企業(有限合夥)) is a limited partnership organized in the PRC and focuses on investments in healthcare companies in innovative drugs, medical devices, innovative diagnostics and other life science fields. With over RMB500 million assets under management, Ming Bioventures has extensive experience in early-stage biomedical projects. The portfolio companies of Ming Bioventures include Suzhou Symap Medical Devices Co., Ltd. (蘇州信邁醫療器械有限公司). Suzhou MING Bioventures L.P. (蘇州聚明投資管理合夥企業(有限合夥)) is its general partner and is ultimately controlled by Mr. Guo Hua (郭華), an Independent Third Party. MING Bioventures has 16 limited partners.

Name of Pre-IPO Investors	Background
Shuangjing Investment	Zhejiang Shuangjing Investment Co., Ltd (浙江雙井投資有限公司) was incorporated in the PRC with limited liability and primarily focuses on investment opportunities in biomedical industry. It initiated and established a number of investment entities focusing on medical and health industry. Shuangjing Investment, including Shanghai JP Healthcare Capital Fund Management Co., Ltd. (上海金浦醫療健康股權投資基金管理有限公司) and Shanghai Jinshahe Equity Investment Fund (上海金沙河股權投資企業(有限合夥)). Shuangjing Investment is held by Ms. Shen Kaifei (沈凱菲), Mr. Shen Gengliang (沈耿亮) and Mr. Chen Baisong (陳柏松), all of which are Independent Third Parties.
OPM	OrbiMed Partners Master Fund Limited is an OrbiMed investment fund. OPM is an exempted company incorporated under the laws of Bermuda. OrbiMed Capital LLC is the investment advisor for OPM. OrbiMed Capital LLC exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein, all of which are Independent Third Parties. OrbiMed invests globally in the healthcare sector with investments ranging from early stage private companies to large multinational corporations.
Ms. Ji Dongmei	Ms. Ji Dongmei, graduated from Fudan University (復旦大學), is experienced in equity investment industry. She currently holds positions as a president at Shanghai GP Capital Medical Health Equity Investment Fund Management Co., Ltd. (上海金浦醫療健康股權投資基金管理有限公司) and as a director at Surgnova Medical Technology (Beijing) Co., Ltd. (賽諾微醫療科技(北京)有限公司). Ms. Ji Dongmei is an individual Pre-IPO Investor and an Independent Third Party.
Yingtan Jinhu	Yingtan Jinhu Jiayi Hongsheng Investment Management Limited Partnership Corporation (鷹潭金虎嘉怡弘晟投資管理有限合夥企業) is a limited partnership established in the PRC and primarily engaged in equity investments and relevant consulting business. The general partner of Yingtan Jinhu is Suzhou Jindi Business Consulting Co., Ltd. (蘇州市金堤商業諮詢有限公司) and the limited partners of Yingtan Jinhu are Mr. Zhang Liyuan (張力元), Mr. Xu Su (徐速) and Suzhou Tiansheng Investment Development Co., Ltd. (蘇州天聖投資發展有限公司), all of which are Independent Third Parties.

Special Rights Granted to Our Pre-IPO Investors

Pursuant to the Series A, B, C and D Investment Agreements (the "**Pre-IPO Investment Agreements**"), the Pre-IPO Investors were granted certain special rights, including, amongst others, (i) the right to elect Directors and Supervisors, (ii) the right to receive financial statements and other information about our Company and inspect assets, records and books of the members of our Group, (iii) pre-emptive right, (iv) right of first refusal and co-sale in certain circumstances, (v) tag-along right, (vi) certain liquidation and dividend preferences, (vii) compulsory liquidation right, (viii) redemption right, (ix) anti-dilution right, and (x) most favorable right.

In accordance with the supplemental agreements to the Pre-IPO Investment Agreements entered into among our Company and the relevant Pre-IPO Investors on July 23, 2020, the compulsory liquidation right, anti-dilution right and redemption right were terminated with immediate effect, and all the other special rights granted to the Pre-IPO Investors were terminated immediately prior to the first submission of the listing application form and the other relevant documents by our Company to the Stock Exchange for the purpose of the Global Offering.

Public Float

As of the Latest Practicable Date, Broad Vision Investment and Broad Vision Harmony were ultimately controlled by Mr. XU Wenbo, our non-executive Director, and were therefore close associates of our Company. Save as disclosed above in this section, to the best of the Directors' knowledge, all other Pre-IPO Investors are Independent Third Parties.

6,006,010 Unlisted Foreign Shares held by Hillhouse HK and 1,401,408 Unlisted Foreign Shares held by OPM will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after conversion into H Shares following the completion of the Global Offering. The other Shares held by our existing Shareholders will not be considered as part of the public float as the Shares are Domestic Shares or Unlisted Foreign Shares which will not be converted into H Shares or listed following the completion of the Global Offering. Assuming the Offer Shares are allotted and issued to public shareholders, over 25% of our Company's total issued Shares with a market capitalization of substantially over HK$375 million will be held by the public upon completion of the Global Offering in accordance with 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.

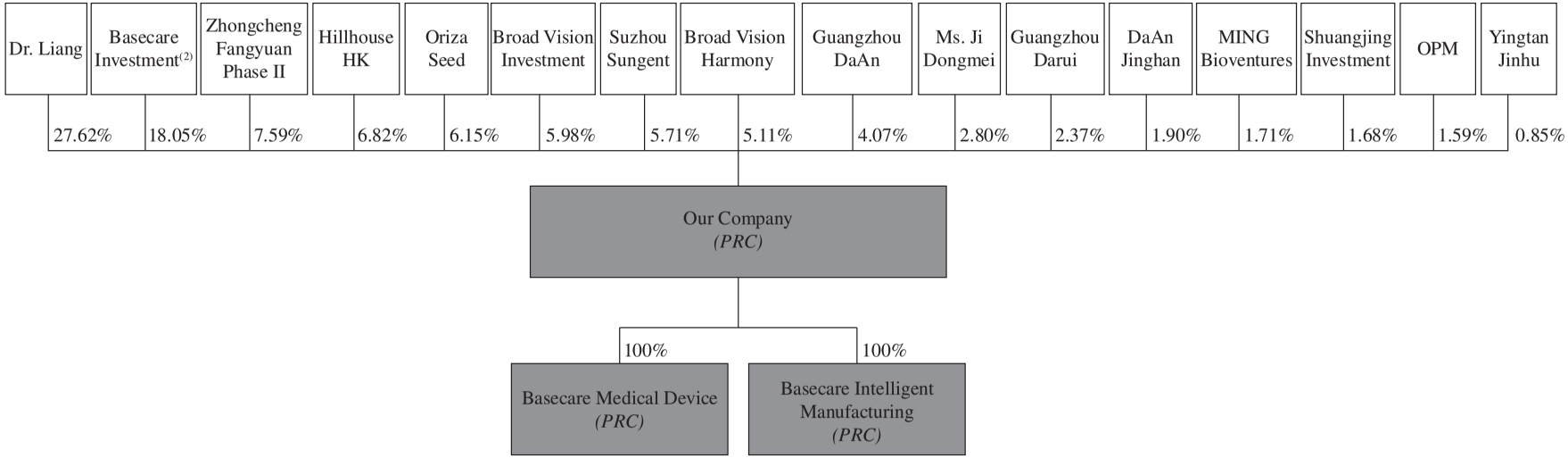
Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor confirmed that the Pre-IPO Investments are in compliance with (i) Guidance Letter GL29-12 and (ii) Guidance Letter HKEx-GL43-12, both issued by the Stock Exchange.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Immediately Prior to the Global Offering

Our corporate and shareholding structure immediately prior to the completion of the Global Offering is as follows[1]:



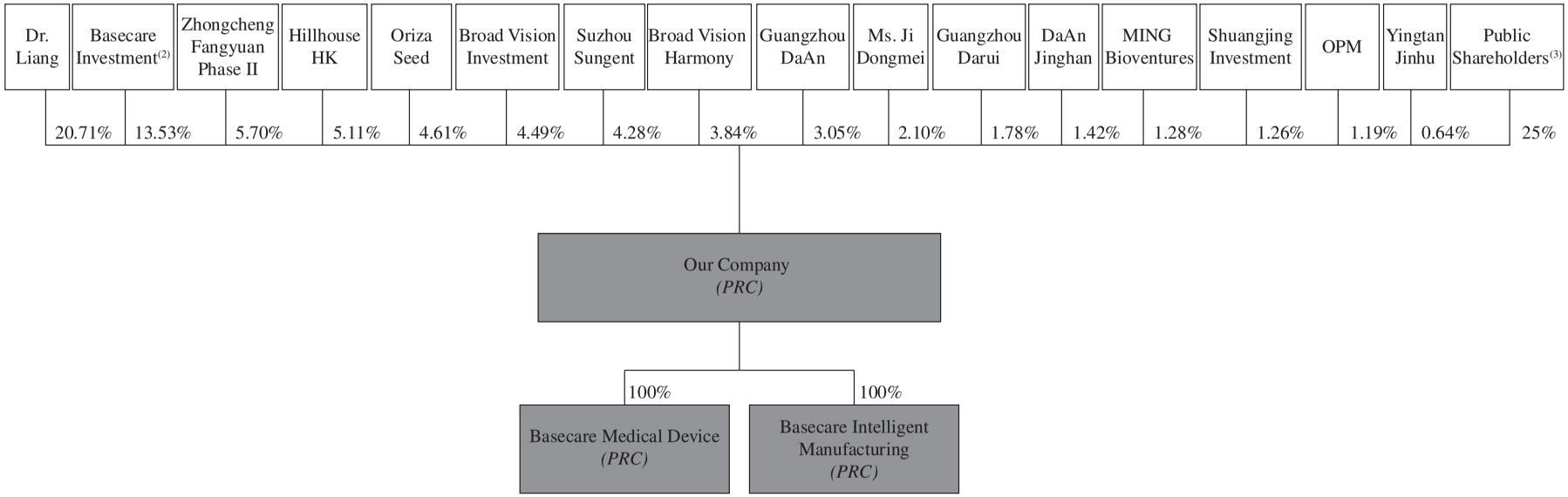
Notes:

(1) For further details of our Pre-IPO Investors, see "—Pre-IPO Investments" in this section.

(2) As of the Latest Practicable Date, Basecare Investment was held as to approximately 58.31% by Dr. Liang as the sole general partner and 41.69% by 28 limited partners who were former employees, employees and advisors of our Group. None of the limited partners individually held over 10% of the partnership interests in Basecare Investment. Save for Mr. KONG Lingyin and Mr. RUI Maoshe, who are our Directors and owned approximately 5.54% and 2.27% of the partnership interest in Basecare Investment respectively, the other limited partners of Basecare Investment are Independent Third Parties.

Immediately Following the Global Offering

The following chart sets forth our corporate and shareholding structure upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised[1]:



Notes:

(1) For further details of our Pre-IPO Investors, see "—Pre-IPO Investments" in this section.

(2) As of the Latest Practicable Date, Basecare Investment was held as to approximately 58.31% by Dr. Liang as the sole general partner and 41.69% by 28 limited partners who were former employees, employees and advisors of our Group. None of the limited partners individually held over 10% of the partnership interests in Basecare Investment. Save for Mr. KONG Lingyin and Mr. RUI Maoshe, who are our Directors and owned approximately 5.54% and 2.27% of the partnership interest of Basecare Investment respectively, the other limited partners of Basecare Investment are Independent Third Parties.

(3) Taking into account the subscription of Offer Shares by OPM and its close associates, each as pursuant to the cornerstone investment agreement as further described under the section headed "Cornerstone Investors" in this prospectus.

OUR MISSION, VISION AND VALUES

Our mission is to help more families have healthy babies. Our vision is becoming a global genetic technology company.

Our core corporate values are:

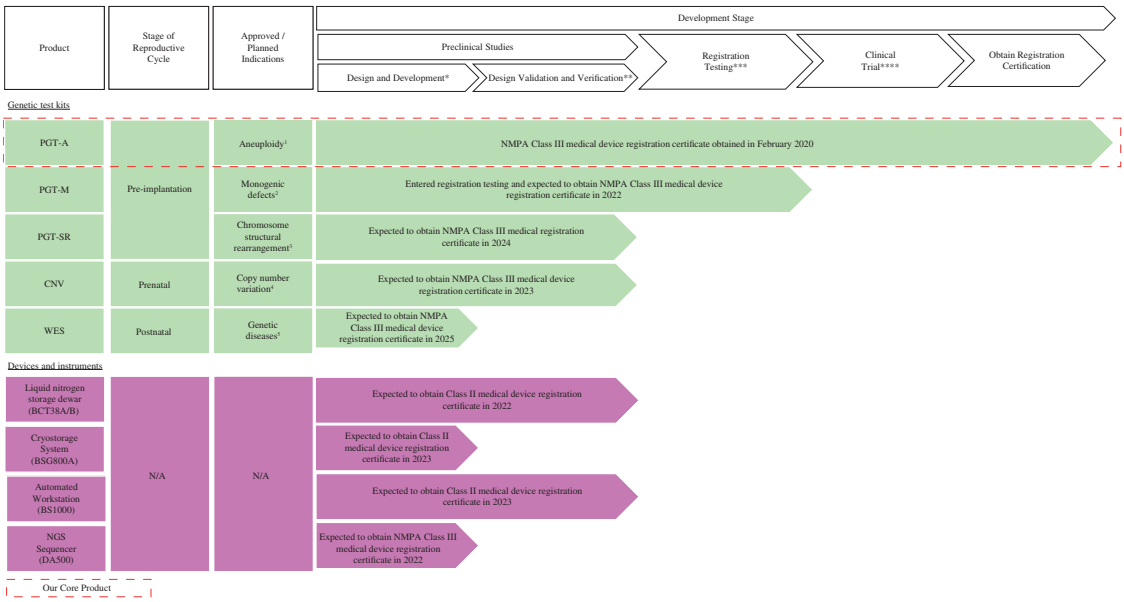
- **Basecare speed** – for everything we do, count every second
- **Basecare standard** – for everything we do, strive for perfection
- **Basecare spirit** – for everything we do, concentrate all efforts

OVERVIEW

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

We are developing two other pre-implantation genetic testing, or PGT, products, namely, PGT-M and PGT-SR kits, which, together with our PGT-A kit, would form a complete test kit lineup to occupy the PGT field, all based on next-generation sequencing, or NGS, technologies. We expect to obtain NMPA registration approval for these kits in 2022 and 2024, respectively, which we anticipate would further our dominance in the third-generation IVF genetic test kit market in China, well ahead of potential competition.

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



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

** Includes analytical performance evaluations and stability study

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

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

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

2. For carriers of thalassemia

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

4. For patients who have experienced miscarriage

5. For carriers of over 200 genetic diseases

In addition to our self-developed products, we also distribute DA8600, the only NGS sequencer approved by the NMPA for PGT, on which our test kits are designed to run, and a number of other test kits.

We have pioneered a solution model under which we provide our clients, which are hospitals and reproductive clinics in China offering the relevant assisted reproductive services, with one-stop, customized integrated solutions, including not only consumables (test kits) and hardware (devices and instruments) but also comprehensive services, such as providing guidance and advice on laboratory design, operation and management, pre-sale and after-sale technical support, on demand based on specific individual needs, to help them establish from scratch, and further enhance, their reproductive genetic testing, analysis and counseling capabilities. Through our comprehensive solutions, we aspire to empower our clients to better serve reproductive patients in China in ways that did not exist before.

Third-generation IVF is only beginning to develop in China. The large population base, growing awareness and acceptance of PGT as part of IVF treatments, and a PGT penetration rate that is significantly lower than that in the United States suggest significant growth potential. Based on our dominant leadership in PGT, we believe we are strategically positioned to serve the larger reproductive genetics medical devices market.

We have strong R&D capabilities based on a clinically driven R&D model to develop innovative reproductive genetics solutions to address unmet clinical needs in China, tailored to overcome the challenges specific to the Chinese patient population. We focus on developing intellectual property—a combination of patents, copyrights and proprietary know-how and trade secrets—for products and solutions that we believe have mass-market demand potential and clear regulatory pathway visibility. In addition to conducting internal R&D programs, we partner with key business partners in many aspects of our business, such as major hospitals and reproductive clinics in China, global life sciences and biotechnology companies in the industry, such as Thermo Fisher, and academic institutions, such as the Chinese University of Hong Kong. We maintain solid relationships with influential KOLs and physicians in the assisted reproduction medical field and establish joint laboratories with major hospitals and reproductive clinics in China, so that we understand the most acute needs of frontline clinical care. We believe our holistic R&D approach and comprehensive capabilities have been the foundation of our industry position.

We have a dedicated management team with deep industry experience and firm commitment to the reproductive genetics cause, led by our founder and chairman of the Board, Dr. Liang. With over ten years of experience in bioinformatics, Dr. Liang has not only led the development of numerous successful products and technologies in the genetic testing field, but is also highly regarded in the academic community, having co-published over 20 academic papers in respected scientific journals. Our R&D team has a stable core of industry veterans, including Dr. Liang, who have worked together in the reproductive science industry for almost a decade.

COMPETITIVE STRENGTHS

Innovative platform of genetic testing solutions for assisted reproduction in China, with the first and only NMPA-approved third-generation IVF genetic test kit

We are an innovative platform of genetic testing solutions for assisted reproduction in China, according to Frost & Sullivan. Our PGT-A kit, which screens for aneuploidy, a chromosomal disorder frequently associated with implantation failure in IVF, in embryos prior to implantation, is the first and only NMPA-registered third-generation IVF genetic test kit which has been approved in China. It is a Class III medical device, the highest level under NMPA regulations, and the only product in the assisted reproduction field approved through the NMPA's "innovative medical device special review and approval procedure (創新醫療器械特別審批程序)," an elite program under which the NMPA grants priority review and accelerated approval to medical device candidates which meet stringent innovation criteria. The development of a genetic screening reagent product like our PGT-A kit is highly complex and challenging, because it requires satisfactory results from a very large sample size, of tens of thousands of subjects. In preclinical studies and the multi-center clinical trial for our PGT-A kit, which lasted over four years, we tested a total of over 30,000 embryo samples, a scale we believe unprecedented in China. The product demonstrated that it could help significantly increase IVF success rates and decrease miscarriage rates, addressing long-standing deficiencies of IVF treatments. The NMPA registration of our PGT-A kit, in February 2020, marked the birth of a regulated third-generation IVF market in China in which we are, to date, the only approved genetic test kit maker. We anticipate that our exclusive position in this nascent and fast-growing market will continue for an extended period of time, as our potential competitors are still years away from receiving regulatory approval for their product candidates, according to Frost & Sullivan.

We are developing two other PGT products, namely, PGT-M and PGT-SR kits, which, together with our PGT-A kit, would form a complete test kit lineup to occupy the PGT field, all based on NGS technologies. Our PGT-M kit, the first and only product of its kind that has completed NMPA registration testing, would revolutionize genetic testing for monogenic disorders in China, eliminating the need for time- and cost-consuming individual pre-exam validations required by conventional technologies, thereby significantly shortening result turnaround time, from approximately two months to merely two weeks, and lowering cost for patients, by about 60%. Our PGT-SR kit would be the groundbreaking first genetic testing solution in China for chromosomal structural rearrangements, which are genetic abnormalities considered common causes of recurrent miscarriage. Recurrent miscarriage is a miserable condition for patients, to which there has been no effective clinical answer. Our PGT-SR kit demonstrated a 99% accuracy rate in preclinical studies in detecting the disorder-causing abnormalities, and would become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. We expect to obtain NMPA registration approval for our PGT-M and PGT-SR kits in 2022 and 2024, respectively, which we anticipate would further our dominance in a regulated and standardized third-generation IVF test kit market in China, well ahead of potential competition.

Leveraging our core strength in PGT, we have positioned ourselves to become an innovative platform in China's broader reproductive genetics market. We have extended our reach beyond the pre-implantation stage to the prenatal and postnatal stages, and are developing one kit in each stage, completing a test kit pipeline that covers the full reproductive cycle. With our full-cycle coverage, we would be able to help couples not only have babies, but also have potentially healthier babies with less chance to suffer hereditary diseases, which we believe will signify a paradigm shift in the clinical development of reproductive genetics in China. Beyond test kits, we also distribute DA8600, the only NGS sequencer approved by the NMPA for PGT, on which our test kits are designed to run, and have developed a number of innovative devices and instruments that can improve work flow in laboratories running the DA8600 with our kits.

China's reproductive genetics medical devices market is only beginning to develop, with significant growth potential. See "—Dominant leadership in PGT and strategic vision on huge market of reproductive genetics technology." We believe we have the most advanced platform in this field with integrated capabilities from research and development, product manufacturing, registration and commercialization, which enables us to transform innovative technologies into mass commercial products. We believe our innovative platform will continue to help us capture commercial opportunities in this market.

Comprehensive portfolio of genetic testing products with prominent technological advantages covering the full reproductive cycle

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

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

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

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

Leveraging our advanced proprietary sequencing technologies and genetic testing capabilities for PGT, we have extended our focus to helping families analyze the cause of miscarriages or genetic disorders and control the heredity of genetic diseases in future pregnancies. We have developed our CNV and WES kits that detect genetic diseases in the prenatal and postnatal stages, respectively, which, together with our PGT products, cover the entire reproductive cycle.

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

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

In the prenatal stage, we are also distributing a non-invasive prenatal testing, or NIPT, kit made by Da An, which also runs on the DA8600 platform. NIPT is a popular, safer method of screening during this stage, which evaluates chances of genetic abnormalities in the fetus by analyzing DNA fragments from the maternal blood. We distribute the NIPT kit to achieve synergies with our self-developed kits.

In addition, we are more than a kit provider and have developed a suite of hardware focused on embryo testing, management and storage to complement our genetic test kit products. Market-available devices and instruments used in reproductive genetics in China are still largely labor-intensive and manually operated, many unable to meet the needs of modern laboratories. Data entry and sample handling by hand are prone to human errors, especially as sample sizes increase exponentially due to more IVF cycles and mandatory sample-preservation regulation, which in the reproductive field can lead to disastrous consequences. To address this acute unmet clinical need and vast potential market opportunity, we have developed an automated workstation to automatically handle and manage embryo testings and the first fully automated, fully digitalized intelligent cryostorage system for embryos storage in China, the first of its kind to obtain the CE mark from the European Union, a gold standard for health and safety. Our cryostorage system is equipped with a unique QR code and chip tagging system, automated data recording and storage system, and intelligent temperature detection, sample extraction and storage and liquid nitrogen replenishment capabilities, enabling time-and cost-efficiencies and reducing chances for human error. In addition to our internally developed product portfolio, we distribute DA8600, the NGS sequencer developed and manufactured by Da An on which our kits are designed to run, and several types of test kits

developed by third parties. The DA8600 is based on the Ion Proton system, one of the globally mainstream NGS platforms, based on semi-conductor technologies, and is the only sequencer approved in China for PGT. With an eye on the future, we are in the early stages of developing a NGS sequencer with higher throughput to further shorten testing turnaround time for our test kits.

Pioneering solution model with laboratory and clinical support capabilities

Third-generation IVF has a short history in China. The first service provider license was issued in 2001. Most of the 70 hospitals and reproductive clinics licensed to practice third-generation IVF in China in 2019 had received their license only after 2016. A great majority of such service providers are part of the public hospital system, subject to systemic limitation on investments in new equipment and technologies. They also tend to carry on a traditional mindset, focusing on the manual operation aspects, which prepares them poorly for rapidly developing advanced technologies such as the third-generation IVF technologies where comprehensive testing, analysis and, in particular, counseling capabilities are of paramount importance. These incumbent service providers are typically plagued by comprehensive deficiencies, lacking a professionally fitted molecular genetic laboratory, experience in conducting complex high-throughput genetic sequencing, know-how in comprehensive lab management and operations, data analysis and genetic counseling, and a professional team of physicians and clinicians experienced in genetics. Prospective new service providers typically do not have these capabilities at all.

We have pioneered a solution model under which we provide our clients, which are the existing as well as new third-generation IVF service providers in China, with one-stop, customized integrated solutions on demand based on specific individual needs. For our clients, we are not just a supplier of consumables (test kits) and hardware (devices and instruments). We are a provider of comprehensive services in addition to the products, which work together as a whole package to help them establish from scratch, or further enhance, their reproductive genetic testing, analysis and counseling capabilities.

Our services include providing guidance and advise on laboratory design, operation and management; pre-sale and after-sale technical support; data analysis and interpretation; and training. We can also provide a lab information management system, or LIMS, and advisory assistance to address all information management needs of a modern molecular genetic lab, following advanced international guidelines. As an example, we helped a Class III Grade A hospital in Guangdong Province, which already had a genetic lab, establish a comprehensive NGS lab quality control system and train its clinicians NGS skills, including single-cell amplification, library preparation and sequencing as well as data analysis and genetic interpretation, which culminated in the lab passing expert review. For another example, we helped another Class III Grade A hospital in Liaoning Province design a PCR molecular genetic laboratory; after completion of construction, we helped install the testing systems, an LIMS and pre-exam validation and quality control systems. We also provide comprehensive genetic counseling support to our clients' clinical practice. We provide a long-distance communications platform to connect genetic experts in China and globally with physicians and clinicians of our

clients so that they can discuss genetic issues that arise in clinical practice. We also help train these physicians and clinicians by arranging them to attend genetic counselling training provided by the Genetics Society of China and become professionally certified genetic counsellors.

Through our comprehensive solutions, we aspire to empower our clients to better serve reproductive patients in China in ways that did not exist before. We expect this to, in turn, create long-term loyalty, trust and mutually beneficial business relationships between us and our clients, fundamentally securing the penetration of our products in clinical application.

Dominant leadership in PGT and strategic vision on huge market of reproductive genetics technology

We command a dominant leadership in China's PGT market. As the first mover with the first and only NMPA-approved PGT product in China and with more innovative PGT product candidates in our pipeline, we believe we enjoy unique advantages in establishing and expanding our commercialization network for our registered product rapidly, leveraging our regulatory experience in advancing our product candidates through regulatory pathways expeditiously, and capturing commercial opportunities in this market firmly. In China, there were 70 hospitals and reproductive clinics in 2019 licensed to conduct PGT, which includes PGT-A, PGT-M and PGT-SR, in IVF services they provide, making them licensed third-generation IVF service providers, our core clientele in PGT. In addition to patients they admit directly, they handle cases referred to them from other hospitals without a third-generation IVF license. Collectively, these hospitals and reproductive clinics handled over 30,000 cycles in 2019, equivalent to more than 180,000 embryos tested. But this market has tremendous room to grow. In 2018, the penetration rate of PGT in IVF procedures in China was only 3.5%, compared to approximately 35.2% in the United States; among the top ten most well-known service providers, in the same year, the penetration rate was about 10% in China and 60% in the United States, according to Frost & Sullivan. In light of increasing infertility rates in China, demand for assisted reproduction procedures, especially IVF treatments with PGT, is expected to rise. According to Frost & Sullivan, the services market for PGT-A is expected to grow rapidly from RMB633.6 million to RMB6.0 billion at a 56.5% CAGR from 2019 to 2024, and the services markets for PGT-M and PGT-SR are expected to grow from RMB163.8 million to RMB2.9 billion at a 77.9% CAGR and from RMB320.0 million to RMB3.2 billion at a 58.1% CAGR, respectively, over the same period.

Our dominance in PGT positions us strategically in the larger reproductive genetics medical devices market in China, as we extend our test kit pipeline to the post-implantation stages (prenatal and postnatal), and as we formulate one-stop, customized integrated solutions, including not only test kits as consumables, but also equipment and advisory services. We did not derive revenue during the Track Record Period from services such as guidance and advice, which were provided to customers as value-added customer services that enabled us to differentiate ourselves from competitors, gain customer loyalty, trust and stickiness and fundamentally secure the demand for our products and increase their penetration rates. By deepening our relationship with our core PGT clientele, and by potentially partnering with third-party medical testing laboratories, we aim to reach over 500 assisted reproductive

services provides and over 1,500 pre-pregnancy and genetic testing hospitals, which serve over 50 million couples in China with infertility issues. China's reproductive genetics medical devices market is vast and expected to grow rapidly at a 27.2% CAGR from RMB4.3 billion in 2020 to RMB11.2 billion in 2024. In particular, the prenatal genetic testing reagents market in China is expected to grow at a 18.7% CAGR from RMB3.0 billion 2020 to RMB6.0 billion in 2024, and the postnatal genetic testing reagents market in China is expected to grow at a 7.7% CAGR from RMB464.8 million in 2020 to RMB626.2 million in 2024.

Going forward, we believe that there may be even broader markets we are well positioned to serve. We envisage that, as technologies and social norms further evolve, the vast population of healthy people, beyond couples with infertility issues, may have reproductive genetics needs that are accepted by society, which would constitute a huge market of reproductive genetics technology. We have the vision to prepare ourselves for that future.

Strong R&D capabilities based on clinically driven R&D model and expertise with proven track record of success

We have strong R&D capabilities based on a clinically driven R&D model to develop innovative reproductive genetics solutions to address unmet clinical needs in China, tailored to overcome the challenges specific to the Chinese patient population. We focus on developing intellectual property—a combination of patents, copyrights and proprietary know-how—for products and solutions that we believe have mass-market demand potential and clear regulatory pathway visibility. We believe our holistic R&D approach and comprehensive capabilities have been the foundation of our industry position. Highlights of our R&D platform include:

- *Dual engines of innovation*. We conduct our R&D activities through both internal programs and external collaborations, which we believe helps us leverage our resources and drive innovation.

    - *Internal programs*. Our in-house research and development team, which executes R&D plans for our pipeline product candidates, is led by Dr. Liang Bo (梁波), our founder and chairman of the Board. Dr. Liang has over ten years of experience in bioinformatics, and has led the development of NIPT and high-throughput sequencing as well as the development and regulatory application of NGS products before founding our Company. The team contains a deep pool of talent in the reproductive field, with 73 members as of the Latest Practicable Date, who have experience from medical research institutions and reproductive clinics of major hospitals in China. The team has a stable core of industry veterans, including Dr. Liang, who have worked together in the reproductive science industry for almost a decade. Their commitment to a common cause, we believe, has generated synergies in our R&D endeavors that are significant to our R&D success.

    - *External collaborations*. We partner with renowned academic research institutions, such as the Chinese University of Hong Kong, on joint research projects. We believe these external research projects help us stay abreast of the

latest developments in the scientific community, which, in turn, helps ensure that we remain strategically conscious of where innovation is in our industry. We also partner with global life science and biotechnology companies to learn industry best practices, gain experience in commercialization and clinical application of our products, and conduct joint technology research and knowledge exchange, with the goal of developing products tailored specifically for the Chinese population. We have established a long-term collaborative relationship with Thermo Fisher, the leading global life sciences company behind the Ion Proton NGS platform, since 2013, and have established a joint laboratory and work closely together on a "White Gloves" project in numerous research studies and consult with each other on technologies and product candidates, which have been invaluable to our R&D efforts.

- *Focus on clinical demand*. Our R&D platform has a relentless focus on learning and understanding the most acute needs of frontline clinical care. To do so, we have developed strong relationships with leading stakeholders via active collaboration.

  - *Influential KOLs and physicians*. We have developed solid relationships with influential KOLs and physicians in the assisted reproduction medical field, with a coverage rate of around 50% in the 70 licensed hospitals and reproductive clinics in China in 2020. We regularly communicate with these KOLs and physicians to access the clinical frontline and better understand the needs of patients and physicians, including the limitations of existing products, which guide us to develop solutions that address industry needs and have strong market demand.

  - *Laboratories with hospitals and reproductive clinics*. We establish laboratories for major hospitals and reproductive clinics in China, such as the Reproduction Hospital Affiliated to Shandong University, Shanghai Renji Hospital and the Third Affiliated Hospital of Guangzhou Medical University, to better understand and monitor clinical demand and industry trends during the process. We optimize our products and technologies by working with hospitals and clinics on the ground and learning first-hand clinical feedback. Moreover, we provide guidance, advice and training to hospitals and clinics, which enhances customer satisfaction and stickiness.

As a result of our R&D efforts, we have built a robust portfolio of intellectual property and published or co-published numerous scientific and academic papers. We have also played a key role in establishing industry standards in China, which reflects our market leadership and reputation.

- *Strong academic reputation.* Through our collaborations, we have co-authored multiple academic papers with medical and academic institutions in prestigious scientific publications in genetics and reproduction, including the *Journal of Visualized Experiments*, which was well recognized by industry peers. In 2019, we co-published a paper entitled "Raman Profiling of Embryo Culture Medium to

Identify Aneuploid and Euploid Embryos" with the State Key Laboratory of Microbial Metabolism and the University of Oxford in the *Fertility and Sterility Journal*. We believe that our scholarly publications have enabled us to build a strong academic reputation, especially among the community of KOLs, physicians and experts in China, which enhances the market acceptance for our products.

- *Robust IP portfolio*. We own the key intellectual property behind the products we develop. As of the Latest Practicable Date, we owned 18 patents and had made 48 patent applications in China. As of the same date, we owned 24 software copyrights and had made three software copyright applications in China.

- *Shaping industry standards.* We play a key role in establishing industry standards in China that benchmark against global best practices. For example, we were closely involved in efforts to recognize chromosomal aneuploidy test kits for pre-implantation embryos as Class III medical devices in China, enabling uniform regulation and government oversight over such products. We were also involved in establishing national standards for PGT-A products and participated in drafting the first-ever quality guideline and national industry standard for PGT technology in China. We believe our contribution helps turn scientific advancements to standardized commercial products, ultimately benefiting Chinese patients. Moreover, our involvement in setting industry standards greatly benefits our ability to progress product candidates through the regulatory approval pathway and receive registration certificates, because we are intimately familiar with the regulatory requirements. This gives us a distinct advantage over potential competitors.

We have been able to solidify our reputation and role in this industry and work closely with medical institutions and KOLs, which in turn supports our development and commercialization of our product pipeline.

Visionary management team with deep industry experience and firm commitment to cause

Driven by a sense of mission to improve reproductive healthcare available to the Chinese people, our visionary and experienced senior management team is committed to developing and offering world-class genetic testing solutions to China. Our senior management team is led by our founder and chairman of the Board, Dr. Liang, who holds a Ph.D. in biology from Shanghai Jiao Tong University (上海交通大學). He is an adjunct research fellow at the National Research Center for Assisted Reproduction and Reproductive Genetics (國家輔助生殖與優生工程技術研究中心), the only national-level research institution in this field in China, a member and secretary of the Chinese Board of Genetic Counseling (中國遺傳學會遺傳諮詢分會) and a standing member of the Society for Reproductive Medicine of the Chinese Non-governmental Medical Institutions Association (中國非公醫協會生殖醫學委員會). Dr. Liang has not only led the development of numerous successful products and technologies in the genetic testing field, but is also highly regarded in the academic community, having co-published over 20 academic papers in respected scientific journals.

Our 10-member senior management team has an average of ten years of industry experience and broad, multi-disciplinary expertise in genetics, metabonomics and clinical genetics, with deep experience in developing high-throughput sequencing platforms for clinical applications and regulatory pathways to bring products to the market. We believe their extensive clinical experience, strong relationships with a solid and long-term customer base and profound understanding of market trends and clinical needs will continue to contribute to our success.

In addition to bringing technical and industry expertise to our company, our senior management team is instrumental in cultivating a corporate culture of learning and knowledge acquisition, as we believe that staying at the vanguard of scientific and technological developments in this industry is crucial to our continued success. We organize training and academic exchanges for our employees, attend international and domestic conferences and participate in collaborative projects with governments and other organizations. We also work with universities in China to help nurture the next generation of scientists and clinicians in reproductive science.

Our management team is supported by a medical advisory board that provides invaluable insight and advice in our business direction and strategy. Members of our medical advisory board are influential experts and pioneers in fields relating to reproductive health and genetics, holding high-level positions in prestigious academic societies, hospitals, laboratories and universities. The main members of our medical advisory board are: He Lin (賀林), who is an academician of the Chinese Academy of Sciences and The World Academy of Sciences and was the one first to identify the cause of brachydactyly type A-1, which is the first recorded example of human disorder with Mendelian autosomal-dominant inheritance, and was the pioneer of clinical genetic counselling in China; Richard Kwong Wai Choy (蔡光偉), who is the director of the pre-implantation genetic diagnosis laboratory of the Chinese University of Hong Kong and an expert on chromosomal structure abnormalities, was the pioneer to use of copy number abnormalities in prenatal diagnosis in the Asia Pacific region; and Teng Xiaoming (滕曉明), who is experienced in modern reproductive medicine in China and the director of the Center for Reproductive Medicine at the Shanghai First Maternity and Infant Hospital. We believe the collective expertise of these medical advisory board members comprehensively covers the major aspects of our operations.

We are proud of having a group of influential and sophisticated pre-IPO investors, including Hillhouse Capital and OrbiMed, who have provided support and resources in our strategic development.

BUSINESS STRATEGIES

Continue to capture and solidify sales channels and customer base for PGT-A

We obtained a Class III medical device registration certificate for our PGT-A kit in February 2020, which marked the birth of a regulated market for PGT products in China. With the first and only NMPA-approved PGT kit in China, we believe that we enjoy first-mover advantages in building and solidifying our sales channels and customer base. We aim to increase our coverage and penetration of key customers, namely, hospitals and reproductive clinics licensed to conduct PGT, and develop stronger relationships with them to enhance customer stickiness and lay the foundation to offer other products to them in the future. We also plan to partner with licensed third-party medical testing laboratories to extend our ability to reach a larger patient base in China. We plan to take the following initiatives to carry out this strategy:

- *Develop PGT capabilities of key customers*. We plan to develop deeper relationships with licensed hospitals and reproductive clinics by assisting them to build up their assisted reproduction and genetic testing capabilities. As part of these efforts, we may station our staff on site at key hospitals and clinics to provide guidance and advice on setting up laboratories with the requisite equipment and technology for genetic testing, and provide training to clinicians and staff. By doing so we help our key customers develop stronger genetic testing capabilities, which we believe will enhance customer stickiness and increase their demand for our products.

- *Elevate prominence of key customers through academic promotion.* We believe enhancing the academic and clinical reputation and influence of our key customers will in turn help create sustained demand for our products. We have launched a series of academic seminars with the topic "Clinical Application of Third-Generation IVF Technologies" nationwide, including in Hefei, Changsha and Lanzhou. Through these seminars, we aim to improve awareness and clinical knowledge of physicians in this field, which can be applied to meet the needs of a significant patient population in China. Going forward, we plan to organize other academic promotion and knowledge exchange events to promote our products and technology.

- *Increase penetration rate of PGT-A.* In addition to educating physicians, we also plan to engage in patient education and awareness-building to increase the penetration rate of PGT-A. We assist hospitals in developing comprehensive marketing strategies, including online and offline marketing events and a full set of educational videos and materials to educate patients on the clinical value and benefits of PGT. We also work with media platforms to promote PGT.

Rapidly commercialize product portfolio to occupy full reproductive cycle

Leveraging our PGT-A product, which addresses infertility problems, we have extended our focus to helping families control the heredity of genetic diseases in future pregnancies through the development of our PGT-M and PGT-SR kits. In addition, we are developing CNV and WES kits for prenatal and postnatal genetic testing, which, together with our PGT portfolio, covers the full reproductive cycle.

Our plans with respect to these products are set out below:

- *Drive regulatory approvals*. As a matter of our pipeline strategy, we aim to be the first to obtain NMPA approval in each product category. We plan to continue to drive the clinical development and regulatory approval process of our pipeline product candidates relentlessly toward this goal. We also plan to build sales channels for these products early in the clinical development process through cultivating relationships with hospitals and physicians during clinical trials, which we believe will help us develop strong customer stickiness and allow us to quickly penetrate the market during commercialization.

- *Expand breadth and depth of sales network*. We plan to focus our commercialization strategy on key hospitals and reproductive clinics. We will leverage the relationships we have built with these hospitals and clinics for PGT-A to extend the breadth and depth of our coverage. We plan to work toward full coverage of licensed hospitals and reproductive clinics in China. Moreover, we plan to expand our share of wallet in these hospitals and clinics by offering comprehensive solutions, with new products that target other medical specialties, such as the neonatal and pediatrics units, in these institutions.

- *Realize synergies*. As we develop our commercialization strategy for each product in our portfolio, we expect to realize synergies, from enhancing sales of our product portfolio to lowering labor, raw material and other operating costs. We believe these synergies will enable us to be more cost efficient, thereby enhancing our ability to offer more competitive prices to customers.

Develop next-generation automated and intelligent hardware to upgrade industry infrastructure

As the nascent regulated PGT market in China develops and potentially achieves explosive growth, we anticipate a significant market opportunity in establishing and upgrading its infrastructure. Many hospitals and clinics in China do not have genetic testing capabilities to begin with. For those who do, their capabilities are typically basic. The limited facilities and equipment tend to be manual-dependent and labor-intensive, which makes them inefficient and error-prone. Given the anticipated surge in test cycles performed, and considering other factors such as regulation mandating storage of embryos for at least five years, hospitals and clinics are faced with what we perceive as comprehensive shortages: shortage of large-scale, secure

storage with precise temperature control and sample record-keeping, shortage of sophisticated workstations ensuring accurate sample management and work flows, and above all shortage of know-how on operating a modern embryology laboratory. We are well positioned to address these shortages with our pipeline of genetic testing devices and instruments equipped with automation and intelligent technologies, designed to reduce reliance on manual operation, which we believe will enhance operating efficiency, lower costs and reduce error. We plan to drive the regulatory approval for these next-generation hardware, which we believe will usher in a new era for reproductive genetics labs in China. Our ultimate ambition is to create a dynamic ecosystem in reproductive genetics in China, connecting upstream scientists, researchers and technology platform developers and downstream hospitals, reproductive clinics and patients with our automated and intelligent solutions, so that our solutions can be continually optimized to bring latest scientific and technological advancements to address acute unmet needs in clinical application.

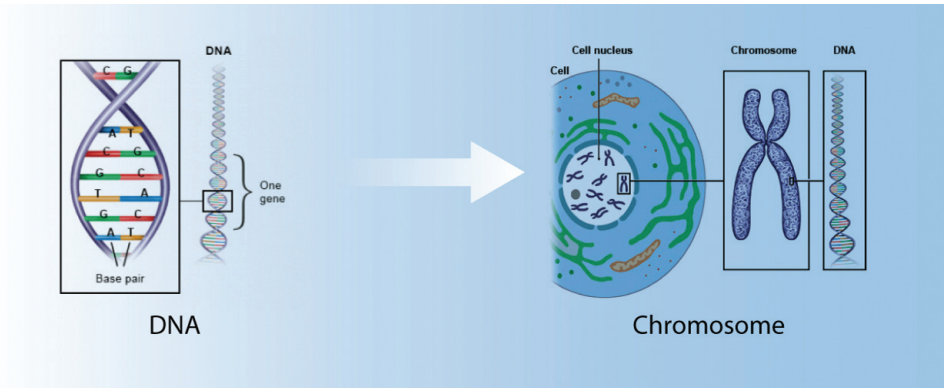
Maintain technological leadership by leveraging advancements of global leaders

We have established an innovative platform with comprehensive capabilities ranging from technological development, product development, regulatory approval, manufacturing and commercialization. Our philosophy is to pursue the best technologies globally in reproductive genetics and convert them to commercial applications in China. Going forward, we plan to continue to leverage our innovative platform to partner with leading life science and biotechnology companies to jointly develop or acquire new technologies and products with high commercial value that are best in their class and commercialize them in the vast Chinese market. By standing on the shoulders of giants, we believe we can see farther and discover the latest innovation for potential commercial opportunities as we continue to expand our portfolio. At the same time, we plan to extend our portfolio through acquisitions and investments of upstream and downstream businesses. In particular, we plan to focus on domestic businesses with strong R&D and technological backgrounds, driving the overall growth of the PRC reproductive genetics market.

INTRODUCTION TO GENES

Genes are the basic units of heredity in living organisms. A gene is a segment of deoxyribonucleic acid, or DNA, which carries the code necessary to synthesize a polypeptide in a specific fashion. Polypeptides are chains of amino acids, which are building blocks for proteins. Because proteins make up the organs, tissues and other structures that constitute a body, and complex proteins such as enzymes control the chemical processes within it, genes, by regulating protein synthesis, govern the body's characteristics on an elemental level. Any one characteristic, or trait, from as simple as eye color to as complex as propensity to certain cancer, is determined by one or more genes. Altogether, human beings have about 20,000 to 25,000 genes.

The life-defining code contained in a gene is scripted in its DNA structure. The DNA molecule is a double helix: two long, thin strands twisted around each other like a spiral staircase. The sides are made of sugar and phosphate. The rungs are bonds of nitrogenous bases called nucleobases, or just bases. There are four types of base in a DNA: adenine (A), thymine (T), guanine (G) and cytosine (C). They bond in a very specific way: A always pairs with T, and C always pairs with G. Each such pair is called a base pair, or bp. The basic unit composed of a base and its sugar and phosphate is called a nucleotide. The order of nucleotides, each identified by the base as A, T, G or C, in a particular gene is commonly referred to as its "DNA sequence."



In the cell nucleus, DNA molecules are tightly packed in thread-like structures called chromosomes, which come in pairs in the non-reproductive, or somatic, cells. Human beings have 23 pairs of chromosomes, or 46 chromosomes in total. The 23 pairs of chromosomes include 1 pair of sex chromosomes that determine whether a person is male (one X chromosome and one Y chromosome) or female (two X chromosomes), and the other 22 pairs of chromosomes, called autosomes, are numbered from 1 to 22. The chromosomes differ in size and the number of genes contained. The largest, chromosome 1, contains about 8000 genes. The smallest, chromosome 21, contains about 300 genes. One half of each chromosome pair is inherited from the mother (via the egg), and the other half from the father (via the sperm). As reproductive cells, or gametes, eggs and sperms each contains just one set of the 23 chromosomes (described as "haploid"). At conception, a sperm reaches the egg and fertilizes it. In the process, two copies of each chromosome (and therefore two copies of each gene) unite into a full pair (described as "diploid") as the fertilized egg, or zygote, forms, which then develops into the embryo. This is how genes are inherited in reproduction.

REPRODUCTIVE GENETICS IN CHINA

Genetic testing is a type of medical test used to identify changes in chromosomes, genes or proteins to diagnose or rule out a suspected genetic condition or predict risks for specific conditions. In the context of reproductive genetics, genetic testing can be performed at different stages of the reproductive cycle to increase the likelihood of healthy births in assisted reproduction procedures, such as IVF treatments, and to learn about and lower the chance that a current or future pregnancy will have a genetic condition. In China, genetic testing products for commercial use in reproductive genetics is a relatively new industry. Very few of such products are NMPA-approved, and many have shortcomings, such as requiring patient-specific pre-exam validations, requiring significant time to produce results or having limited disease coverage or effectiveness, due to limitations in the technologies adopted in such products. As infertility rates rise and demand for assisted reproduction procedures grows in China, and due to rising awareness of genetic disorders, the need and demand for genetic testing for reproductive genetics is expected to increase significantly in the years to come. There is significant white space for products that address such needs.

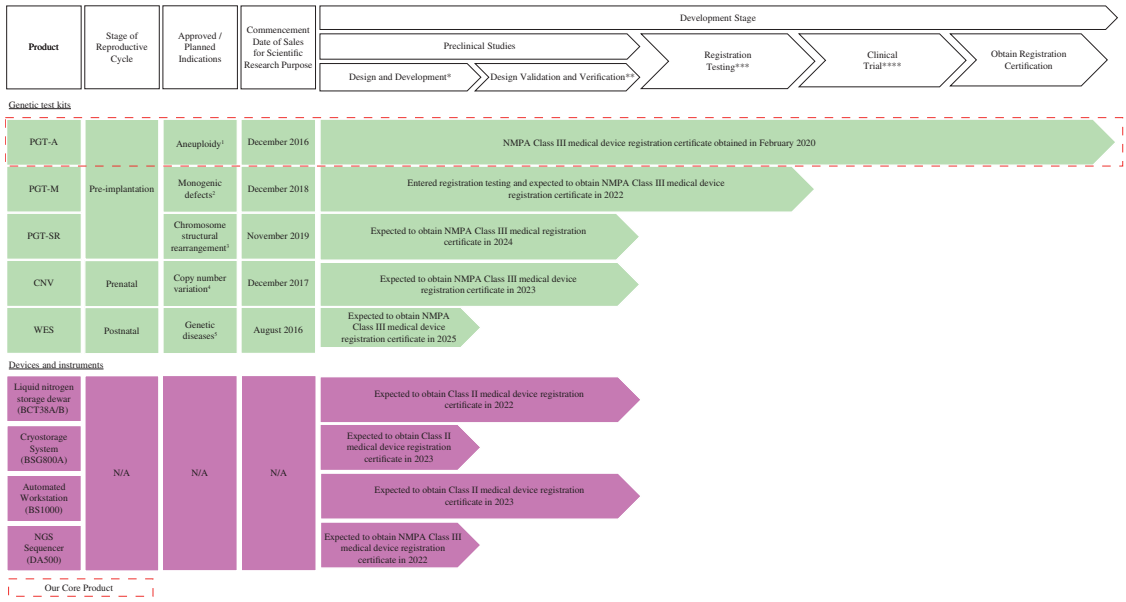
OUR PRODUCT PORTFOLIO

To address the unmet needs in reproductive genetics, we have developed a portfolio of genetic test kits that cover all key stages of the reproductive cycle. The initial focus of our product portfolio was on helping 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. Leveraging our core strength in PGT, we have extended our focus to helping families analyze the cause of miscarriages or genetic disorders and manage the heredity of genetic diseases in future pregnancies. We have developed our CNV and WES genetic test kits, which detect genetic diseases in the prenatal and postnatal stages, respectively.

We are developing devices and instruments that encompass a suite of hardware focused on embryo testing, management and storage to complement our genetic test kit products. We are currently developing four products in-house, namely, our liquid nitrogen storage dewar (BCT38A/B), cryostorage system (BSG800A), automated workstation (BS1000) and NGS sequencer (DA500).

In addition to our self-developed products, we also distribute DA8600, the only NGS sequencer approved by the NMPA for PGT, on which our genetic test kits are designed to run, and a number of other test kits.

The following diagram sets forth key details of our product portfolio as of the Latest Practicable Date:



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

** Includes analytical performance evaluations and stability study

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

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

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

2. For carriers of thalassemia

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

4. For patients who have experienced miscarriage

5. For carriers of over 200 genetic diseases

Prior to being approved by the NMPA, these products are not permitted for commercial sale in China for the purpose of medical treatment or diagnosis. During the Track Record Period, we sold our in-house developed genetic test kit products to hospitals and reproductive clinics for limited scientific research purposes. For details of the relevant laws and regulations, see "Regulatory Overview—Laws and Regulations Relating to Medical Device—Regulations Relating to Medical Device Registration."

Our Genetic Test Kit Products

Pre-implantation Genetic Test Kit Products

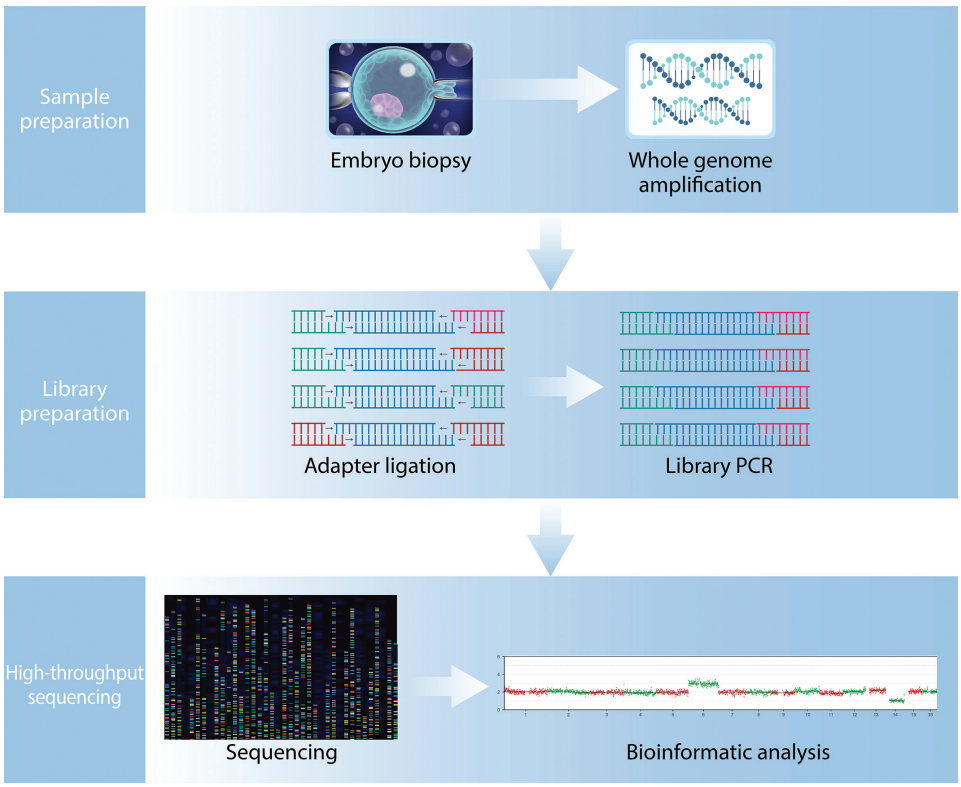
PGT-A Kit

Aneuploidy is the condition of having an incorrect number of chromosome sets in cells. It is a chromosomal disorder frequently associated with implantation failure in IVF. Our PGT-A kit is designed to detect aneuploidy in embryos in the IVF process before they are implanted into mothers. By identifying and choosing to avoid aneuploid embryos, clinicians can effectively increase chances for a successful pregnancy and reduce chances for miscarriage.

Our PGT-A kit is the first and only NMPA-approved genetic test kit for aneuploidy, having obtained a Class III medical device registration certificate in February 2020. It is approved for women who are 35 years 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 who have chromosomal abnormalities. We sold our PGT-A kits for limited scientific research purposes prior to NMPA approval, and began to initiate commercialization in April 2020 after receiving NMPA approval.

How Our PGT-A Kit Works

The workflow of our PGT-A kit involves three major steps: sample preparation, library preparation and sequencing. The kit includes two sets of reagents, for use in the first two steps of the workflow respectively. The first set is used in the sample preparation step, which isolates genomic DNA from cells and "amplifies" the isolated DNA so that it can be sequenced and analyzed. The second set is used in the library preparation step to barcode the genomic DNA and prepare the DNA libraries for subsequent sequencing and bioinformatic analysis. The following diagram illustrates the working process of our PGT-A kit.



- *Sample preparation.*

  - *Embryo biopsy.* Minuscule biopsy samples of embryos, generally of five cells taken from the trophoblast, the outer enveloping layer of embryos at the blastocyst stage, which will develop into the placenta, are isolated by clinicians, in line with medical guidelines to minimize impact on the fetus. Because genomic DNA is packed into chromosomes in cells, which also contain cellular fluid, proteins and other matters, isolation of DNA is needed to conduct genetic testing. Our PGT-A kits, which contains various enzymes, isolate the genomic DNA from the chromosomes by breaking open the cells and dissolving the cellular and nuclear membranes and proteins.

  - *Whole genome amplification (WGA).* The isolated DNA needs to be amplified to provide sufficient copies for library preparation and subsequent sequencing and analysis. We perform WGA through polymerase chain reaction (PCR). The PCR process comprises three steps. First, a DNA is "denatured," meaning that the double strands are separated to two single strands, by heat. Second, "primers," which are short strands of nucleic acid that demarcate the starting point of the part of the DNA to be amplified, are attached to each DNA strand. Third, a DNA polymerase, which is an enzyme that catalyzes DNA synthesis, is applied to enable nucleotides to be added to the primer using the existing DNA strands as template. The cycle is repeated to generate millions of copies of the original genomic DNA. We have developed a strand displacement whole genome amplification (SDWGA) technology to optimize the process. See "—Our Advantages" for details of this technology.

- *Library preparation.* Library preparation converts raw DNA into samples ready for sequencing, which primarily involves fragmenting the target sequences into desired lengths and attaching markers called adapters to the ends of target sequences. The second set of reagents in our kit are used for this purpose. The fragment length of DNA libraries depends on the NGS platform used and the type of sequencing analysis conducted. To conduct aneuploidy analysis using DA8600, our PGT-A kit breaks DNA samples into fragments of approximately 200 bp in length. Different barcoded adapters are then attached to both ends of the fragmented DNA to differentiate DNA samples and enable them to be recognized by the sequencer. DNA without adapters are then smoothed out and copies of adapted DNA constitute the DNA libraries through PCR. See "—The NGS Platform" in this section for more details.

- *High-throughput sequencing.*

  - *Sequencing.* The DNA libraries are then loaded onto a chip that is readable by the DA8600 high-throughput sequencer, which reads and generates the nucleotide sequence for each DNA fragment in the library, yielding 80Mb reads in as quickly as two and a half hours.

  - *Bioinformatic analysis.* The nucleotide sequence data are compared against a reference human genome to map the location of each DNA fragment in the genome. Thereafter, the mapped DNA sequences are analyzed compared to our reference database, in which chromosome variations are recognized and

identified using our in-house developed, proprietary Euclidean distance and circular binary segmentation (EDCBS) algorithm. If readings, or "reads," of certain chromosomes are too high or too low, the algorithm will deduce that there is aneuploidy.

Our Advantages

Our PGT-A kit has following advantages:

- *Only NMPA-approved third-generation IVF genetic test kit in China.* Our PGT-A kit is the only NMPA-approved third-generation IVF genetic test kit which has been approved in China. Regulatory approval for PGT-A candidates requires large-scale clinical trials, which is a major entry barrier for potential competitors. We have conducted extensive clinical and preclinical studies with over 30,000 embryo samples in total, a scale we believe to be unprecedented in China, to validate the effectiveness of our PGT-A kit. Our potential competitors are still years away from receiving regulatory approval for their product candidates, according to Frost & Sullivan.

- *Comprehensive chromosome screening (CCS) capabilities resulting in higher pregnancy rate*. Our product is the only NMPA-approved PGT-A product in China with CCS capabilities, *i.e.*, the ability to screen all chromosomes, as opposed to conventional technologies such as fluorescence *in situ* hybridization (FISH) and quantitative polymerase chain reaction (qPCR), which can only screen a portion of chromosomes at a time. FISH assays use fluorescent "probes," which are strands of nucleic acid that are complementary to nucleotide sequences of interest, to bind to, or "hybridize," target DNA sequences. By studying the regions where fluorescent probes are bound, chromosome abnormalities are detected. FISH generally uses a limited number of probes so it can only study a portion of all chromosomes at a time. qPCR detects aneuploidy by detecting fluorescent signals of the DNA amplicons, *i.e.*, the copies of DNA fragments. Similar to FISH, only a limited number of probes or primers can be used in each assay for qPCR. These limitations are critical to genetic testing as they limit the disease coverage to limited kinds of chromosomal aneuploidies. The following table sets forth details of our PGT-A kit compared with FISH assays.

	Turnaround Time	**Success Rate**	**Sensitivity**
PGT-A Kit	One day	98%	100% (95% CI: 99.00%~100%)
FISH	Three days	83%	95%

Leveraging high-throughput sequencing technology, our PGT-A kit is capable of screening all 23 pairs of chromosomes in a single test, therefore detecting in detail the chromosomal arrangement of an embryo, improving affordability compared to FISH and improving the pregnancy rate of IVF.

- *Uniform WGA and accurate chromosome screening results achieved by innovative SDWGA technology.* A major issue in PGT-A is a lack of uniformity and fidelity of WGA, which is commonly caused by the primers used during DNA amplification. DNA amplification using unsuitable primers may lead to uneven or biased amplification, which may negatively affect the specificity (ability to correctly return negative results) and sensitivity (ability to correctly return positive results) in a test and result in misdiagnosis. The key is in primer design. Currently, there are two mainstream WGA methods, named degenerated-oligonucleotide-primed PCR (DOP-PCR) and multiple displacement amplification (MDA). Both methods use random primers, *i.e.*, primers that are non-specific to certain genes or locations on the genome, called loci, that are designed for general amplification of human and non-human genomes. However, the lack of specificity of the primers can lead to biased amplification of different genomic regions. That the primers are also used for non-human genomes can mean sub-optimal binding to human genomes. We have developed a proprietary SDWGA technology, using enzymes to cause certain strands of downstream DNA to be displaced for replication. With this technology, we have designed a set of primers specifically designed for the human genome, with optimized lengths, structures and melting temperatures, minimizing amplification bias and maximizing fidelity. Median absolute deviation of pairwise differences, or MAPD, is an indicator of the evenness and quality of WGA, with a lower MAPD signifying more even binding and more accurate amplification results. During our in-house experiment, our SDWGA had proven a MAPD of 0.24 while DOP-PCR and MDA had a MAPD of 0.42 and 2.48, respectively.

- *Higher sensitivity and specificity*. Sensitivity is a measurement of the ability of a test to identify true positives, *i.e.*, identifying embryos with aneuploidy as such. Specificity is a measurement of the ability of a test to identify true negatives, *i.e.*, identifying normal embryos without aneuploidy as such. During the clinical trial for our PGT-A kit, it demonstrated 100% sensitivity and specificity. In comparison, conventional PGT methods have average sensitivity and specificity of 95% to 99%, according to Frost and Sullivan. We believe our ability to achieve such high accuracy is in large part due to our advanced SDWGA technology and EDCBS algorithm, which help ensure the quality of DNA amplification and bioinformatic analysis.

Market Opportunity and Competition

Aneuploid embryos have a 96% chance of failing implantation, according to Frost & Sullivan. PGT-A tests are therefore useful to identify and avoid aneuploidy embryos to increase the success of IVF treatments. By using our PGT-A kit, pregnancy and miscarriage rates in IVF treatments in 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). The penetration rate of PGT in IVF procedures in China was only 3.5% in 2018, compared to approximately 35.2% in the United States in 2018; among the top ten most well-known service providers, in the same year, the penetration rate was approximately 10% in China and 60% in

the United States, according to Frost & Sullivan. In light of increasing awareness and acceptance and infertility rates in China, demand for assisted reproduction procedures, especially IVF treatments with PGT, is expected to rise. From 2015 to 2019, the services market for PGT-A in China grew at a CAGR of 68.9% from RMB77.8 million to RMB633.6 million, and is expected to continue its growth with a 56.5% CAGR from 2019 to 2024 according to Frost & Sullivan.

We enjoy first-mover advantages in the PGT-A market in China. As of the Latest Practicable Date, the NMPA had only approved our PGT-A kit in China and our potential competitors are still years away from receiving regulatory approval for their product candidates, according to Frost & Sullivan.

Summary of Our Clinical Trial

We conducted a multi-center, prospective, blinded clinical trial to evaluate the effectiveness of our PGT-A kit in identifying aneuploidy. We cooperated with Reproductive Hospital Affiliated to Shandong University (山東大學附屬生殖醫院), Reproductive & Genetic Hospital of Citic-Xiangya (中信湘雅生殖與遺傳專科醫院), Tangdu Hospital of Air Force Medical University (第四軍醫大學唐都醫院), Shengjing Hospital of China Medical University (中國醫科大學附屬盛京醫院), the First Hospital of Lanzhou University (蘭州大學第一醫院) and Nanjing Health Care Center for Women & Children (南京市婦幼保健院) to conduct our clinical trial.

Trial design. The trial was designed to enroll at least 1,000 couples undergoing IVF treatment, with a minimum of 500 euploid and 500 aneuploid embryo to be tested. The subjects must fulfill at least one of the following criteria to be enrolled:

- Women who are 35 years 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 give birth to a child with chromosomal abnormalities; and
- Couples who have chromosomal abnormalities.

Positive results will be validated with the FISH method, considered the "gold standard." Negative results will be validated through follow-up testing after implantation, where chromosome karyotyping will be performed on amniotic fluid or umbilical cord blood samples collected from the fetus or newborn. The product should demonstrate an accuracy of no less than 98%.

Trial results. 1,482 couples undergoing IVF treatment in six reproductive clinics in China were enrolled in the clinical trial. A total of 6,282 embryo samples were collected from the enrolled couples, with at least two embryos from each enrolled couple. The embryos were biopsied and tested using our PGT-A kit. Of the 6,282 embryo samples, our PGT-A kit identified 1,672 as positive and 4,483 as negative. 127 of the 6,282 embryo samples had no diagnosis result, mainly due to failure of cell extraction, failure of DNA amplification, degraded DNA or failure to load cell(s) into the tube. 381 embryos tested as positive were validated by FISH and demonstrated a 100% sensitivity (95% CI: 99.00%-100%), meaning that our PGT-A kit was able to correctly identify all embryos that were aneuploid. 291 embryos tested as negative were validated by chromosome karyotyping, counting the number of the chromosomes under the microscope after staining the chromosomes. Our PGT-A kit demonstrated a 100% specificity (95% CI: 98.70%-100%), meaning that our PGT-A kit was able to correctly identify all embryos that were euploid, or normal.

Summary of Our Post-approval Clinical Trial Design

We are required to conduct post-approval clinical trial to monitor the accuracy and effectiveness of our PGT-A kits and submit the testing reports to the NMPA before the renewal of our PGT-A registration certificate in 2025. The requirements of post approval clinical trial of our PGT-A kit are as stringent as the pre-approval clinical trial. The post-approval clinical trial is in fact the extension and supplement of the pre-approval clinical trial and the PGT-A kit has to demonstrate the same accuracy, sensitivity and specificity as it did in pre-approval clinical trials.

The post-approval clinical trials will be conducted in no less than ten third-generation IVF licensed clinical centers in China, such as Reproductive Hospital Affiliated to Shandong University (山東大學附屬生殖醫院), Reproductive & Genetic Hospital of Citic-Xiangya (中信湘雅生殖與遺傳專科醫院), Tangdu Hospital of Air Force Medical University (第四軍醫大學唐都醫院), Shengjing Hospital of China Medical University (中國醫科大學附屬盛京醫院), the First Hospital of Lanzhou University (蘭州大學第一醫院) and Nanjing Health Care Center for Women & Children (南京市婦幼保健院).

Trial design. The trial was designated to test about 10,000 embryo samples. The subjects must fulfill at least one of the following criteria to be enrolled:

- Women who are 35 years 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 give birth to a child with chromosomal abnormalities; and

- Couples who have chromosomal abnormalities.

Negative results will be validated through follow-up testing after implantation, where chromosome karyotyping will be performed on amniotic fluid or umbilical cord blood samples collected from the fetus or newborn and newborn follow-up visits.

We need to document patient's medical record number, indication, embryo sample number, PGT-A kit lot number, implanted embryo number, date of implantation, pregnancy, miscarriage (if any) and follow up testing result.

Our Directors believe that, to the best of our Directors' knowledge, the possibility of our registration certificate not being renewed is relatively low because (1) before obtaining the NMPA's registration certificate, we must demonstrate in preclinical studies and well-controlled pre-approval clinical trial, and, to the satisfaction of the NMPA, that our PGT-A kit is effective for use for the approved purposes and that the manufacturing facilities, processes and controls are adequate; and (2)our PGT-A kit demonstrated a 100% sensitivity (95% CI: 99.00%-100%) and a 100% specificity (95% CI: 98.70%-100%) during the pre-approval clinical trial. The post-approval clinical trial is an extension of our pre-approval clinical trial and follows the same requirements of pre-approval clinical trial, our PGT-A kit should be able to demonstrate the same accuracy, sensitivity and specificity as it did in pre-approval clinical trial.

Next Steps

We received a Class III medical device registration certificate from the NMPA in February 2020 and began to initiate commercialization in April 2020. We need to obtain provincial price codes and be admitted to the bidding/tendering process to commence commercial sales. In July 2020, we began commercial sales of PGT-A kit after we received the price code in Jiangxi province and was admitted to bidding/tender process in a hospital in that province.

We manufacture our PGT-A kits in our manufacturing facility in Suzhou. Our manufacturing facility was designed in compliance with GMP requirements of China. We plan to manufacture according to our estimate market demand. In terms of commercialization strategy, we plan to focus our marking and sales efforts on major hospitals and reproductive clinics in China licensed to provide IVF treatments. In March 2020, we entered into a strategic partnership with Sunshine Property and Casualty Insurance Company Limited (陽光財產保險股份有限公司) to provide coverage of up to RMB400,000 per policy for patients using our products. We will also cooperate with marketing agents to expand our coverage of more reproductive clinics.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET PGT-A KITS SUCCESSFULLY.

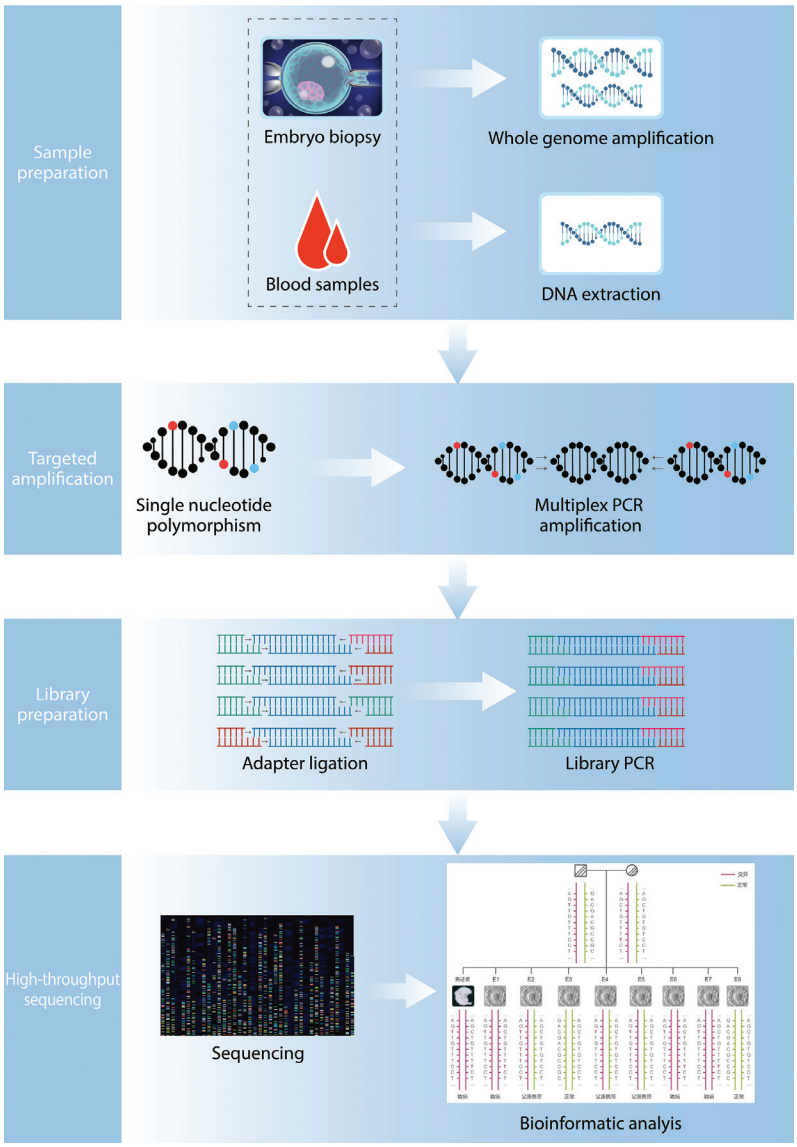
PGT-M Kit

PGT-M looks for single-gene, or monogenic, defects in pre-implantation IVF embryos. Monogenic defects are mutations of single genes that can occur spontaneously or be inherited from a parent with genetic disorders, resulting in diseases such as thalassemia, deafness and cancer. 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, they also effectively stop the traits from being passed down to future generations in the patient family.

A major challenge in PGT-M is the ability to accurately flag disease-causing mutations (for thalassemia, in the HBA1, HBA2 and HBB genes) with a limited amount of DNA samples. We have developed a PGT-M kit with improved sensitivity and specificity. It eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time from approximately two months to around two weeks, thereby reducing testing costs for patients as well. See "—Our Advantages" in this section for more details. To date, our PGT-M kit is the first and only product of its kind that has completed NMPA registration testing in China. With satisfactory results from the registration testing, we plan to commence our clinical trial for PGT-M in early 2021. We expect to obtain a Class III medical device registration certificate from the NMPA by 2022.

How Our PGT-M Kit Works

The workflow of PGT-M involves four major steps: sample preparation, targeted amplification, library preparation and sequencing. Our PGT-M kit includes two sets of reagents that required in targeted amplification and library preparation respectively. The following diagram illustrates the working process of our PGT-M kit.



- *Sample preparation*. In addition to embryo biopsy samples, PGT-M also requires blood samples from parents and other family members of the patients, which can help map the familial chromosomal mutations.

  - *Embryo biopsy samples*. Due to the limited amount of DNA contained in embryo biopsy samples, WGA is needed to generate enough copies for sequencing. The WGA process for embryo biopsy samples is highly similar to that for PGT-A. For details of the WGA process, see "—PGT-A Kit—How Our PGT-A Kit Works—Sample preparation."

  - *Blood samples*. Unlike embryo biopsy samples, DNA from blood has sufficient quantity for sequencing. Genomic DNA is isolated by adding reagents to break open the blood cells and dissolve unwanted materials.

- *Targeted amplification.* Single nucleotide polymorphism (SNP) refers to a single base pair variation among different people at a specific locus. Theses variations can be used to identify small differences among different populations. Some SNPs are linked to, or cause, diseases, while some are neutral. Through extensive studies, we have identified high-frequency SNPs. Adopting a multiplex PCR sequencing library by capture, or MSLCap, technology, our PGT-M kit target-captures these common loci with designated primers from the embryo and amplify these DNA fragments of interest at the same time through multiplex PCR technology.

- *Library preparation.* Adapters matching those DNA sequences are bond, or "ligated," to both ends of DNA fragments. The short nucleotide barcodes contained in adapters mark different DNA libraries. DNA fragments without adapters are smoothed out and copies of adapted DNA constitute the DNA libraries by PCR.

- *High-throughput sequencing*.

  - *Sequencing*. The DNA libraries of the embryo, the parents and other family members are loaded onto chips and sequenced.

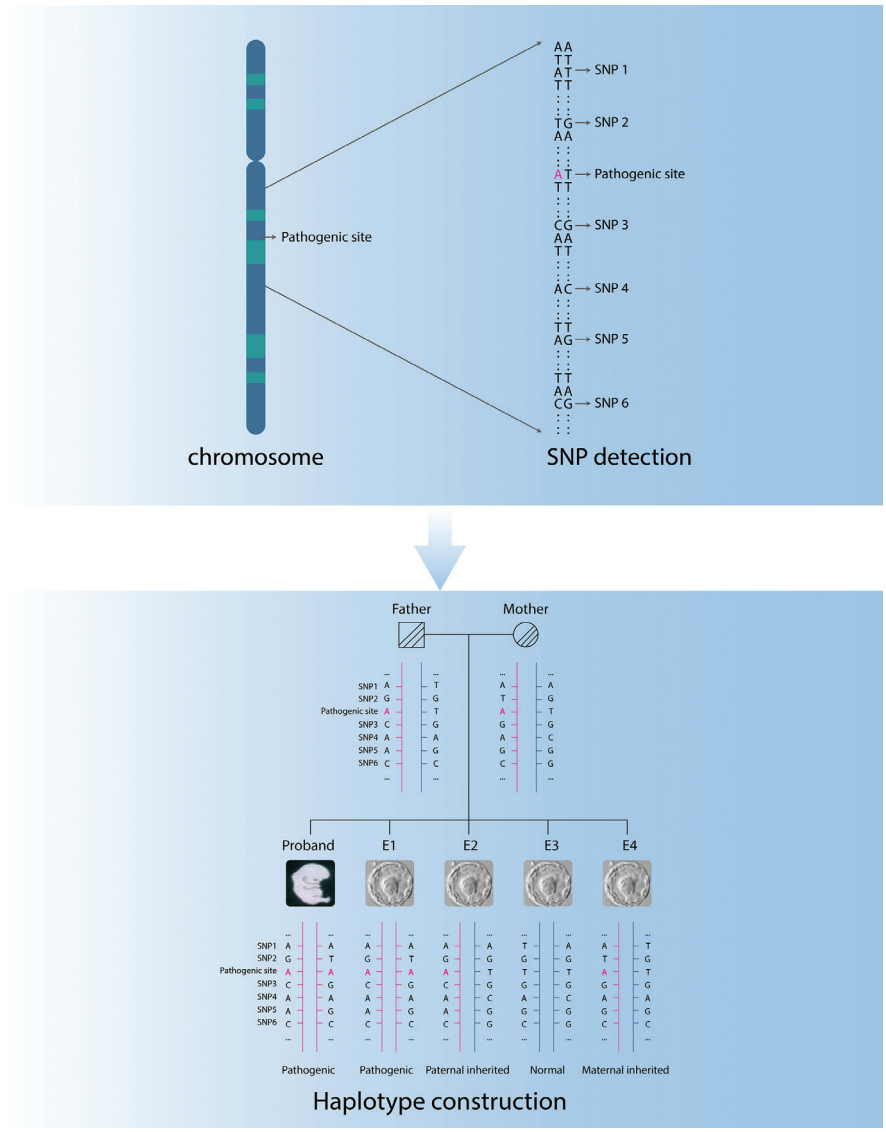
  - *Bioinformatic analysis.* Once the raw sequence data are generated, we align each DNA fragment to its original locus using our proprietary chromosomal phasing on base level algorithm called BasePhasing. The BasePhasing algorithm is a linkage analysis method based on the haplotype map of each family member. A haplotype is a set of SNPs of different genes that are closely linked on one chromosome and are usually inherited as a unit. By aligning SNPs and comparing them *vis-à-vis* that of family members, haplotype maps of the embryo and each family member are constructed. Familial linkage analysis identifies which chromosome was transmitted in the embryo from which parent. If the embryo inherits the genomically mutated chromosome from one or both parent, it will be marked as embryos with monogenic diseases.

Our Advantages

We believe our PGT-M kit has the following potential advantages:

- *Faster and lower cost with no pre-examination step.* A major challenge in PGT-M is the ability to accurately identify disease-causing genetic variances with a limited amount of DNA samples. Conventional genetic testing technologies for monogenic diseases first sequence the DNA samples of parents and other family members in order to identify the mutated area and construct a familial genome map. Then, pre-examination steps are needed for them to design SNPs to effectively capture the haplotype maps of parents and other family members. SNPs refer to the locations (loci) where alleles have different single base pairs. An allele refers to one of the two genes located on same location on each corresponding chromosome that expresses same physical traits. An individual inherits two alleles for each gene, one from each parent. Because of the phenomenon known as polymorphism, a specific SNP may have heterozygous (meaning different alleles) base pairs in one embryo and

homozygous (meaning same alleles) base pairs in another. According to genetic studies publicly available, SNPs that are heterozygous in one parent and homozygous in the other parent are called "informative SNPs," because only such SNPs can reveal the parent-of-origin of a chromosome and therefore identify monogenic disease. Due to the complexity of different genetic disorders, not every pre-examination step is guaranteed to be effective. For principally this reason, the results turnaround time for conventional methods is approximately two months and can take up to three months. Our MSLCap technology leverages highly frequent informative SNPs we have identified through extensive studies and design primers based on these SNPs. Our PGT-M kit comprehensively captures and amplifies these SNPs in one test and chooses informative SNPs among these pre-selected SNPs to construct haplotype. This eliminates the pre-examination process and as a result our product is able to shorten results turnaround time from about two months to around two weeks and lower in costs to patients by about to 60%.



- *More accurate data analysis and interpretation.* Our BasePhasing algorithm is critical in linkage analysis and disease detection, optimized for identifying familial genetic relationships and tracking genetic transmission patterns, which enables clinicians to more effectively and accurately interpret sequencing results. Conventional algorithms analyze SNPs within certain lengths of DNA fragments while our BasePhasing algorithm can analyze multiple SNPs throughout whole chromosomes. Our algorithm can also adjust for amplification bias during multiple PCR based on the quantity and quality of reads. With the help of multiple SNPs and amplification bias justification, our PGT-M kit has demonstrated high sensitivity and specificity in preclinical studies.

Market Opportunity and Competition

Conventionally, genetic testing for monogenic diseases is conducted at the prenatal stage, when the mother is already pregnant. Conducting testing for monogenic diseases earlier, in the pre-implantation stage, approaches the issue earlier and reduces the risks for the patient of having to make difficult decisions later. As genetic testing technology for monogenic diseases becomes more effective and as awareness for PGT rises, market demand for PGT-M products in China is expected to increase. From 2015 to 2019, the PGT-M services market size grew at a CAGR of 79.2% from RMB15.9 million to RMB163.8 million, and is expected to continue its growth with a 77.9% CAGR from 2019 to 2024.

To date, there are no NMPA-approved PGT-M product, and none, other than our PGT-M kit, that have completed registration testing. Our PGT-M kit is the first and only product of its kind that has completed NMPA registration testing. We have completed NMPA registration testing in November 2020 and are under ethical review of the hospitals in order to obtain the hospitals' ethical approval. Subject to the ethical approval, we plan to commence our clinical trial in early 2021 and expect to receive a Class III medical device registration certificate from the NMPA in 2022.

Summary of Preclinical Studies

We have conducted several preclinical studies to evaluate and validate our PGT-M product, including principal raw materials selection, manufacturing process validation and reaction system development, analytical performance evaluations and stability study. We cooperated with the Third Affiliated Hospital of Guangzhou Medical University (廣州醫科大學附屬第三醫院) to conduct our preclinical studies.

Analytical performance evaluations. We conducted two studies with a purpose to evaluate certain performance indicators of the PGT-M kit, including the quality of the DNA library (targeting minimum concentration 60pmol/L), effectiveness and specificity (targeting minimum 95% in both cases). The first study was performed on 20 DNA samples, with each set tested with PGT-M kits manufactured in three different batches. Our PGT-M kits successfully identified and profiled the haplotypes for all samples, achieving sensitivity and specificity of 100%. The second study was performed on 602 embryo samples from 202 families. Our PGT-M kits identified 454 as positive embryos and 148 as negative embryos, and identified the type of mutation for all tested samples, achieving high sensitivity and specificity. Among the 148 negative embryo samples, 57 of them were subsequently implanted and 10 tested embryos were validated through postnatal genetic testing, proved that they are free from thalassemia, same as our PGT-M kit testing results.

Summary of Clinical Trial Design

With satisfactory results from the registration testing, with NMPA approval, we plan to commence a clinical trial for our PGT-M kit in early 2021 for the indication of thalassemia.

The trial will recruit 400 couples undergoing IVF treatment in more than three third-generation IVF licensed clinical centers in China, such as the Third Affiliated Hospital of Guangzhou Medical University (廣州醫科大學附屬第三醫院) and test at least 1,000 embryo samples. The subjects must fulfill the following enrollment criteria:

- Couples who are patients or carriers of thalassemia;
- Couples who undergo IVF treatment with ICSI; and
- Couples who are able to provide reference family samples to infer parental haplotypes.

Positive results will be validated against results conducted using Sanger sequencing or Gap-PCR. Negative results will be validated through follow-up testing after implantation, on amniotic fluid or umbilical cord blood samples collected from the fetus or the newborn, respectively. All of the principal investigators will be Independent Third Parties.

Next Steps

We have submitted relevant technical documents and standard product samples and have entered NMPA registration testing. There has not been any material communication between the Company and the NMPA regarding our registration testing. We have completed NMPA registration testing in November 2020 and are under ethical review of the hospitals in order to obtain the hospitals' ethical approval. Subject to the ethical approval, we plan to commence our clinical trial in early 2021 and expect to receive a Class III medical device registration certificate from the NMPA in 2022.

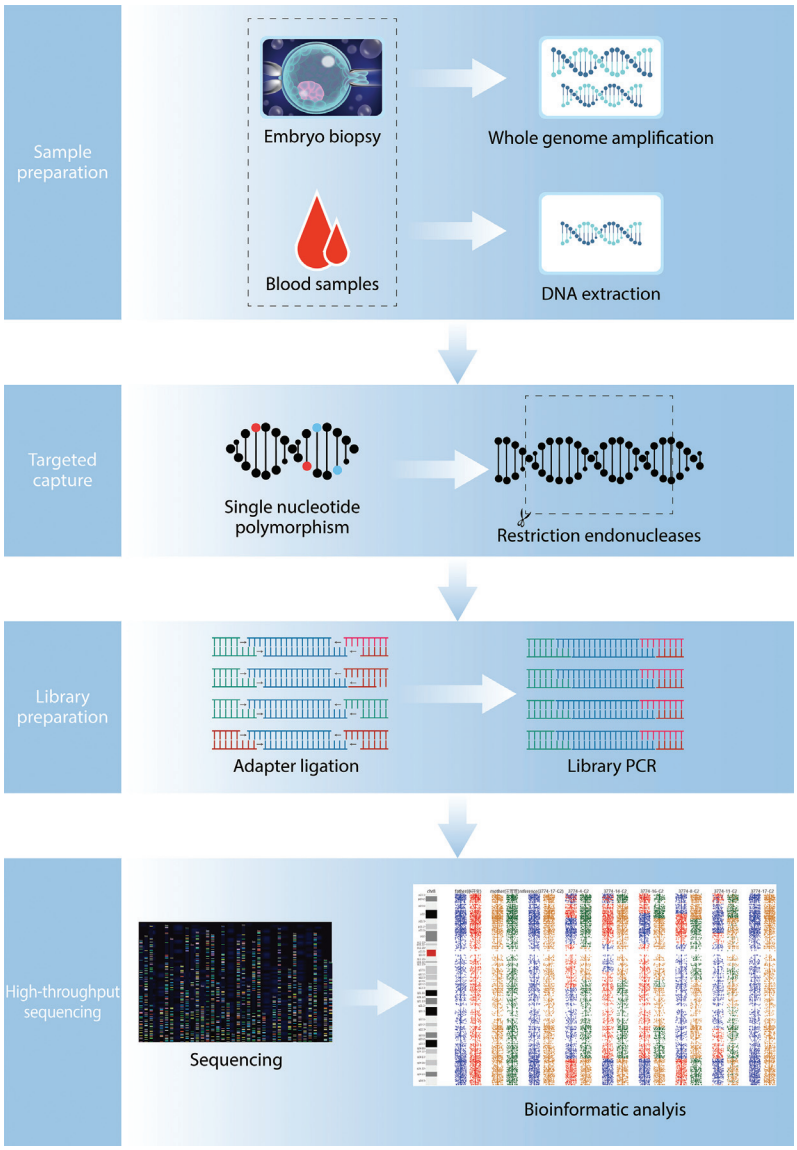
PGT-SR Kit

PGT-SR looks for chromosomal structural rearrangements, including deletions, duplications, inversions and translocations, in pre-implantation IVF embryos. By identifying and choosing to avoid embryos with chromosomal structural rearrangements, clinicians can, similar to the PGT-M scenario, not only help the patient avoid miscarriage and give birth successfully, they also stop once and for all this hereditary trait from running in the same family in future generations.

There have been no effective clinical solutions for this test due to the many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests, making mass clinical application difficult. Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. Our PGT-SR kit has high mass-market potential, offering one test with broad disease detectability and eliminating the need for patient-specific pre-exam validation, which translates to faster result turnaround time from three to six months to just two weeks and significantly lower costs for patients.

How Our PGT-SR Kit Works

The workflow of our PGT-SR kit includes four major steps: sample preparation, targeted capture, library preparation and sequencing. Our PGT-SR kit contains two sets of reagents required in targeted capture and library preparation respectively. The following diagram illustrates the working process of our PGT-SR kit.



- *Sample preparation.* The sample preparation of PGT-SR is highly similar to that of PGT-M, see"—PGT-M Kit—How Our PGT-M Kit Works—Sample preparation" for details.

- *Targeted capture.* Similar to our PGT-M kit, our PGT-SR kit detects high-frequency SNPs throughout 23 pairs of chromosomes to analyze the haplotype of the embryo. Some structural rearrangements may not result in significant additions or losses of genomic information, and the number of chromosomes in the embryo remains unchanged and genes are normally expressed, which creates an obstacle for conventional methods. Broader chromosome region coverage and targeted capture of specific genomic regions can capture more SNP loci and map the chromosome structure more precisely, but this will substantially increase the amount of data to be sequenced. We address this difficulty by adopting a ReTSeq technology which uses restriction enzymes to remove genomic regions we do not need to capture, which allows us to substantially reduce the amount of sequencing data required for PGT-SR while conserving sufficient genetic information.

- *Library preparation.* The library preparation process is highly similar to that of PGT-M. See "—PGT-M Kit—How Our PGT-M Kit Works—Library preparation."

- *High-throughput sequencing*

  - *Sequencing.* The DNA libraries of the embryo, the parents and the other family members are loaded onto chips to sequence and generate the raw data.

  - *Bioinformatic analysis.* Both PGT-M and PGT-SR kits use our proprietary BasePhasing algorithm to map and align DNA fragments reads. For details of our BasePhasing algorithm, see "—PGT-M Kit—How Our PGT-M Kit Works—High-throughput sequencing—Bioinformatic analysis."

Our Advantages

We believe our PGT-SR kit has the following advantages:

- *Effective clinical solution for testing chromosomal structural rearrangement.* The major challenge for PGT-SR kit is to standardize the test due to the many kind of potential structural rearrangements occurring on different chromosomes. Conventional technologies like the MicroSeq and MaReCS technologies can only detect known gene mutations at pre-identified locations in the embryo. The MicroSeq technology uses a chromosome microdissection method to first identify the breakpoints of the DNA samples and then designs primers based on the identified breakpoints. Chromosomal mutations will be detected if primers bond to DNA fragments and generated amplicons. The MaReCS technology first sequences the whole genome of each embryo cell to identify family-specific copy number variations, which mark the positions of breakpoints. When structural mutations are located in repetitive and variable translocation regions, neither technology can accurately identify the precise breakpoints because the abnormalities in these regions will not be marked as breakpoints. Moreover, both the MicroSeq and MaReCS technologies need pre-examinations to tailor SNP primers for each

inherited chromosomal translocation. Our ReTSeq technology detects informative SNPs that are evenly distributed throughout the whole genome. Reconstructing haplotype of the embryo by these SNPs can reveal a chromosome's parent-of-origin. Linkage analysis that compares SNPs of an embryo to those of familial reference can determine the likelihood of the embryo having hereditary chromosomal translocation. The large number of captured SNPs under our method reduces the risk of missing chromosomal mutations in certain regions and increases accuracy.

- *Shorter turnaround time with lower costs.* We use restriction enzymes to recognize specific DNA sequences and cut double-stranded DNA to shorter fragments. Based on the reference human genome structure, we select a set of restriction enzymes based on the locations they cover and the lengths of fragments they cut. The abbreviation of the DNA samples enhances universal capture of informative SNPs with fewer input data, therefore shortening the turnaround time with lower costs.

Market Opportunity and Competition

Mass clinical application of PGT-SR has not existed in China with no effective clinical solutions due to the many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests. Our PGT-SR kit has high mass-market potential, offering one test with broad disease detectability and eliminating the need for patient-specific pre-exam validation, which translates to faster result turnaround time from three to six months to just two weeks and significantly lower costs for patients. PGT-SR offers IVF patients the ability to identify embryos with abnormal chromosomes to reduce chances of miscarriage. It can also stop chromosome translocations being passing down to future generations in the patient family. Driven by the growing demand for higher success rates of IVF, the size of services market for PGT-SR grew at a CAGR of 70.7% from RMB37.7 million in 2015 to RMB320.0 million in 2019, and is expected to continue its growth with a 58.1% CAGR to RMB3.2 billion in 2024, according to Frost & Sullivan.

As of the Latest Practicable Date, there were no NMPA-approved PGT-SR products, and none had entered registration testing. We are the first and only in China to offer a potential solution for commercially viable PGT-SR products. We are preparing and verifying the technology requirements of PGT-SR and plan to commence our clinical trial in early 2022 and receive a Class III medical device registration certificate from the NMPA in 2024.

Summary of Preclinical Studies

We have finished design and development of our PGT-SR kits, including principal raw materials selection, manufacturing process validation and reaction system development. We prepare to conduct analytical performance evaluations and stability study for our PGT-SR product.

Reaction system development. We tested DNA samples have structural rearrangements from 10 families. The purpose of this study is to study whether the solutions, primers and enzymes in our PGT-SR kit are able to identify different chromosomal structural rearrangements. Study results showed that our PGT-SR kit successfully identified and profiled the haplotypes for all 10 sets of DNA samples.

Next Steps

As of the Latest Practicable Date, we were preparing documents and materials for NMPA registration testing, which we planned to enter NMPA registration testing in late 2021. We are expecting to commence our clinical trial in early 2022 after we receive satisfactory results from the registration testing and are expecting to receive a Class III medical device registration certificate from the NMPA in 2024.

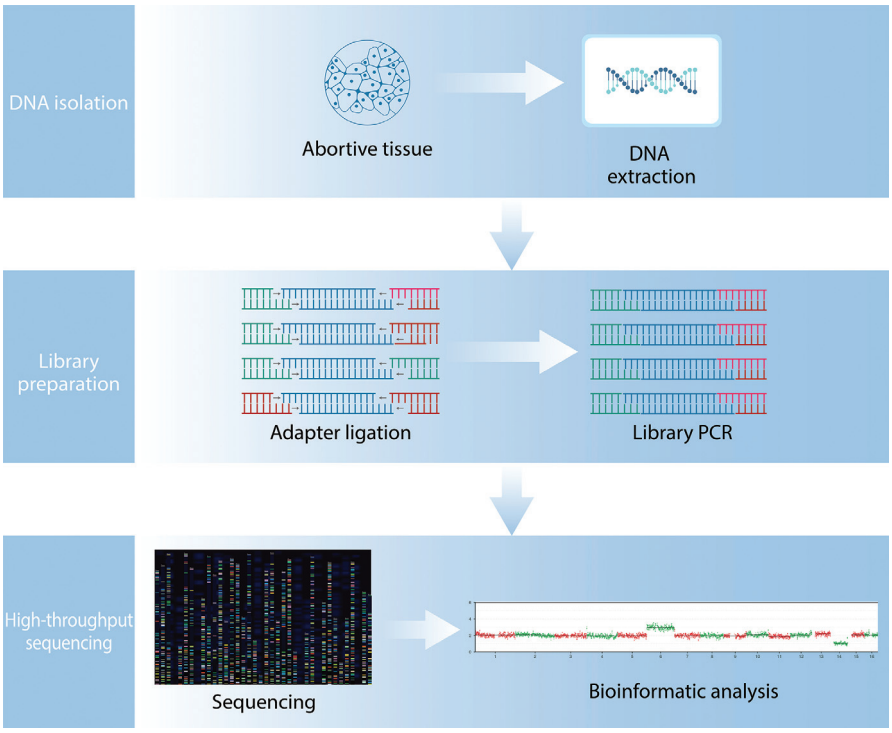
Prenatal Test Kit Products

CNV Kit

Leveraging our advanced proprietary sequencing technologies and genetic testing capabilities for PGT-A, we have developed a CNV kit for prenatal testing, which can identify chromosomal variations commonly associated with miscarriage. Copy number variation is the variation in the number of particular genetic sequences that are lost or gained. Some copy number variations are normal variations and will not cause diseases while the others may affect genes that are may lead to miscarriage. Aneuploidy, for example, is a form of copy number variation. PGT-A and CNV testing detect variations of similar nature on different samples. By identifying reasons for miscarriage and later validating through PGT-A, couples can choose to implant the embryos that will most likely result in successful pregnancy. Our CNV kit tests abortive tissues to detect and analyze copy number variations that are over 100kb, trisomy, haploidy and uniparental disomy. 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.

How Our CNV Kit Works

The work process of CNV kit includes three major steps: sample preparation, library preparation and sequencing. Our CNV kit fragments the DNA sample into desired lengths and attach adapters to both ends of the target sequences. The following diagram illustrates the working process of our CNV kit.



- *Sample preparation.* The DNA contained in the abortive tissues is isolated by adding reagents to break open the cells and dissolving unwanted materials.

- *Library preparation.* The library preparation process of CNV kit is highly similar to that of PGT-A. See "—PGT-A Kit—How Our PGT-A Kit Works—Library preparation" for details.

- *High-throughput sequencing*

  - *Sequencing.* The DNA libraries of the embryo are loaded onto a chip to generate the raw data of the DNA sequences.

  - *Bioinformatic analysis.* Raw data are compared against a reference human genome to map the location of each DNA fragment in the genome. Copy number variations are identified by counting the number of fragments in each genome. Our in-house developed, proprietary EDCBS algorithm can identify copy number variations as small as 100kb and identify disease causing copy number variations that may be marked as normal by other algorithms and therefore improve the sensitivity and accuracy.

Our Advantages

- *Higher sensitivity*. Most CNV kits in the market use gene chips to detect copy number variations while we use high-throughput sequencing to detect whole genome-wide copy number variations. The conventional CGH chip technology using DNA probes to detect variation. Due to the limitation of the amount and the scattered locations of probes, the CGH chip technology cannot fully and accurately identify copy number variations. The window size is the length unit to track sequencing data of DNA fragments. If the window size is too small, many windows will have zero read counts and no variation will be detected. In contrast, if the window size is too large, smaller variations may be omitted. Through extensive studies, we have found that most copy number variations are larger than 100kb. Therefore, we set our window size to be 20kb to provide a more precise reading of copy number variations that are over 100kb, trisomy, haploidy and uniparental disomy.

- *Higher testing success rate.* The main challenge of CNV testing is to differentiate the disease-associated copy number variations from the normal ones. Over the past years, we have studied the CNV testing results from a Chinese population of over 100,000 and developed a polymorphic CNV database to document their medical significance. Leveraging our database, we can distinguish false positive results and increase the accuracy and test success rates.

Market Opportunity and Competition

CNVs are a major cause of spontaneous miscarriage. In 2019, the total number of assisted reproductive cycles in China was approximately 800,000, which, based on an average miscarriage rate of 30%, is equivalent to a need for approximately 240,000 CNV tests. Because CNV testing can identify whether the miscarriages were related to CNVs and selected embryos with normal gene numbers, demand for CNV testing is expected to increase to reduce the spontaneous miscarriage rate during IVF treatment. From 2015 to 2019, the market size of CNV service in medical institutions has increased from RMB10.0 million to RMB196.1 million in terms of testing service at a CAGR of 110.5% and is expected to reach RMB886.7 billion in 2024 at a 35.2% CAGR, according to Frost & Sullivan.

As of the Latest Practicable Date, there are no NMPA-approved CNV kits in China. Subject to the NMPA's approval, we expect to commence our clinical trial in early 2021 and receive a Class III medical device registration certificate in 2023.

Summary of Preclinical Studies

We have conducted several preclinical studies to evaluate and validate our CNV kit, including principal raw material selection, manufacturing process validation and reaction system development, analytical performance evaluations and stability study.

Reaction system development. We tested 20 DNA samples with copy number variations during the reaction system development study. The purpose was to verify whether the solutions, adapters and enzymes of our product can accurately identify the copy number variations. Study results showed that our CNV kit successfully identified all copy number variations.

Analytical performance evaluations. We conducted two studies with a purpose to evaluate the minimum concentration of DNA, sensitivity and specificity, among other performance indicators, of our CNV kit. Our CNV kit should demonstrate a minimum DNA concentration of 50ng, a sensitivity and a specificity of no less than 95%. The first study was performed on 31 DNA samples, with each set being tested with CNV kits manufactured in three different batches. Our CNV kits were able to successfully identify copy number variations for all samples, achieving sensitivity and specificity of 100%. The second study was performed on 2,555 abortive tissues. We have identified 687 normal samples, 9 trisomy samples, 1,322 aneuploidy samples and 537 cases of copy number variation that are over 100kb.

Next Steps

As of the Latest Practicable Date, we were preparing technical requirements and standard product samples for NMPA registration testing. We plan to file for registration testing in early 2021 and commence our clinical trial in mid-2021. We plan to conduct a multi-center clinical trial involving more than 3,000 abortive tissues in three clinical study centers. We expect to receive the registration approval from the NMPA in 2023.

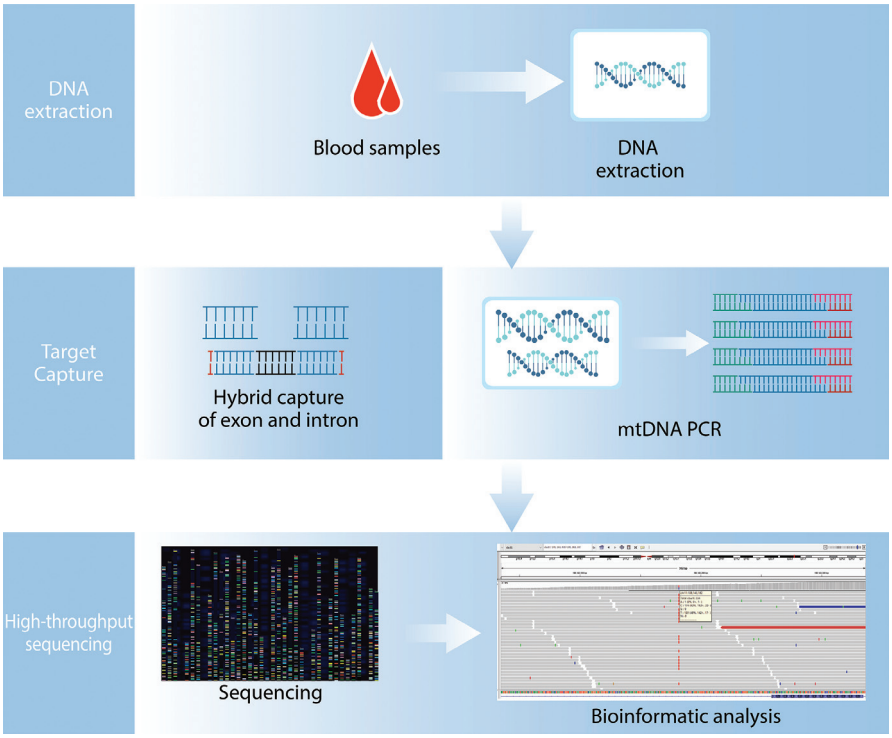
Postnatal Test Kit Product

WES Kit

Our PGT-M and PGT-SR kits are used to test whether embryos have inherited known genetic diseases from parents. We are developing a postnatal genetic testing product, the whole exome sequencing, or WES, kit, which is to identify genetic reasons for certain diseases. Our WES kit sequences the exons, introns and mitochondrial regions, with potentially the widest genetic disease coverage, according to Frost & Sullivan.

How Our WES Kit Works

The workflow of WES involves three major steps: sample preparation, targeted capture, and sequencing. Our WES kits contain sets of reagents to capture the exons, introns and mt DNA and prepare the libraries. The following diagram illustrates the working process of our WES kit.



- *Sample preparation.* Depends on the kind of genetic disease, parental blood, miscarriage tissues and placental cells can all be used to extract DNA.

- *Target capture.*

  - *Hybrid capture of exons and introns*. Our WES kit uses probes to capture exons and introns. First, the extracted DNA is randomly broken into small fragments that are compatible with the sequencer. Sample specific sequencing adapters are attached to each fragment to prepare the DNA libraries ready for sequencing. Designated probes corresponding the sequence of targeted exome and introns are released and connected to DNA libraries. The captured DNA libraries are recycled using magnetic beads and purified for sequencing.

  - *mtDNA PCR.* The amount of DNA inside mitochondria is extremely small. To generate enough amount of mtDNA for high-throughput sequencing, we use the PCR method, with specifically designed primers to amplify mtDNA. We then attach adapters to prepare the mtDNA libraries.

- *High-throughput sequencing.*
    - *Sequencing.* The DNA libraries are loaded on to chips and sequenced.
    - *Bioinformatic analysis.* By comparing the sequence of exons, introns and mtDNA with the reference human genome, we can identify where there are genetic disorders and potential causes of hereditary diseases.

Our Advantages

- *More comprehensive potential genetic diseases coverage*. Leveraging our GDSelector technology, we are able to detect genetic disorders caused by sequence variations not only in the exome, but also in introns and mitochondrial DNA (mtDNA). Although exon mutations account for over 85% of genetic disease-related variants, over 250 mtDNA mutations are found to be related to about 50 genetic diseases. Our GDSelector technology combines two different methods to prepare DNA fragments and allocate the amount of DNA samples for later sequencing *pro rata*. On the one hand, because exons and introns have enough quantities of DNA, we design probes to anneal to them directly to generate DNA fragments. On the other hand, because the nature of mtDNA limits the quantities of DNA it contains, we use the multiple PCR method to make copies of mtDNA. Leveraging the depth of coverage of each of exons, introns and mtDNA, we load the DNA libraries to chips *pro rata* to ensure the requirement of high-throughput sequencing and following analysis. With the ability to sequence not only in the exome, but also in introns and mitochondrial, our WES kits have the potential to provide wide genetic diseases coverage.

Market Opportunity and Competition

In 2019, the incidence of birth defects in China reached 0.7 million. However, the genetic disease diagnosis rates in infants are low in China. From 2015 to 2019, the market size of WES services in medical institutions has increased from RMB8.8 million to RMB391.6 million in terms of testing service at a CAGR of 158.5% and is expected to reach RMB1,793.2 billion in 2024 at a 35.6% CAGR. The WES kit market is projected to grow from RMB97.7 million in 2025 to RMB1,270.0 million in 2030, representing a CAGR of 67.0% over the period, according to Frost & Sullivan.

As of the Latest Practicable Date, there are no WES kits in China that have completed registration testing or obtained the registration certificate from the NMPA. We expect to commence our clinical trial in late 2022 and expect to obtain a Class III medical devices registration certificate from the NMPA in 2025.

Summary of Preclinical Studies

We are in the stage of design and development and we have finished principal raw material selection of our WES kit. Currently, we are validating and developing the manufacturing process and reaction system.

Reaction system development. We tested 20 DNA samples with genetic variants. The purpose was to verify whether the solutions, adapters and enzymes of our product can accurately identify such variants. Study results showed that our WES kit successfully identified mutations in exome, introns and mitochondrion.

Next Steps

As of the Latest Practicable date, we were preparing materials for NMPA registration testing. We plan to enter NMPA registration testing in mid-2022 and commence a multi-center clinical trial for our WES kit in late 2022. We expect to obtain NMPA registration approval in 2025.

Genetic Testing Devices and Instruments

As of the Latest Practicable Date, we were developing four genetic testing devices and instruments, namely, our liquid nitrogen storage dewar (BCT38A/B), cryostorage system (BSG800A), automated workstation (BS1000) and NGS sequencer (DA500).

The liquid nitrogen storage dewar (BCT38A/B) is designed for safe and convenient liquid nitrogen storage and handling. Embryos developed during IVF treatments are required to be stored in liquid nitrogen to maintain their viability for future use. Our BCT38A/B is made of cylindrical stainless steel and is designed to have a shape with less volatilization area, which can provide superior vacuum performance and decrease evaporation rate of liquid nitrogen. Because nitrogen is in liquid form at -196°C, our BCT38A/B is equipped with dual displays of real-time temperature and liquid levels to better monitor the status. Its accessibility is further promoted by the GPS technology. One dewar can keep 1,000 to 3,000 samples. In May 2020, we obtained the CE certificate from the European Union for our BCT38A/B, a gold standard for health and safety. We plan to apply for registration testing in early 2021 and expect to receive a Class II medical device registration certificate from Jiangsu MPA in late 2022.

Our cryostorage system (BSG800A) is an intelligent, fully automated and fully digitalized cryostorage system for embryos storage. Because embryos used in IVF are required to be stored for at least five years by relevant PRC laws and regulations, hospitals and reproductive clinics have a growing demand for more efficient reproductive material storage solutions as more IVF treatments are being done each year. Our BSG800A provides a fully automated cryostorage systems that can store up to 50,000 samples at -196°C, the boiling point of liquid nitrogen. Our cryostorage system is equipped with a unique QR code tagging system, automated data recording and storage system, and intelligent temperature detection, sample extraction and storage and liquid nitrogen replenishment capabilities. Compared to BCT38A/B,

our BSG800A has a larger storage capacity and higher automated degree. In May 2020, our BSG800A received CE certificate. We plan to apply for registration testing in late 2021 and expect to receive a Class II medical device registration certificate from Jiangsu MPA in late 2023.

Our automated workstation (BS1000) is a fully intelligent and automated workstation jointly developed by us and Beckman Coulter. It is designed to simplify the process of handling and managing embryo samples, which can simplify the operation process, reduce human error and decrease the administrative and preparatory work involved in NGS. We plan to apply for registration testing in mid 2021 expect to receive a Class II medical device registration certificate from Jiangsu MPA for our automated workstation in late 2023.

We are in the early state of developing a NGS sequencer, DA500, with higher throughput then our current platform to further shorten testing turnaround time for our test kits. By changing the way of aligning chips, our DA500 is designed to have a throughput of 500M reads per run, therefore increasing the processing ability of the sequencer and providing comprehensive resolution for many kinds of genetic test kits. In order to develop the DA500 efficiently while controlling its investment and costs, we has entered into a cooperation agreement with MGI Tech Co., Ltd. (深圳華大智造科技股份有限公司) ("**MGI Tech**"), an Independent Third Party, a private company focuses on research and development, productions and sales of DNA sequencing instruments and reagents. Pursuant to the cooperation agreement, MGI tech has licensed certain technologies to us and shall supply the key parts and materials for DA500 to us and we shall work with MGI Tech to design certain features of the DA500 and shall assemble the DA500 at our facilities using parts and materials supplied by MGI Tech. We shall pay a one-time upfront license fee to MGI Tech. We expect to file for NMPA registration testing in late 2020 and plan to receive NMPA Class III medical device registration certificate for our DA500 in 2022.

Products We Distribute

NIPT Kit

NIPT (noninvasive prenatal testing) analyzes DNA fragments in maternal blood during pregnancy to assess the likelihood of genetic abnormalities of the fetus. Compared to traditional invasive prenatal testing, NIPT offers a much safer way to obtain genetic information. We are one of distributors of Da An's NIPT kit (later transferred to Guangzhou Darui) in China, which was approved by the NMPA as a Class III medical device in November 2014. The NIPT kit we distribute is indicated for trisomy 21 (Down syndrome), trisomy 18 (Edward syndrome) and trisomy 13 (Patau syndrome). Our distribution agreement with Guangzhou Darui has a term of five years, pursuant to which we are acting as a distributor of NIPT kit and Guangzhou Darui is responsible for arranging delivery of products to the locations designated by us. We need to provide sales report to Guangzhou Darui every month and are also responsible for providing pre-sale and after-sale assistance to our customers. During this period, we need to notify Guangzhou Darui before we engage a new customer. We

settle payments with Guangzhou Darui every three months. As confirmed by our Directors, Da An primarily focuses on the research and development of molecular diagnostic technology and there is no competition between us and Da An.

DA8600

DA8600 is developed and manufactured by Da An, and is the only NGS sequencer approved by the NMPA for PGT on which our kits and several types of test kits developed by third parties are designed to run. It has obtained a Class III medical device registration certificate from the NMPA since 2014. See "—The NGS Platform" in this chapter for more details.

Others

During the Track Record Period, we also distributed three metagenomic genetic detection (MGD) kits, namely, respiratory virus nucleic acid detection kit, respiratory pathogens nucleic acid detection kit and novel coronavirus (2019-nCoV) nucleic acid detection kit.

OUR COMPREHENSIVE SOLUTIONS

In addition to providing genetic test kits and genetic testing devices and instruments to our customers, we offer comprehensive solutions encompassing guidance and advice on laboratory design, operation and management, consultation on data analysis and interpretation, pre-sale and after-sale technical support, and training, which we believe are important value-added services that have enabled us to enhance customer satisfaction and stickiness.

- *Laboratory design, operation and management.* We provide guidance and advice on laboratory design, operation and management, often times helping hospitals and reproductive clinics set up their PGT facilities and helping them build up such capabilities from the ground up. This involves consulting on the design of the facilities and procurement of equipment and instruments, to day-to-day best practices in operation and management. Leveraging our extensive experience in reproductive genetics, we are able to help hospitals and clinics at an initial stage of developing their business, which in turn allows us to establish long-standing relationships and sales channels with customers.

- *Pre-sale and after-sale technical support*. We provide pre-sale and after-sale technical support to our customers, including troubleshooting problems occurred during the test or sequencing, consultation on testing result and genetic disease.

- *Data analysis and interpretation*. We provide software that is compatible with the DA8600 NGS, which includes data analysis tools and algorithms to analyze raw sequencing reads from the NGS. We believe our tools and algorithms, which are optimized for the products we offer, allow customers to better interpret the results and diagnose genetic disorders.

- *Training*. We provide training to laboratory staff and clinicians of hospitals and reproductive clinics that provide IVF and PGT services to patients. Our training primarily revolves around techniques and know-how in handling reproductive materials, using our test kits and operating the NGS and other equipment and instruments in the lab.

During the Track Record Period, we generated limited revenue from our self-developed genetic test kits where two approaches to revenue recognition were adopted, either as sales of products or as provision of testing services. With major hospitals and reproductive clinics gradually having their own trained staff and as part of our efforts to focus on our positioning as an R&D-focused provider of genetic testing solutions rather than a provider of testing services, we have phased out the second approach. Starting from September 2020, we no longer stationed our staff on site and started charging the relevant customers based on the genetic test kits we provided. As such, we will only use the first approach to recognize revenue from genetic testing solutions going forward. For details, see "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Revenue."

THE NGS PLATFORM

Next generation sequencing (NGS), also known as high-throughput sequencing, is a second-generation technology used in sequencing instruments to determine the sequence of DNA, enabling us to study and analyze genetic variations associated with diseases or other biological phenomena. With its ultra-high throughput, scalability and speed, NGS enables the analysis of hundreds of thousands of genes at the same time in multiple samples. NGS also allows the discovery and analysis of different types of genomic features in a single sequencing run, from SNPs to copy number and structural variants. Because NGS has a higher throughput per run, tests can be performed more quickly and cost efficiently compared to first-generation sequencing technologies, such as the Sanger sequencing technology.

The NGS process takes libraries of DNA that are prepared by genetic testing products, such as our PGT products, and sequences such DNA library on a sequencing instrument. The results are then analyzed using bioinformatics tools and interpreted to determine the risk or susceptibility to certain genetic disorders.

The bioinformatics tools used by each NGS platform to analyze sequencing data may differ. Currently only two NGS sequencers have applied for PGT applications, namely, DA8600 and MiSeq sequencer. As of the Latest Practicable Date, DA8600, which was developed by Da An based on Thermo Fisher's Ion Proton platform, was the only NGS sequencer approved by the NMPA for PGT while the MiSeq sequencer was only approved for oncology applications. Compared to MiSeq, DA8600 has a higher throughput and is also more affordable and more time-efficient with faster runs of about two hours.

RESEARCH AND DEVELOPMENT

We believe that our continued research and development is the key driver of our business growth and competitiveness. Our R&D efforts are primarily driven by unmet clinical demand in reproductive genetics with a mission of developing and launching innovative genetic testing solutions that are specifically designed for the Chinese population and that address unmet clinical needs in China, from early screening of genetic diseases to testing for newborns. As a result of our R&D efforts, we have built a robust portfolio of in-house developed products to cover the full reproductive cycle, including genetic test kits for pre-implantation embryos, namely, our PGT-A, PGT-M and PGT-SR products, and our CNV and WES kits. We are also developing four devices and instruments to complement our genetic test kit products, with a focus on enabling more efficient, automated and intelligent storage and management of embryos and other reproductive materials. In particular, we are developing an intelligent, fully automated and fully digitalized cryostorage system for embryos storage, which is also an embryos storage equipment that has obtained the CE mark from the European Union, a gold standard for health and safety. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, our total research and development expenses amounted to RMB18.8 million, RMB19.9 million, RMB14.4 million and RMB22.0 million, respectively, representing 57.7%, 35.7%, 34.4% and 38.4% of our revenue for the corresponding periods, respectively. We did not capitalize any research and development expenditures during the Track Record Period.

In-house R&D Team

Our R&D capacities are supported by our in-house research and development team, led by Dr. Liang Bo, our founder and chairman of the Board. Dr. Liang has over ten years of experience in bioinformatics and led the development of NIPT and high-throughput sequencing as well as the development and regulatory application of NGS products. See "Directors, Supervisors and Senior Management—Board of Directors—Executive Directors." Our research and development team consisted of 73 members as of the Latest Practicable Date, including three Ph.D. degree holders and 33 master's degree holders across medicine, genetics, metabolomics and clinical genetics and other related areas, particularly in medical research institutions and reproductive clinics of major hospitals in China.

Our R&D activities are primarily conducted by our in-house research and development team located in our research center in Suzhou with a focus on research and development and clinical application of high-throughput sequencing technology, a technology capable of sequencing multiple DNA segments in parallel, enabling millions of DNA molecules to be sequenced within a short period of time, in reproductive health. We participated in the drafting of the national quality control guidelines for pre-implantation chromosomal aneuploidy detection reagents (胚胎植入前染色體非整倍體檢測試劑的質量控制技術評價指南(高通量測序法)). We were closely involved in efforts to recognize chromosomal aneuploidy test kits for pre-implantation embryos as Class III medical devices in China. We were also involved in establishing national standards for PGT-A products and participated in the drafting the first quality guideline and national industry standard for PGT technology in China.

To develop solutions that address industry needs with strong potential market demand, we have developed solid relationships with influential KOLs and physicians in the assisted reproduction medical field and regularly communicate with these KOLs and physicians to access the clinical frontline and better understand the needs of patients and physicians, including the limitations of our existing products. Our active collaboration with KOLs and physicians covered around 50% of the 70 hospitals and reproductive clinics licensed to provide third-generation IVF services in China in 2020. In order to keep abreast of the latest market trends and developments, we arrange our key research and development team members to attend domestic and international conferences in the reproductive area, and participate in various training courses, including domestic genetic counseling training courses and embryo biopsy technology training courses.

Medical Advisory Board

Our in-house research and development team is supported by our medical advisory board. Each member of our medical advisory board is an influential expert and a pioneer in a field relating to reproductive health and genetics, holding high level positions in prestigious academic societies, hospitals, laboratories and universities. Together, the expertise of these medical advisory board members comprehensively cover major aspects of our operations. The main members of our medical advisory board are: He Lin (賀林), who is an academician of the Chinese Academy of Sciences and The World Academy of Sciences and was the one first to identify the cause of brachydactyly type A-1, which is the first recorded example of human disorder with Mendelian autosomal-dominant inheritance, and was the pioneer of clinical genetic counselling in China; Richard Kwong Wai Choy (蔡光偉), who is the director of the pre-implantation genetic diagnosis laboratory of the Chinese University of Hong Kong and an expert on chromosomal structure abnormalities, was the pioneer to use of copy number abnormalities in prenatal diagnosis in the Asia Pacific region; and Teng Xiaoming (滕曉明), who is experienced in modern reproductive medicine in China and the director of the Center for Reproductive Medicine at the Shanghai First Maternity and Infant Hospital. We believe the collective expertise of these medical advisory board members comprehensively covers the major aspects of our operations.

External Collaborations

In addition to our in-house research and development efforts, we have collaborated with external research partners, including renowned academic institutions and global biotechnology companies, to establish joint laboratories.

We have partnered with renowned academic institutions on joint research projects and technology development. We partnered with the Chinese University of Hong Kong to offer pre-implantation genetic testing services and research. To valid our products and technologies, we provide test kits to our research partners for testing using devices and instruments developed based on technologies different from ours.

Under our cooperation agreement with the Chinese University of Hong Kong, we provide laboratory equipment and the university provides proper facilities to establish the laboratory for pre-implantation genetic testing services and research. We pay service fees to the university for its provision of testing services annually. Each party remains the sole owner of its pre-existing intellectual property rights and will own any inventions created or conceived solely by its own employees in its respective activities. We and the university jointly own any inventions created or conceived jointly. We are responsible for later clinical trials and registrations for the products jointly developed.

We have also partnered with global life science and biotechnology companies, such as Thermo Fisher and Beckman Coulter, to learn industry best practices and to conduct joint technology research and knowledge exchange, with the goal of developing products that tailored specifically for the Chinese population. We have established a long-term collaborative relationship with Thermo Fisher, the leading global life sciences company behind the Ion Proton NGS platform, since 2013. We have established a joint laboratory with Thermo Fisher with a focus on developing new products based on Thermo Fisher's cutting-edge technology. We also work closely with Thermo Fisher on a "White Gloves" project, through which R&D personnel from Thermo Fisher and us work together on research studies and consult with each other on technologies and products. For example, we worked with Thermo Fisher in designing the genetic testing panels for deafness and infertility. We own the intellectual property rights of the products developed during the cooperation process and Thermo Fisher owns all the intellectual property rights of its own products used in the process. We have also established a five-year collaboration with Beckman Coulter since 2017 to develop the operation process for our products based on Beckman Coulter's fully intelligent and automated workstation. According to the collaboration agreement, we own all the intellectual property rights of test kits and software used in connection with the work station. We and Beckman Coulter co-own any intellectual property rights developed during the cooperation process. As confirmed by our Directors, we do not have any competition with Thermo Fisher and Beckman Coulter.

Through our collaboration with renowned academic institutions, we have co-authored multiple academic papers in prestigious scientific publications in genetics and reproduction, including the *Journal of Visualized Experiments*, which was well-recognized by industry peers. In 2019, we also co-published a paper "Raman Profiling of Embryo Culture Medium to Identify Aneuploid and Euploid Embryos" with the State Key Laboratory of Microbial Metabolism and the University of Oxford in the *Fertility and Sterility Journal*.

Our R&D Process

We follow a clinically driven R&D model to develop innovative reproductive genetics solutions to address unmet clinical needs in China, tailored to overcome the challenges specific to the Chinese patient population. Our R&D process primarily focuses on the following areas:

- *Identification of unmet clinical needs.* To learn and understand the most acute needs of frontline clinical care, we have developed strong relationships with leading stakeholders via active collaboration. We regularly communicate with influential KOLs and physicians in the assisted reproduction medical field to access the clinical frontline and better understand the needs of patients and physicians, including the limitations of our existing products. We also establish joint laboratories with major hospitals and reproductive clinics in China, in order to gain first-hand clinical feedback understand and to monitor clinical demand and industry trends. Through these collaborations, we are able to identify clinical needs and develop or adjust our products to address these needs, which in turn ensures the market acceptance and demand for our products. Our in-house research and development team regularly prepares marketing research report, feasibility study report and risk analysis report of potential product candidates for our management's review.

- *Preclinical research and development.* Our preclinical research and development includes two stages: design and development stage and design validation and verification stage. During the design and development, we conduct principal raw material selection, manufacturing process validation and reaction system development. We further commence analytical performance evaluations and stability study in the process of design validation and verification. We hold discussions on product technical requirements development strategies and protocol designs with professors in academic institutions. We engage external experts as technical advisors to participate in the technology development process. We design our manufacturing process and identify the optimal reaction system based on functional tests of the raw material and manufacturing process tests. To identify the optimal reaction system of reagent that can be used in our commercial production process, we screened and optimized our chemical and biochemical raw materials, including cell lyases, pre-amplification enzymes, amplification enzymes, fragmenting enzymes, terminal repair enzymes, DNA ligases, PCR enzyme mixtures and PCR primer mixtures, in a reaction system based on our initial formula. We will then conduct trial production and a stability study. We conduct trial production of the prototype to verify the manufacturing process and identify potential production issues that may arise during commercial manufacturing. In the following design validation and verification stage, we evaluate analytical performance through trial production to ensure that the product we designed and developed meets our intended uses and end-user needs and can be used safely and effectively. We will also conduct the stability study to decide the validity periods of our products and it usually takes around eight to fourteen months.

- *Product registration testing*. After confirming the product design and prototype, our registration department will conduct product registration testing for product candidate. This step generally takes us one to two months from filing of an application to obtaining the report to commence our clinical trial.

- *Clinical trial.* After we obtain a product registration testing report, we will conduct clinical trials. Time required for clinical trials varies among different product from one to four years. We engage external experts as primary investigators of our clinical trials.

- *Clinical registration.* Our registration department is primarily responsible for our regulatory strategy, managing our certificate registration and communicating with, and addressing questions from, regulators. This step usually takes us six months.

Our Ethical Policies

Reproductive technology is strictly regulated by ethical regulations in China. Medical institutions must obtain licenses for human assisted reproductive technology, and the granting of such licenses requires applicants to meet the requirements of the allocation plan for human assisted reproductive technology, technical norms and ethical principles. Assisted reproductive technology must be implemented under the principles of it being beneficial to the patient and having the patient's informed consent and keeping personal information confidential. There are strict precautions against commercialization and ethical supervision is required when using such technologies. Among others, the principle of having strict precautions against commercialization requires assisted reproductive technology medical institutions and staff to strictly control indications for couples who require human assisted reproductive technology, and to not abuse human assisted reproductive technology for economic gain. We are not a medical institution and are not subject to the ethical supervision under relevant PRC laws and regulations. However, our clinical trials conducted in hospitals are required to pass the ethical review of the hospitals and obtain the hospitals' ethical approval. During our clinical trials, we will submit relevant materials to the ethics committees in accordance with the ethical review process of the hospitals.

MANUFACTURING

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

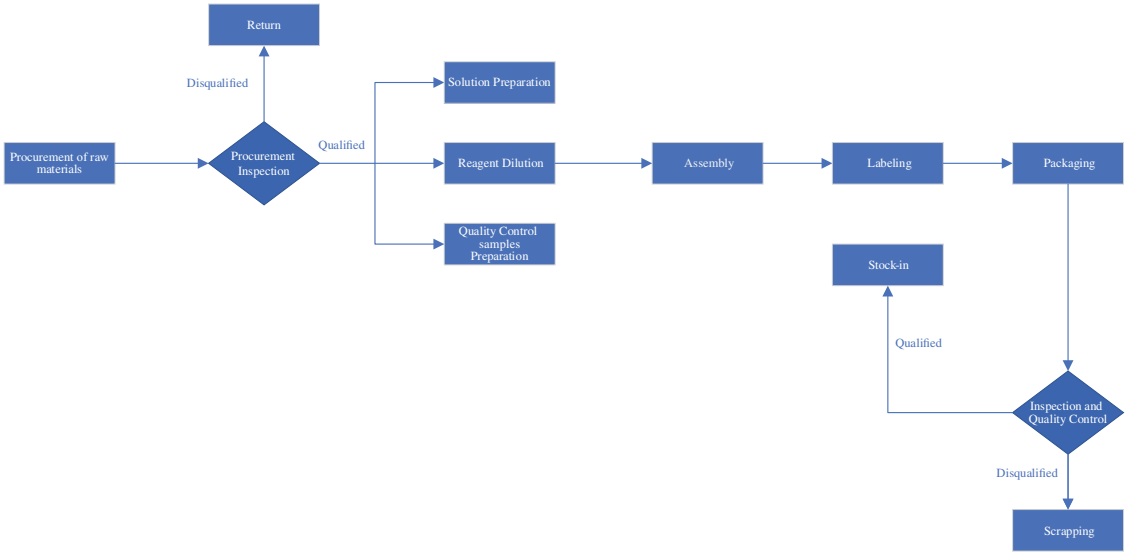
we had obtained a Class III medical device registration certificate from the NMPA. Our production lines are designed to be highly automated. As of the Latest Practicable Date, we had a manufacturing team of 14 employees.

We procure manufacturing machinery and equipment from time to time based on our production needs. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, our capital expenditures for manufacturing machinery and equipment amounted to RMB2.0 million, RMB1.1 million and RMB3.7 million, respectively. As of the Latest Practicable Date, we owned all the equipment used in our production processes, including laboratory equipment and instruments. We perform routine and preventative maintenance on our manufacturing machinery and equipment to ensure their proper functioning. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material interruption to our production process due to machine or equipment failure.

Production Process

Production Process for Our Genetic Test Kits

We manufacture our genetic test kits according to the production process and production protocol we designed and verified during design validation. The production process of our genetic test kits take approximately one week. The following diagram illustrates the production process for our genetic test kits.



- *Solution preparation.* We add a certain volume of each component according to our product protocol and production operation manual to prepare a primary solution.

- *Reagent dilution.* We dilute the primary solution with diluent according to our product protocol and manufacturing manual to produce an intermediate reagent product.

- *Quality control sample preparation.* Our genetic test kits include quality control samples, which are primarily cells that are used as a reference to testing samples in order to ensure the operation accuracy of the testing process.

- *Assembly.* A test kit generally consists of enzymes, primers, buffers, magnetic nanobeads that used to purify DNA and cells that used as quality control samples. We assemble components of our genetic test kits according to the requirements of our production operation manual.

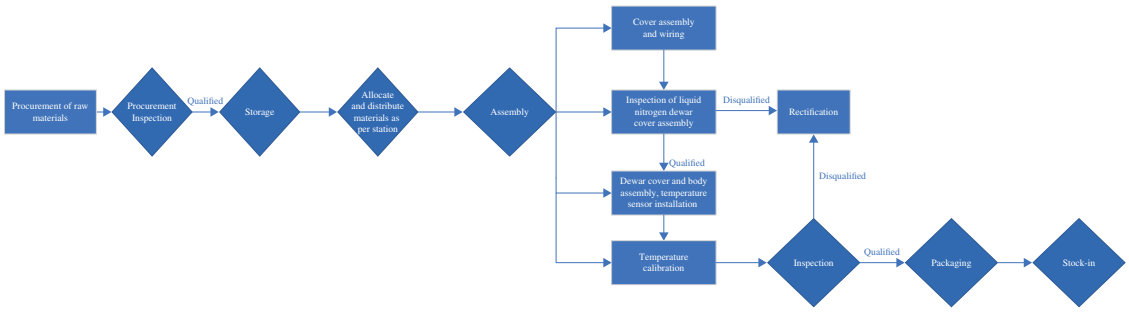
- *Inspection and quality control.* Our quality control personnel monitor our entire production process. After the reagent dilution, our quality control personnel takes samples of the intermediate reagent products for quality inspection.

- *Packaging.* We packaged our genetic test kits according to our production operation manual and relevant regulatory requirements.

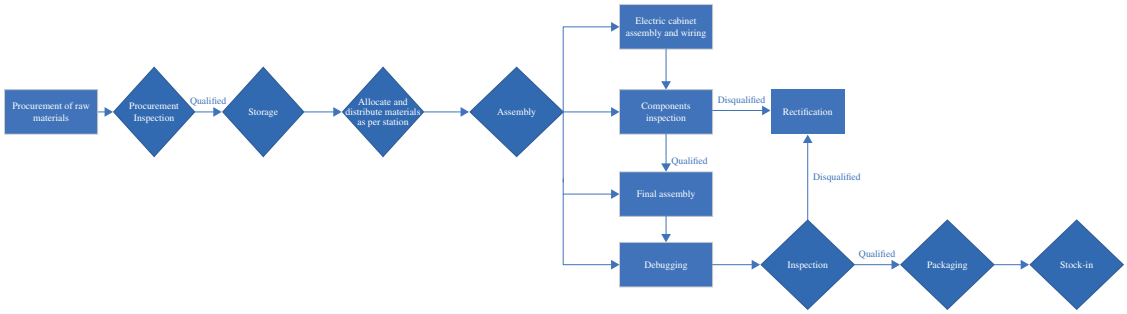
- *Inspection.* We conduct final inspection of our finished products.

Production Process for Our Devices and Instruments

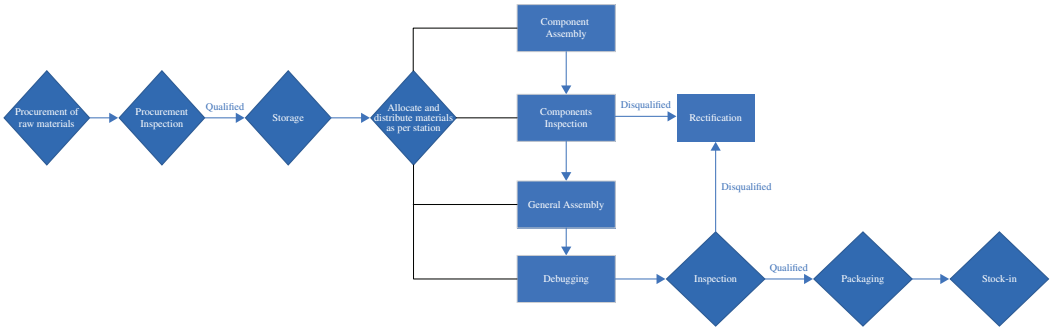
We commenced pilot manufacturing of our liquid nitrogen storage dewar and cryostorage system in 2020 for research and clinical study purposes. The production process of our liquid nitrogen storage dewar takes approximately one day and that of cryostorage system takes approximately one month. The following diagram illustrates the production process for our liquid nitrogen storage dewar (BCT38A/B), cryostorage system (BSG800A) and automated workstation (BS1000).



BCT38A/B



BSG800A



BS1000

QUALITY CONTROL

Our Quality Control Team and Quality Control Program

As of the Latest Practicable Date, our quality control team consisted of nine employees, seven of whom held bachelor's or higher degrees. Our quality control team is led by Yang Ying, who has more than ten years' experience in medical devices quality control. Our quality control team is responsible for quality test, inspection and review for all our products and raw materials. Our quality control team has been ensuring our manufacturing processes consistently conform to GMP standards since 2015. Since we commenced manufacturing of our PGT-A kits, the quality pass rate of our finished products has been 100% and we have not experienced any material product returns.

We have our own independent quality control system and devote significant attention to quality control of the design, manufacturing and testing of our products. Our stringent product quality control starts from the research and development stage. We have established detailed quality control procedures guiding our internal production and external purchase of reagents and other materials used in our studies and trials.

We have established detailed internal rules governing the selection of raw material suppliers and raw material quality control. We typically purchase raw materials only from suppliers that we have verified business qualifications and product quality. We select suppliers based on a variety of factors including qualifications, business reputation, production scale, technological strengths, quality management capabilities, after-sales services and price. In addition, we require the supplier to execute a quality guarantee agreement with us.

We have specific operating rules for production areas. We have established manufacturing protocols for each production areas through preclinical research and development for each of our products.

Our Quality Accreditations

The following table sets forth the major accreditations we have received for our quality control program.

Accreditation	Year of latest renewal	Description
CE (2014/30/EU)	2020	A set of basic requirements with which all manufacturers of medical devices must comply to sell medical devices in the European Union
CE (2006/42/EC)	2020	A set of basic requirements with which all manufacturers of medical devices must comply to sell medical devices in the European Union
ISO13485:2016 ENISO13485:2016	2020	A set of requirements for a comprehensive management system for the design, development and manufacture of medical devices in the European Union

SALES AND MARKETING

Of our five in-house developed genetic test kit products, our PGT-A kit has obtained a Class III medical device registration certificate from the NMPA, in February 2020, while the other four, all Class III medical device candidates, are in registration testing or preclinical stages. The following table sets forth the details of sales our products for the periods indicated.

	Revenue			Sales volume			Average selling price		
	For the year ended December 31,		For the nine months ended September 30,	For the year ended December 31,		For the nine months ended September 30,	For the year ended December 31,		For the nine months ended September 30,
	2018	2019	2020	2018	2019	2020	2018	2019	2020
	RMB'000						*RMB'000*		
PGT-A	7,927	17,978	15,614	7,478	12,381	12,529	1.1	1.5	1.2
PGT-M	933	1,875	3,844	455	1,443	2,431	2.1	1.3	1.6
PGT-SR	–	1,118	4,027	–	597	1,937	–	1.9	2.1
NIPT	17,495	14,992	14,260	25,602	24,501	30,308	0.7	0.6	0.5
CNV	4,818	9,631	2,344	6,284	10,993	3,378	0.8	0.9	0.7
WES	666	1,524	847	287	513	366	2.3	3.0	2.3

Pre-approval Sales

In accordance with the current applicable PRC laws and regulations, including the Administrative Measures for the Registration of IVD Reagents (《體外診斷試劑註冊管理辦法》) and the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), IVD reagents that are intended to be used for, among other purposes, medical treatment or diagnosis by testing a human body's samples are regulated as medical devices. The manufacturing and sales of IVD reagents require various certificates, licenses and permits, including the medical device registration certificate from the NMPA. Without obtaining the registration certificate, IVD reagents may not be sold for commercial purposes for medical treatment or diagnosis in China. As advised by our PRC Legal Advisors, medical devices, including IVD reagents, that are used for scientific research purposes are not specified in the Regulations on the Supervision and Administration of Medical Devices. For details of the relevant laws and regulations, see "Regulatory Overview—Laws and Regulations Relating to Medical Device—Regulations Relating to Medical Device Registration."

Our PGT-A kit obtained a Class III medical device registration certificate from the NMPA in February 2020 and we began to initiate commercialization of our PGT-A kit in April 2020. We began to sell our PGT-A kit to hospitals, reproductive clinics and medical laboratories for limited scientific research purposes in December 2016. During the Track Record Period, revenue from pre-approval sales of PGT-A kit amounted to RMB7.9 million, RMB18.0 million and RMB3.5 million, respectively, representing 24.3%, 32.3% and 6.2% of our revenue for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, respectively. Our other four in-house developed genetic test kit products, namely, the PGT-M, PGT-SR, CNV and WES kits, are in the ethical review or preclinical stages. Prior to being approved by the NMPA, these products are not permitted for commercial sale in China. Our pre-approval sales covered 14 provinces in China, including Shanghai, Liaoning, Jiangsu, Shandong, Guangdong, Guangxi, Beijing, Jiangxi, Anhui, Hubei, Hunan, Hainan, Zhejiang, Hong Kong and Xinjiang. During the Track Record Period, we sold these products to hospitals and reproductive clinics for limited scientific research purposes. The following table sets forth a breakdown of our revenue by product for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except percentages)							
					(unaudited)			
PGT-A[(1)]	7,927	24.3%	17,978	32.3%	11,525	27.5%	15,614	27.3%
NIPT	17,495	53.7%	14,992	26.9%	11,262	26.9%	14,260	24.9%
CNV[(2)]	4,818	14.8%	9,631	17.3%	8,195	19.6%	2,344	4.1%
MGD[(3)]	42	0.1%	6,197	11.1%	4,471	10.7%	9,983	17.4%
Testing devices and instruments	727	2.2%	2,371	4.3%	2,371	5.7%	6,324	11.0%
Others[(4)]	1,600	4.9%	4,516	8.1%	4,039	9.6%	8,718	15.3%
Total[(5)]	32,609	100.0%	55,685	100.0%	41,863	100%	57,243	100%

(1) For the years ended December 31, 2018 and 2019, all revenue was generated from pre-approval sales of PGT-A. We began to initiate commercial sales of our PGT-A kit in April 2020. For the nine months ended September 30, 2020, revenue from pre-approval sales and post-approval sales of PGT-A amounted to around RMB3.5 million and RMB12.1 million, respectively, representing approximately 23% and 77% of our revenue from PGT-A in September 30, 2020, respectively. We need to obtain provincial price codes and be admitted to the bidding/tendering process to commence commercial sales of our product. In July, 2020, we received Jiangxi province's price code and began commercialization of PGT-A kit.

(2) We began to sell out CNV kit for limited scientific research purposes in December 2017 and we sold to hospitals, reproductive clinics and medical laboratories since then.

(3) Revenue generated from MGD primarily represents distribution of MGD kits, which was not the focus of our business. We do not expect these kits to be a major revenue source for us going forward as we focus our efforts on our key self-developed products.

(4) Others primarily included our other self-developed test kits, the PGT-M, PGT-SR and WES kits. We started pre-approval sales of our PGT-M, PGT-SR and WES kits in December 2018, November 2019 and August 2016, respectively. Our pre-approval sales of these three genetic testing kits covered hospitals, reproductive clinics and medical laboratories.

(5) During the Track Record Period, all revenue generated from PGT-M, PGT-SR, CNV and WES was pre-approval sales. For the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2020, the revenue generated from pre-approval of our five in-house developed genetic test kit products amounted to RMB14.3 million, RMB32.1 million and RMB14.6 million, respectively, representing 44.0%, 57.7% and 25.5% of our revenue for the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2020, respectively.

Our Directors believe that, based on the advice of our PRC Legal Advisors, the pre-approval sales of our in-house developed genetic test kit products for limited scientific research purposes did not violate any PRC laws and regulations and will unlikely be subject to any penalties for the following reasons:

(a) we obtained a written confirmation from the Market Supervisory Management Bureau of the Suzhou Industry Park (蘇州工業園區市場監督管理局), a competent PRC governmental authority having jurisdiction over us, on July 31, 2020 confirming that the Company did not breach any applicable PRC laws or regulations within the bureau's jurisdiction and had not been subject to any administrative penalties from the bureau for the period from January 1, 2017 to July 22, 2019;

(b) we obtained a written confirmation from NMPA Jiangsu Province, Suzhou Branch (江蘇省藥品監督管理局蘇州檢查分局) ("NMPA Suzhou"), a competent authority having jurisdiction over us, on August 14, 2020 confirming that the Company's sales for scientific research purposes did not fall in NMPA Suzhou's administrative jurisdiction and there were no records of breaches or violations of applicable PRC laws within its jurisdiction during the period from July 23, 2019 (being the date of establishment of NMPA Suzhou) to the date of the confirmation. Our PRC Legal Advisors are of the opinion that, pursuant to the Notice on Establishing Branch of Provincial Medical Products Administration (《關於組建省藥品監督管理局檢查分局的通知》), NMPA Suzhou has the administrative jurisdiction over our

manufacture and sales of medical devices, but does not have administrative jurisdiction over our sales for research scientific purposes because medical devices used for scientific research purpose are not regulated as medical devices; and

(c) to date, we have not received any notice from the abovementioned competent authorities notifying us that we are in violation of any applicable PRC laws and regulations nor that we are subject to any penalties.

Our PRC Legal Advisors had advised us that our sales of other genetic testing kits for limited scientific research purposes did not violate any applicable PRC laws and regulations and such sales are not impacted by the replacement of the Trial IVD Registration Measures with the IVD Registration Measures in October 2014 under the current PRC legal system for the following reasons:

(a) according to IVD Registration Measures, *in vitro* diagnostic reagents refer to in vitro diagnostic reagents regulated as medical devices. Medical devices, as specified in Medical Device Regulation, refer to the instruments, equipments, appliances, in vitro diagnostic reagents and calibrators, materials and other similar or related articles, the purposes of which are, among others, to provide information for the purpose of medical treatment or diagnose by testing of samples from a human body. The devices for scientific research purposes are not explicitly stipulated as medical devices in the Medical Device Regulation;

(b) to date, there are no applicable PRC laws and regulations that explicitly prohibit the sale of IVD reagents for scientific research purpose;

(c) according to the Notice on Further Strengthening the Supervision of the Use of IVD Reagents Managed by Medical Devices (《關於進一步加強按醫療器械管理的體外診斷試劑使用監管的通知》) issued by the Beijing Municipal Medical Products Administration (北京市藥品監督管理局) on December 17, 2018, medical institutions shall not use IVD reagents for scientific research or clinical trials purposes in clinical diagnosis. Our PRC Legal Advisors believe that sales of IVD reagent for scientific research purposes are different from sales for clinical diagnosis and are not prohibited.

Sales Model

During the Track Record Period, we sold a significant portion of products directly to hospitals and reproductive clinics. To a lesser extent, we also sold our genetic test kits to distributors, who in turn sold our products to hospitals and reproductive clinics.

The map below sets forth the geographic distribution of the hospitals and reproductive clinics in China that have acquired our products as of the Latest Practicable Date.

We aim to expand breadth and depth of our sales network and work toward full coverage of all hospitals and reproductive clinicals with PGT licenses in China. Furthermore, we plan to increase the penetration rate of our products by improving the awareness and clinical knowledge of physicians in this field and IVF patients.

Direct Sales

We enter into sales agreements directly with hospitals, reproductive clinics and third-party medical laboratories for our direct sales. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, 47%, 33% and 63% of our total revenue were derived from sales of test kits directly to hospitals and reproductive clinics, respectively. Key terms of our sales agreements with hospitals and reproductive clinics are summarized as follows:

- *Term.* Our sales agreement with hospitals and reproductive clinics generally have a term of two years.

- *Order placement.* Hospitals and reproductive clinics purchase from us through purchase orders.

- *Delivery.* We are generally responsible for arranging delivery of our products to the address designated by the hospital. The costs and risk of loss of the delivery are borne by us.

- *Payment and credit term.* We generally settle with hospitals and reproductive clinics on a quarterly basis. We generally provide credit terms to hospitals according to their standard credit term, which is generally ranged from one to six months.

- *Termination.* The agreement can be terminated by either party when the breaching party fails to correct its breach of the agreement.

For our direct sales, our in-house sales marketing team are focused on serving key customers, which are primarily the hospitals and reproductive clinics in China that are licensed to provide IVF treatments. We also rely on third-party promoters to increase our penetration in third-party medical testing laboratories and to provide non-technical pre-sale and after-sale assistance to our customers.

In-house Sales and Marketing Team

As of the Latest Practicable Date, we had 16 sales and marketing personnel. We maintain a small and dedicated in-house sales and marketing team with a focus on serving key customers, such as third-generation IVF licensed hospitals and reproductive clinics, which are a major component of our customer base. Our in-house sales and marketing team is also responsible for the promotion of our products to hospitals and reproductive clinics through academic marketing activities, to interact with KOLs as well as other industry professionals. Our in-house sales and marketing team regularly organizes, sponsors and participates in various academic conferences and seminars, including large national and provincial expert conferences. For example, to improve awareness and clinical knowledge of physicians, we have launched a series of academic seminars with the topic "Clinical Application of Third-Generation IVF Technologies" nationwide, including in Hefei, Changsha and Lanzhou. We have established solid relationships with a number of influential external experts and KOLs in the assisted reproduction medical field, with a coverage rate of 50% in the 70 licensed hospitals and reproductive clinics in China in 2020. During the Track Record Period and up to the Latest Practicable Date, we were involved in more than 15 national medical conferences in the reproduction industry, with a total of over 50 national-level experts and KOLs attending. We also volunteer to conduct training jointly with hospitals or other reproductive clinics to improve the genetic testing skills or the genetic consulting knowledge and to communicate with, and collect feedback from, a large number of practicing surgeons that use our products.

To promote sales of our products and to enhance customer satisfaction and stickiness, we helped major hospitals and reproductive clinics in China establish molecular genetic laboratories, such as the Reproduction Hospital Affiliated to Shandong University, Shanghai Renji Hospital and the Third Affiliated Hospital to Guangzhou Medical University. As of the Latest Practicable Date, we had helped establish more than 30 molecular genetic laboratories in 18 provinces in China. We station our staff on site at key hospitals and reproductive clinics

to provide guidance and advice on setting up laboratories with the requisite equipment, technology and protocol for genetic testing. We also provide training to clinicians and staff to enhance their knowledge of genetic testing, which in turn enhance customer stickiness and increase demand for our products.

Third-party Promoters

We mainly rely on third-party promoters to market our products to hospitals and reproductive clinics and to provide non-technical pre-sale and after-sale assistance to our customers. We select third-party promoters based on their qualifications, reputation, marketing experience, management capabilities and hospital coverage. As of September 30, 2020, we had ten third-party promoters in 24 provinces across China, covering approximately 252 hospitals.

The table below sets forth the details of the ten promoters we have engaged in as of September 30, 2020.

Company	Place of incorporation	Promoter background	Provinces covered	Genetic testing kits covered	Relationship with us
Nanjing Fanghua	Nanjing	A private company that primarily engages in the research and development, counseling and transfer of biological gene technology, retail and distribution of Class I and Class II medical devices, research and development of medical devices, biological products and medical technology, import, export of various commodities and technologies, research and development and retail of genetic and life science instruments and reagents and experimental development of medical engineering technology	Beijing, Shanghai, Jiangsu, Hubei, Hunan, Guizhou, Anhui, Guangdong, Gansu, Shaanxi, Xinjiang, Fujian, Henan, Shandong, Shanxi, Chongqing, Sichuan, Guangxi, Liaoning	PGT-A, NIPT, devices and instruments	Distributor, third-party promoter and supplier*
Suzhou Running Medical Products Co., Ltd. (蘇州潤贏醫療設備有限公司)	Suzhou	A private company that primarily engages in distribution of clinical diagnostic medical devices, solutions and consumables	Jiangsu	PGT-A, devices and instruments	Distributor and third-party promoter

Company	Place of incorporation	Promoter background	Provinces covered	Genetic testing kits covered	Relationship with us
Jiangsu Henglong Biotech Co., Ltd. (江蘇恒龍生物科技有限公司)	Xuzhou	A private company that primarily engages in biotechnology, medical devices and medical management services	Jiangsu	PGT-A, devices and instruments	Distributor and third-party promoter*
Promoter D	Shanghai	A private company that primarily engages in technology services and distribution of medical devices	Shandong, Shanghai, Zhejiang	PGT-A, devices and instruments	Distributor and third-party promoter
Promoter E	Zibo	A private company that primarily engages in distribution of solutions, consumables, equipment and medical devices.	Beijing, Shandong	PGT-A, devices and instruments	Distributor and third-party promoter
Promoter F	Suzhou	A private company that primarily engages in distribution of solutions, consumables, equipment and medical devices	Shanghai	PGT-A, devices and instruments	Customer and third-party promoter
Promoter G	Zhengzhou	A private company that primarily engages in biotechnology promotion, technology consulting services and distribution of medical devices	Henan	PGT-A, devices and instruments	Distributor and third-party promoter
Promoter H	Hangzhou	A private company that primarily engages in biotechnology promotion and distribution of medical devices	Zhejiang, Yunnan, Hebei, Inner Mongolia, Jiangxi	PGT-A, devices and instruments	Supplier and third-party promoter*
Promoter I	Wuhan	A private company that primarily engages in distribution of medical devices	Hubei, Henan	PGT-A, devices and instruments	Distributor and third-party promoter
Promoter J	Zhengzhou	A private company that primarily engages in technology services and distribution of medical devices	Henan	PGT-A, devices and instruments	Distributor and third-party promoter

* Being one of our top five customers/suppliers

We generally enter into annual promotion agreements with third-party promoters, pursuant to which they are responsible for promoting our products by visiting hospitals and other medical reproductive clinics, publicizing product information, such as the mechanisms of action and advantages of our products and collecting market responses. Our third-party promoters typically receive service fees based on the number of products promoted and sold. During the Track Record Period, the service fees we paid to our third-party promoter, being Nanjing Fanghua, amounted to RMB3.6 million, RMB3.4 million and RMB1.8 million for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020. Pursuant to the annual promotion agreements, our third-party promoters are generally not allowed to promote any other products that compete with, or have any conflict of interest with, any of our products. Upon any breach of such non-competition undertaking by any third-party promoters, we may terminate the relevant agreement and are entitled to claim damages from the third-party promoter. We require our third-party promoters to make performance deposits with us, which may be forfeited in the event of certain breaches of the promotion agreements, such as any breach of their non-competition undertaking. We also require our third-party promoters to strictly comply with the anti-bribery requirements in our promotion agreements.

To the best of our Directors' knowledge, save for Nanjing Fanghua, none of the Company's third-party promoters including their directors, shareholders and senior management, have any other past or present relationships (including, without limitation, business, employment, family, trust, financing, fund flow or otherwise) with the Company, its subsidiaries, their shareholders, directors or senior management, or any of their respective associates, except for transactions in the normal course of business (being our customers, suppliers or distributors).

Sales Through Distributors

During the Track Record Period, we sold a modest amount of products through distributors, who in turn sell our products to hospitals and reproductive clinics. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, 14.2%, 11.4% and 15.1% of our total revenue, respectively, were derived from sales of test kits to distributors. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, we had engaged two, five and thirteen distributors, respectively, in ten provinces across China. During the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees or had received any material advance or financial assistance from us.

We are highly selective in the distributors we engage. Applicants are introduced by our region marketing managers and required to submit an application form and proof of relevant qualifications. We arrange on-site visits to their offices and the hospitals they cover. During our on-site visits, we evaluate applicant's relationship with hospitals, customer service capability and quality and office allocation. We seek to select distributors with valid licenses, well-established sales channels, wide coverage of hospitals, strong customer service and after sales service capabilities, a good credit profile, stable operation sites and sufficient financial capacity.

We conduct annual review of our distributors, based on their financial performance, business performance and regulatory compliance. Distributors' financial performance is primarily evaluated by their credit records with us during each period, and the evaluation of their business performance is primarily based on the distributors' sales performance, including the designated hospitals' feedback. We also review their compliance with applicable laws and regulations. We set minimum retail prices to hospitals and other reproductive centers which may adjust based on market conditions. We may grant special discount prices, different rewards and provide study opportunities to our distributors based on the review, and we retain the discretion to adjust their credit terms, renegotiate order prices and certain other commercial terms with them based on the review results. We generally operate a single-layer distribution system and do not allow distributors to engage sub-distributors within their designated geographic area unless with our prior review and consent. Our sales and marketing department monitors, manages and supports the activities of our distributors to help ensure that they comply with our guidelines, policies and procedures. We also arrange regular trainings on our products for our distributors during the terms of the distribution agreement.

Key terms of our agreements with distributors are summarized as follows:

- *Term.* Our distribution agreements generally have a term of one year and can be automatically renewed unless upon either party's termination notice one month prior to the termination date. We do not renew distribution agreements with distributors that were not compliance with our distribution management policy or fail to meets certain sales commitments.

- *Geographic restrictions and exclusivity.* The geographical regions and hospitals for which a distributor is responsible are designated. A distributor is prohibited from selling our products outside its designated geographical regions or hospitals. In general, we do not engage multiple distributors in the same geographic region.

- *Deposits and minimum purchase requirements.* Our distributors are required to pay a certain amount of deposit depending on the number of hospitals it covered. Our distributors are also required to meet annual minimum purchase amounts we set in the distribution agreements.

- *Non-competition.* Our distributors are not allowed to distribute products that are identical, similar or in competition with our products within the designated geographic region.

- *Delivery.* We are generally responsible for arranging delivery of our products and bear the costs and risk of loss of the delivery.

- *Prices.* We sell our products to distributors at standard prices determined by us.

- *Payment and credit term.* We settle with our distributors monthly or every three months. We generally provide our distributors a credit term of two months to six months.

- *Product return.* A distributor may not return products to us or exchange products except for product quality deficiency.

- *Regulatory requirements.* Our distributor is required to comply with all applicable laws and regulations, including, anti-bribery and anti-kickback laws and regulations. Our distributor is also required to obtain relevant permits to sell and distribute medical devices and maintain storage facilities in compliance with regulatory standards on medical device storage, and provide us with copies of the relevant licenses, permits and certificates.

- *Termination.* We are entitled to unilaterally terminate a distribution agreement when a distributor fail to settle its overdue payment within 30 days upon due or fail to comply with relevant laws and regulations.

Pricing

For our in-house products and DA8600, there were no tender or bidding process or guidance price set by relevant PRC government authorities as of the Latest Practicable Date. For our direct sales to hospitals and reproductive clinics, we negotiate the price with each hospital and reproductive clinic directly. For our sales through distributors, we and our distributors negotiate and set retail prices directly with hospitals and reproductive clinics. We generally set a fixed purchase price of our in-house products in the distribution agreements. We take into account a number of factors in determining product prices, which primarily include our costs and expenses, market conditions in different regions and the competitive landscape for each product.

The price of Guangzhou Darui's NIPT kits we distributed was set during the tender or bidding process of the relevant local governments.

OUR CUSTOMERS

During the Track Record Period, our customers primarily included (i) domestic reproductive clinics; (ii) women and children hospitals; and (iii) hospitals with assisted reproduction capabilities. The following table sets forth details of our five largest customers during the Track Record Period:

Customer	Revenue *(RMB'000)*	% of total revenue in same period	Credit terms *(Months)*	Length of business relationship *(Years)*	Customer background
For the nine months ended September 30, 2020					
Suzhou Medical Laboratory	6,716	11.7%	6	2	A private company that primarily engages in the research and development, counseling and transfer of technology
Renji Hospital of Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院附屬仁濟醫院)	6,106	10.7%	6	1	A Grade IIIA public hospital in Shanghai.
Xinjiang Jiayin Hospital (Ltd.) Maternity Branch (新疆佳音醫院(有限公司)婦產分院)	5,250	9.2%	4	5	A private gynecology hospital in Xinjiang
Benxi Medical Laboratory	4,266	7.5%	6	3	A private company that primarily engages in providing biomedical industrialization service platform
Nanjing Fanghua	4,071	7.1%	6	5	A private company that primarily engages in the research and development, counseling and transfer of biological gene technology, retail and distribution of Class I and Class II medical devices, research and development of medical devices, biological products and medical technology, import, export of various commodities and technologies, research and development and retail of genetic and life science instruments and reagents and experimental development of medical engineering technology
Total	26,409	46.1%			

Customer	Revenue *(RMB'000)*	% of total revenue in same period	Credit terms *(Months)*	Length of business relationship *(Years)*	Customer background
For the year ended December 31, 2019					
Nanjing Fanghua	6,648	11.9%	6	5	A private company that primarily engages in the research and development, counseling and transfer of biological gene technology, retail and distribution of Class I and Class II medical devices, research and development of medical devices, biological products and medical technology, import, export of various commodities and technologies, research and development and retail of genetic and life science instruments and reagents and experimental development of medical engineering technology
Xinjiang Jiayin Hospital (Ltd.) Maternity Branch (新疆佳音醫院(有限公司)婦產分院)	4,842	8.7%	4	5	A private gynecology hospital in Xinjiang
Nantong Maternity and Child Health Care Hospital (南通市婦幼保健院)	4,740	8.5%	6	6	A public gynecology hospital in Nantong
Suzhou Municipal Hospital (蘇州市立醫院)	4,401	7.9%	6	6	A Grade IIIA public hospital in Suzhou
Guangzhou BDS Biological Technology Co., Ltd. (廣州邦德盛生物科技有限公司)	3,774	6.8%	6	2	A private company that primarily engages in research and development, manufacturing, retail and distribution of pharmaceuticals and medical devices
Total	24,405	43.8%			

Customer	Revenue *(RMB'000)*	% of total revenue in same period	Credit terms *(Months)*	Length of business relationship *(Years)*	Customer background
For the year ended December 31, 2018					
Suzhou Municipal Hospital (蘇州市立醫院)	6,157	18.9%	6	6	A Grade IIIA public hospital in Suzhou
Xinjiang Jiayin Hospital (Ltd.) Maternity Branch (新疆佳音醫院(有限公司)婦產分院)	4,936	15.1%	4	5	A private gynecology hospital in Xinjiang
Nantong Maternity and Child Health Care Hospital (南通市婦幼保健院)	3,546	10.9%	6	6	A public gynecology hospital in Nantong
Nanjing Fanghua	3,368	10.3%	6	5	A private company that primarily engages in the research and development, counseling and transfer of biological gene technology, retail and distribution of Class I and Class II medical devices, research and development of medical devices, biological products and medical technology, import, export of various commodities and technologies, research and development and retail of genetic and life science instruments and reagents and experimental development of medical engineering technology
Jiangsu Henglong Biotech Co., Ltd. (江蘇恒龍生物科技有限公司)	2,986	9.2%	6	5	A private company that primarily engages in retail and distribution of Class I medical devices
Total	20,993	64.4%			

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

SUPPLIERS AND PROCUREMENT

Our Suppliers

During the Track Record Period, our major suppliers primarily consisted of suppliers of raw materials and machinery and equipment. To manage the prices of our raw materials and other supplies, we usually enter into one-year agreements with our suppliers which will be reviewed and renewed from year to year. Some of our key suppliers need to sign quality assurance agreements and are 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 have maintained stable business relationships with our major suppliers for approximately 3 to 6 years. During the Track Record Period, we did not experience any material disputes with suppliers, difficulties in the procurement of raw materials, interruptions in our operations due to a shortage or delay of raw materials or significant fluctuations in raw material prices. See "Risk Factors—Risks Relating to Our Business and Industry—Risks Relating to Manufacture and Supply of Our Products."

The following table sets forth details of our five largest suppliers during the Track Record Period.

Suppliers	Purchase amount *(RMB'000)*	% of total purchases in same period	Credit terms	Length of business relationship	Supplier background
For the nine months ended September 30, 2020					
Guangzhou Darui	10,038	19.7%	6 months	6 years	A private company that engages in *in vitro* diagnostic research and development
Shanghai Pei Hou Medical Technology Co., Ltd. (上海沛侯醫療科技有限公司)	3,983	7.8%	prepayment	within 1 year	A private company that primarily engages in retail and lease of medical devices
Invitrogen Trading (Shanghai) Co., Ltd. (英濰捷基(上海)貿易有限公司)	2,844	5.6%	prepayment	6 years	A private company that primarily engages in import, export, wholesale and manufacturing of medical devices, life science equipment and its accessories, consumables and reagents

Suppliers	Purchase amount *(RMB'000)*	% of total purchases in same period	Credit terms	Length of business relationship	Supplier background
Shanghai BioGerm Medical Technology Co., Ltd. (上海伯傑醫療科技有限公司)	2,466	4.9%	6 months	Within 1 year	A private company that primarily engages in the research and development and application of molecular diagnostic reagents for infectious pathogens
Nanjing Fanghua	1,826	3.6%	7 months	5 years	A private company that primarily engages in the research and development, counseling and transfer of biological gene technology, retail and distribution of Class I and Class II medical devices, research and development of medical devices, biological products and medical technology, import, export of various commodities and technologies, research and development and retail of genetic and life science instruments and reagents and experimental development of medical engineering technology
Total	21,157	41.6%			

Suppliers	Purchase amount *(RMB'000)*	% of total purchases in same period	Credit terms	Length of business relationship	Supplier background
For the year ended December 31, 2019					
Guangzhou Darui	8,822	23.7%	8 months	6 years	A private company that engages in *in vitro* diagnostic research and development
Nanjing Fanghua	4,854	13.0%	7 months	5 years	A private company that primarily engages in the research and development, counseling and transfer of biological gene technology, retail and distribution of Class I and Class II medical devices, research and development of medical devices, biological products and medical technology, import, export of various commodities and technologies, research and development and retail of genetic and life science instruments and reagents and experimental development of medical engineering technology
Hangzhou Darui Medical Technology Co., Ltd. (杭州達瑞醫療科技有限公司)	2,743	7.4%	within 12 months	6 years	A subsidiary of Supplier A that primarily engages in retail and distribution of *in vitro* diagnostic reagents
Zhongke Scientific & Technical Co., Ltd. (廣東省中科進出口有限公司)	2,724	7.3%	prepayment	6 years	A private company that primarily engages in import, export, retail and distribution of medical devices
Suzhou Industrial Park Biological Industry Development Co., Ltd. (蘇州工業園區生物產業發展有限公司)	2,511	6.7%	1 month	6 years	A private company that primarily engages in development and management of companies within its industrial park
Total	21,654	58.1%			

Suppliers	Purchase amount *(RMB'000)*	% of total purchases in same period	Credit terms	Length of business relationship	Supplier background
For the year ended December 31, 2018					
Guangzhou Darui	10,972	31.2%	8 months	6 years	A Guangzhou based company that engages in *in vitro* diagnostic research and development
Nanjing Fanghua	6,258	17.8%	7 months	5 years	A private company that primarily engages in the research and development, counseling and transfer of biological gene technology, retail and distribution of Class I and Class II medical devices, research and development of medical devices, biological products and medical technology, import, export of various commodities and technologies, research and development and retail of genetic and life science instruments and reagents and experimental development of medical engineering technology
Suzhou Industrial Park Biological Industry Development Co., Ltd. (蘇州工業園區生物產業發展有限公司)	2,562	7.3%	1 month	6 years	A private company that primarily engages in development and management of companies within its industrial park
Zhongke Scientific & Technical Co., Ltd. (廣東省中科進出口有限公司)	2,086	5.9%	prepayment	6 years	A private company that primarily engages in import, export, retail and distribution of medical devices
B&W Tek Opto-Electronics (Shanghai) Co., Ltd. (必達泰克光電科技(上海)有限公司)	1,866	5.3%	prepayment	5 years	A private company that primarily engages in retail and distribution of optronics
Total	23,744	67.5%			

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

Due to the nature of our business, our supplier Nanjing Fanghua is also our customer, during the Track Record Period. Nanjing Fanghua primarily engages in the research and development, manufacturing, retail and distribution of reagents, biological products and other medical devices. We first became acquainted with Nanjing Fanghua because Nanjing Fanghua was an experienced promoter of NIPT kits and our Company, as one of the distributors of Da An's NIPT kit, was interested in cooperating with Nanjing Fanghua to promote the sales of NIPT kit. In 2018, 2019 and the nine months ended September 30, 2020, we provided PGT-A, NIPT and CNV genetic testing services to Nanjing Fanghua because part of Nanjing Fanghua's business is collecting samples from hospitals and reproductive clinics that do not have their own medical laboratories for testing. Nanjing Fanghua is primarily a third-party promoter and does not have its own medical laboratories capable of providing genetic testing services. Therefore, Nanjing Fanghua engaged us to provide genetic testing services and issue testing reports with respect to those samples. Nanjing Fanghua also provided marketing promotion services, after-sales services and other supporting services to us. During our clinical trial for our PGT-A kit, Nanjing Fanghua helped to build relationships between us and certain hospitals and reproductive clinics in its network to facilitate the embryo sample collection process. For the year ended 2018 and 2019 and the nine months ended September 30, 2020, our revenue generated from Nanjing Fanghua amount to RMB3.4 million, RMB6.6 million and RMB4.1 million, respectively. Our procurement from Nanjing Fanghua amounted to RMB6.3 million, RMB4.9 million and RMB1.8 million, respectively, among which the research and development expense we paid to Nanjing Fanghua amounted to RMB2.6 million, RMB1.4 million and nil for the year ended 2018 and 2019 and the nine months ended September 30 2020, respectively. As confirmed by our Directors, we conducted transactions with Nanjing Fanghua on an arm's length basis with terms and prices comparable to similar transactions conducted with other independent third parties during the Track Record Period.

Raw Material Procurement

We generally manufacture our products based on orders from our customers. Lead times for raw materials and components vary and depend on the specific supplier and the availability and demand for the raw materials.

Raw materials for our genetic test kits primarily include chemical and biochemical materials, such as cell lysates, pre-amplification enzymes, amplification enzymes, fragmenting enzymes, terminal repair enzymes, DNA ligases, PCR enzyme mixtures and PCR primer mixtures, and packaging materials. Raw materials for our liquid nitrogen storage dewar and cryostorage system are primarily insulation champers, circuit boards and temperature control devices. Most of our raw materials are widely available, and we are procure our raw materials from numerous suppliers in China and Singapore. We maintain a list of qualified raw material suppliers and review their qualifications on an annual basis by taking into consideration their

production facilities, production quality, prices, business scale, market share and reputation. We have maintained stable business relationships with our suppliers that provide such raw materials with consistently high quality and in sufficient volumes. To monitor the quality of supplies, we implement a standardized operating system by setting out the procedures and guidelines on the procurement of raw materials, quality control inspection, warehousing, testing and storage. During the Track Record Period, we purchased raw materials based on the needs of our research and development and we did not experience any shortage or delays in the supply of raw materials.

Our procurement department is responsible for making procurement plans, placing orders with suppliers and managing suppliers. Upon delivery, we require our suppliers to provide us with inspection reports on various respects of the raw materials. Our research and development department and quality control department are also involved in the procurement process and participate in raw material quality control. Our research and development department is responsible for developing quality requirements for raw materials we purchased. Our quality control department is responsible for manage quality of our supplies. Our quality control staff will select samples from each batch of raw materials upon delivery in accordance with our internal policy and will inspect them against our quality standard. Raw materials that fail to meet our quality standards will typically be temporarily stored in a separate area before they are returned to suppliers.

INVENTORY CONTROL MEASURES

We have a warehouse at our manufacturing facility. Our inventories mainly consist of raw materials, finished goods and instruments and equipment. For our in-house products, we generally purchase raw materials based orders received. We maintain a finished goods inventory for our in-house developed products and the NIPT kits we distribute. For the latter, we usually place purchase orders of the expected purchase amount with Da An one month in advance based on our previous sales experience. It normally takes around one week from placing a purchase order with Da An to the delivery of products to our warehouse. We have established an inventory management system that monitors each stage of the warehousing process. Warehouse personnel are responsible for the inspection, storage and distribution of raw materials. Raw materials are separately stored in different areas of the warehouse according to their storage condition requirement, properties, usage and batch number.

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. We strategically protect our intellectual property rights through a variety of means, including patents and copyrights (some of which are in the application stage), as well as proprietary know-how and trade secrets to achieve the optimal protection to our intellectual property rights. We actively seek patent protection for our products. We have developed a significant portfolio of intellectual property rights to protect our technologies and products. In addition, we have adopted a number of internal control measures, such as confidential information

classification and confidential information access control, to prevent information from misappropriation. As of the Latest Practicable Date, we had registered 18 patents, 97 trademarks, 24 software copyrights and 15 domain names in China. As of the same date, we had filed 48 patent applications and 14 trademark applications in China. We had also filed three trademark applications in Hong Kong.

The following table sets forth the material patents and patent applications relating to our product portfolio.

Product/ Platform	Patent Number	Patent Name	Owner	Jurisdiction	Patent Filing Date	Patent Status	Valid Until
PGT-A Kit	201811150390.5	Method for construct single cell high-throughput sequencing library and kit thereof (單細胞高通量測序文庫構建方法及其試劑盒)	Basecare Medical Device	China	September 29, 2018	Pending	N/A
	201911424939.X	Universal connector for multiple sequencing platforms, library construction method and kit suitable for multiple sequencing platforms (一種多測序平台通用接頭、適用於多測序平台的文庫構建方法及試劑盒)	Basecare Medical Device	China	December 31, 2019	Pending	N/A
	202010060752.2	High-throughput sequencing-based reference material for detecting chromosome aneuploidy before embryo implantation and preparation method thereof (基於高通量測序的胚胎植入前染色體非整倍體檢測參考品及其製備方法)	Basecare Medical Device	China	January 19, 2020	Pending	N/A
PGT-M Kit	201811060378.5	Primer composition, kit and application for genetic hearing loss gene detection before embryo implantation (胚胎植入前遺傳性耳聾基因檢測用引物組合物、試劑盒及應用)	Basecare Medical Device	China	September 12, 2018	Pending	N/A

Product/ Platform	Patent Number	Patent Name	Owner	Jurisdiction	Patent Filing Date	Patent Status	Valid Until
	202010619134.7	Method and device for constructing genotyping evaluation model for PGT-M detection (一種用於PGT-M檢測的基因分型評估模型的構建方法及裝置)	Basecare Medical Device	China	July 1, 2020	Pending	N/A
Liquid Nitrogen Storage Dewar/ Cryostorage System	201910806634.9	Method, system, computer equipment and storage medium for managing biological sample library (生物樣本庫管理方法、系統、計算機設備和存儲介質)	Basecare Medical Device	China	August 29, 2019	Pending	N/A
	ZL201921484681.8	Suction device (吸取裝置)	Basecare Medical Device	China	September 6, 2019	Effective	September 5, 2029
	ZL201921484962.3	Clamping device (夾取裝置)	Basecare Medical Device	China	September 6, 2019	Effective	September 5, 2029
	ZL201921484202.2	Cryopreservation disk (凍存盤)	Basecare Medical Device	China	September 6, 2019	Effective	September 5, 2029
	201910840190.0	Vitrification carrier (玻璃化冷凍載體)	Basecare Medical Device	China	September 6, 2019	Pending	N/A
	201910948028.0	Automated biological sample library (自動化生物樣本庫)	Basecare Medical Device	China	October 8, 2019	Pending	N/A
	201910948044.X	Automatic liquid nitrogen tank system (自動化液氮罐系統)	Basecare Medical Device	China	October 8, 2019	Pending	N/A
	201910948051.X	Temperature reduction and heat preservation device for realizing temperature partition (一種實現溫度分區的降溫保溫裝置)	Basecare Medical Device	China	October 8, 2019	Pending	N/A
	201910948053.9	Transfer container for biological samples (生物樣本中轉容器)	Basecare Medical Device	China	October 8, 2019	Pending	N/A
	PCT/CN2019/121072	Automated biological sample library (自動化生物樣本庫)	Basecare Medical Device	China	November 26, 2019	Pending	N/A

Product/ Platform	Patent Number	Patent Name	Owner	Jurisdiction	Patent Filing Date	Patent Status	Valid Until
	PCT/CN2019/121073	Vitrification carrier (玻璃化冷凍載體)	Basecare Medical Device	China	November 26, 2019	Pending	N/A
	202030193741.2	Transfer container for biological samples (生物樣本中轉容器)	Basecare Medical Device	China	April 30, 2020	Pending	N/A
	202030192790.4	Automatic storage equipment for biological samples (生物樣本自動化存儲設備)	Basecare Medical Device	China	April 30, 2020	Pending	N/A
	202030231950.1	Biological sample storage tank (生物樣本儲存罐)	Basecare Medical Device	China	May 19, 2020	Pending	N/A

We filed four patent applications for our PGT-A kits and applied for several claims for each of the four patents. For three of our four patents applications, our PRC IP counsel is of the view that most of our claims fulfill the requirements of novelty, inventiveness and usefulness, and is optimistic of the likelihood that such claims will be granted. With respect to the patent "chromosome abnormality detection kit before embryo implantation (胚胎植入前染色體異常檢測試劑盒)", the CNIPA has rejected our application and we plan to request for reexamination of the patent rejection to the CNIPA. In our initial application, we strategically claimed a wide scope of claim requests in our application and plan to provide a detailed requires of claims during the reexamination. We believe that although certain of our patent applications are still under review by the CNIPA, we can maintain our market position without patent protection and there would be no material adverse impact to our business even if the CNIPA refuses to grant the four patents for PGT-A kit.

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

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any material claims of infringement of any intellectual property rights, in which we may be a claimant or a respondent.

AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received.

Year	Name of award or recognition	Issuing authority
2020	Suzhou Unicorn Cultivation Enterprise (蘇州市"獨角獸"培育企業)	The People's Government of Suzhou City (蘇州市人民政府)
2020	Jiangsu Technology SME Certificate (江蘇省科技型中小企業)	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳)
2019	Sunan National Innovation Demonstration Zone Potential Unicorn Enterprise (蘇南國家自主創新示範區潛在獨角獸企業)	Construction Promoting Service Center for Jiangsu Sunan National Innovation Demonstration Zone Provincial Department of Science and Technology (江蘇省蘇南國家自主創新示範區建設促進服務中心)
2019	Suzhou High-growth Innovative Cultivation Enterprise (蘇州市高成長創新型培育企業)	Suzhou Department of Science and Technology (蘇州市科學技術局)
2019	Jiangsu Little Giant Enterprise (Innovative) (江蘇省小巨人企業(創新類))	Jiangsu Provincial Department of Industry and Information Technology (江蘇省工業和信息化廳)
2018	Suzhou Reproductive Heredity Engineering Technology Research Center (蘇州市生殖遺傳工程技術研究中心)	Suzhou Science and Technology Commission (蘇州市科學技術局)
2017	High-tech Enterprise (高新技術企業)	Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance, Jiangsu Municipal Office of State Administration of Taxation and Jiangsu Local Taxation Bureau (江蘇省科學技術廳/江蘇省財政廳/江蘇省國家稅務局/江蘇省地方稅務局)
2016	Jiangsu Private Scientific and Technological Enterprise (江蘇省民營科技企業)	Jiangsu Association of Private Scientific and Technological Enterprises (江蘇省民營科技企業協會)
2015	Golden Rooster Lake Double Hundred Talent Plan-Technology Leading Talent (金雞湖雙百人才計劃–科技領軍人才)	Chinese Communist Party's Committee of Suzhou Industrial Park (中共蘇州工業園區工作委員會)/The Management Committee of Suzhou Industrial Park (蘇州工業園區管理委員會)

EMPLOYEES

As of the Latest Practicable Date, we had 185 full-time employees, all of whom were located in China. We believe that well-educated employees with extensive industry experience are essential to our overall business operation and the research and development of our products. The following table sets forth the number of our employees by function as of the Latest Practicable Date.

	Number of employees
Research and development	73
Management and administrative	19
Manufacturing	14
Sales and marketing	16
Quality control	9
Technology supporting	54
Total	185

We recruit our personnel primarily through recruiting websites, recruiters and job fairs. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

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

During the Track Record Period, we did not experience any material labor disputes or strikes that may had a material and adverse effect on our business, financial condition or results of operations.

ENVIRONMENTAL MATTERS

We are subject to various PRC environmental laws and regulations, the implementation of which involves regular inspections by local environmental protection authorities. Our current and future production processes generate noise, solid waste, exhaust gas and wastewater. To lower our environmental impact, we have (1) established various guidelines governing manufacturing procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes to ensure such guidelines are strictly enforced for the disposal of manufacturing materials and wastes; and (2) cooperated with professional third-party

environmental protection companies for waste resources disposal. We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees and communities. We have established an environmental protection department and adopted specific environmental protection policies to make our operations more energy efficient and environmentally friendly and to ensure effective compliance with applicable PRC environmental laws and regulations.

During the Track Record Period, our expenses in relation to environmental compliance matters were minimal. For the year ended December 31, 2018, 2019 and the nine months ended September 30, 2020, our expenses in relation to environmental compliance matters were approximately nil, RMB24,000 and RMB19,000, respectively. We expect our cost of compliance with applicable PRC environmental laws, regulations and policies for 2020 will increase by 30% as we initiated commercial-scale production for our PGT-A kit.

OCCUPATIONAL HEALTH AND WORK SAFETY

We are subject to PRC laws and regulations in respect of employee health and safety. To ensure that our operations are in compliance with applicable laws and regulations, we have established a series of policies and procedures with respect to health and work safety, which primarily include policies regulating safe production, operation of specialized equipment and personnel, dangerous production activities, hazardous materials, fire safety, detection and management of safety risks and on-site safety risk inspection. Our employees with specified responsibilities, including handling certain equipment are required to hold relevant qualifications. In addition, we regularly evaluate our equipment and manufacturing facility to ensure their safety for our operations. We also conduct periodic and annual training for employees to strengthen their awareness and knowledge on safety procedures and accident prevention.

During the Track Record Period, we did not receive any material administrative penalties as a result of the violation of laws and regulations relating to occupational health and work safety. During the Track Record Period, we did not experience any material accidents during our production process.

PROPERTIES

We are headquartered in Suzhou, Jiangsu province. As of the Latest Practicable Date, we did not own any properties and we leased two properties with an aggregate gross floor area of 7,635 square meters from Independent Third Parties in China. The following table sets forth the details of our leased properties as of the Latest Practicable Date:

Location	Use	Gross Floor Area *(Square meters)*	Lease Term
Room 101, 102, Building A3, 218 Xinghu Street, Suzhou Industry Park, Suzhou, Jiangsu Province, China	R&D, manufacturing, offices	6,271	January 1, 2021 to August 31, 2023
Room 201, Building B3, 218 Xinghu Street, Suzhou Industry Park, Suzhou, Jiangsu Province, China	R&D, manufacturing, offices	1,364	February 1, 2020 to January 31, 2023

As of the Latest Practicable Date, we had duly registered all of the lease agreements with the relevant regulatory authorities. During the Track Record Period, we did not experience any material disputes arising out of our leased properties.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of December 31, 2019, we had no single property with a carrying amount of 15% or more of our total assets.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practice in the PRC, we have elected not to maintain certain types of insurance, such as business interruption insurance or key man insurance. We have purchased product liability insurance for our PGT-A kit since March 2020, which provides coverage of up to RMB400,000 per policy for patients using our products. Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with the industry practice in the PRC.

LICENSES, PERMITS AND APPROVALS

We operate in a heavily regulated industry. As a result, we are required to obtain various licenses, permits and certifications for our operations. Our PRC Legal Advisors has advised us that, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from, and completed registrations with the relevant government authorities that are material for our current business operations in the PRC pursuant to the relevant laws and regulations or the requirements of the competent authority.

The following table set forth details of the major licenses, permits and approvals required for our operations.

License/Permit/ Approval	Holder	Issuing Authority	Issuance Date	Expiration Date
Registration Certificate for Class III Medical Devices (第三類醫療器械註冊證)	Basecare Medical Device	NMPA	February 21, 2020	February 20, 2025
Permit for the Medical Device Production (醫療器械生產許可證)	Basecare Medical Device	Jiangsu Medical Products Administration	March 24, 2020	March 23, 2025
Record-filing Proof for Class I In Vitro Diagnostic Reagents (第一類體外診斷試劑備案信息表)	Basecare Medical Device	Suzhou Administration on Market Regulation	March 9, 2020	N/A
Record-filing Proof for Production of Class I Medical Devices (第一類醫療器械生產備案憑證)	Basecare Medical Device	Suzhou Administration on Market Regulation	April 1, 2020	N/A
Record-filing Proof for Operation of Class II Medical Devices (第二類醫療器械經營備案憑證)	Basecare Medical Device	Suzhou Administration on Market Regulation	April 3, 2020	N/A
Business Operation License of Medical Devices (醫療器械經營許可證)	Basecare Medical Device	Suzhou Administration on Market Regulation	September 8, 2020	September 7, 2025

COMPETITION

The third-generation IVF market in China is relatively nascent and rapidly growing. While the NMPA registration of our PGT-A kit gives us a first-mover advantage in this market, we face potential competition from many different entities, including international and domestic biotechnology companies. We compete primarily based on our product portfolio, technologies, ability to commercialize products and brand recognition.

Our key competitors vary by genetic test kits types. Most of our genetic test kits currently do not have competing products that have obtained NMPA Class III medical device registration certificates in China. However, any products that we successfully develop and commercialize may face competition in the future. For further details of market opportunities and competition in respect of our product portfolio, see "—Our Product Portfolio."

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period and up to the Latest Practicable Date, neither we nor any of our Directors were involved in any litigation, arbitration or administrative proceedings which had a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which would have a material and adverse impact on our business, financial condition or results of operations.

As advised by our PRC Legal Advisors, during the Track Record Period and as of the Latest Practicable Date, there were no breaches or violations of applicable PRC laws and regulations that would have a material and adverse impact on our business or results of operation taken as a whole. We have formed a compliance culture by implementing various measures and processes to ensure that the behavior of our employees meets compliance requirements and our compliance culture is embedded into our everyday workflow.

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks during our operations, see "Risk Factors—Risks Relating to Our Business and Industry." We have established a consolidated risk management system and relevant policies and procedures which we consider suitable for our business operations. Our policies and procedures are aimed at managing and monitoring our business performance.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members: Mr. YU Kwok Kuen Harry, chairman of the committee, Dr. KANG Xixiong and Mr. WANG Weiping. For the qualifications and experiences of these members, see "Directors, Supervisors and Senior Management";

- adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;

- provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations; and

- arrange our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a Hong Kong-listed company.

We have appointed an internal control consultant to review the effectiveness of our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. During the review process of our internal control consultant, certain internal control matters were identified, and we have adopted corresponding internal control measures to improve on these matters. We have adopted the recommendations made by the internal control consultant and our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions taken by us in September 2020 and have not identified any material deficiencies in our internal control system.

BOARD OF DIRECTORS

Our Board of Directors comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The following table sets out information in respect of the Directors of our Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
LIANG Bo (梁波)	40	Executive Director	December 14, 2010	December 14, 2010	Responsible for the overall management of the business strategy, corporate development and research and development of our Group
KONG Lingyin (孔令印)	40	Executive Director	June 7, 2011	June 15, 2016	Responsible for the research and development and regulatory filing activities of our Group
RUI Maoshe (芮茂社)	32	Executive Director	November 17, 2014	November 5, 2018	Responsible for the operation management and customer service of our Group
XU Wenbo (徐文博)	36	Non-executive Director	November 5, 2018	November 5, 2018	Responsible for supervising and providing independent judgement to our Board

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
ZHANG Jiecheng (張劼鋮)	31	Non-executive Director	July 23, 2020	July 23, 2020	Responsible for supervising and providing independent judgement to our Board
WANG Weipeng (王偉鵬)	32	Non-executive Director	September 2, 2016	September 2, 2016	Responsible for supervising and providing independent judgement to our Board
KANG Xixiong (康熙雄)	68	Independent non-executive Director	January 16, 2021	January 16, 2021	Responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group
HUANG Taosheng (黃濤生)	59	Independent non-executive Director	January 16, 2021	January 16, 2021	Responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group
YU Kwok Kuen Harry (余國權)	51	Independent non-executive Director	January 16, 2021	January 16, 2021	Responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group

Executive Directors

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

Dr. Liang has over ten years of experience in bioinformatics and in the reproductive science industry, and has led the development of NIPT and high-throughput sequencing, as well as the development and regulatory application of NGS products. Dr. Liang is currently a part-time research fellow at the National Research Center for Assisted Reproduction and Eugenics (國家輔助生殖與優生工程技術研究中心), the only national level research institution in this field in China, the Secretary General of the Genetic Counseling Capacity Building Committee of Capacity Building and Continuing Education Center of Committee of the National Health Commission (國家衛生健康委能力建設和繼續教育中心), a standing committee member of the Reproductive Medicine Professional Committee of the Chinese Non-government Medical Institutions Association (中國非公立醫療機構協會) and a secretary of the Genetic Consulting Branch of Chinese Genetic Society (中國遺傳學會遺傳諮詢分會). Dr. Liang also received an award of Leading Talents in Science and Technology from Suzhou Industrial Park Working Committee of CPC Suzhou Industrial Park Management Committee (中共蘇州工業園區工作委員會蘇州工業園區管理委員會) in December 2015. Dr. Liang has published more than 20 papers in academic journals such as *Fertility and Sterility*, which highlights Dr. Liang's outstanding academic and R&D capabilities.

Dr. Liang also previously served as the director and general manager of Suzhou Chaoyun, the director of Benxi Medical Laboratory, the chairman of Shandong Medical Laboratory and the general manager of Suzhou Laman Medical Equipment Co., Ltd. (蘇州拉曼醫療器械有限公司). After graduating from University of Melbourne in August 2007 and before founding our Group in December 2010, he mainly engaged in comprehensive preparation work for our Group's business, including, among others, in-depth industry research and communication with potential business partners.

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

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

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

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

Mr. RUI Maoshe (芮茂社), aged 32, was appointed as a Director on November 5, 2018. He has also been serving as our chief operating officer since June 1, 2017. Mr. Rui is primarily responsible for the operation management and customer service of our Group. Dr. Kong also serves as the operation director of Basecare Medical Device.

Before joining our Group, from September 2011 to November 2014, Mr. Rui worked at Nanjing BGI Genomics Co., Ltd. (南京華大基因科技有限公司) where he was responsible for training and operations.

Mr. Rui received his bachelor's degree in biological engineering from Qufu Normal University (曲阜師範大學) in the PRC in June 2011.

Non-executive Directors

Mr. XU Wenbo (徐文博), aged 36, was appointed as a Director on November 5, 2018. Mr. Xu is primarily responsible for supervising and providing independent advice to our Board.

Mr. Xu has also been serving as the chairman and founding partner at Broad Vision Funds (博華資本) since September 2017 and an independent director at BlueFocus Communication Group Co., Ltd (北京藍色光標數據科技股份有限公司), a public relations consulting and advertising company listed on the Shenzhen Stock Exchange (Stock Code: 300058) since May 2020.

Mr. Xu received his bachelor's degree in law from Peking University (北京大學) in the PRC in July 2007 and his master's degree in law from University of California, Berkeley in the U.S. in May 2010.

Mr. ZHANG Jiecheng (張劼鋮), aged 31, was appointed as a Director on July 23, 2020. Mr. Zhang is primarily responsible for supervising and providing independent advice to our Board.

Mr. Zhang joined Hillhouse Capital Group in June 2015 and is currently serving as an executive director of Hillhouse Capital Group.

Mr. Zhang received his bachelor's degree in management from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2012.

Mr. WANG Weipeng (王偉鵬), aged 32, was appointed as a non-executive Director on September 2, 2016. Mr. Wang is primarily responsible for supervising and providing independent advice to our Board.

Mr. Wang has been working at Shenzhen Qianhai Hengrui Fangyuan Investment Management Co., Ltd. (深圳前海恒瑞方圓投資管理有限公司) since April 2015 and has been serving as the general manager since March 2019. From July 2011 to April 2015, Mr. Wang worked at the Harbin Sales Department of China Minze Securities Co., Ltd. (中國民族證券有限責任公司), currently known as Founder Securities Underwriting Sponsor Co., Ltd. (方正證券承銷保薦有限責任公司).

Mr. Wang received his bachelor's degree in accounting from Harbin University of Commerce (哈爾濱商業大學) in the PRC in July 2012.

Independent Non-executive Directors

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

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

Dr. Kang has been an executive director of Suzhou Niuai Health Technology Co., Ltd (蘇州紐艾健康科技有限公司), a company mainly engaged providing urine dry chemistry test devices, since July 2020, a director of Shanghai Baiao Technology Co., Ltd (上海百傲科技股份有限公司), a company listed on the National Equities Exchange and Quotations (Stock Code: 430353), since May 2019, an independent director of Jidan Biotechnology Co., Ltd (基蛋生物科技股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 603387), since November 2014, an independent director of Guangzhou Yangpu Medical Technology Co., Ltd. (廣州陽普醫療科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300030), since May 2017, an independent director of Boai Xinkaiyuan Medical Science and Technology Group Co., Ltd (博愛新開源醫療科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300109), since September 2019, and an independent director at Sannuo Bio-sensing Co., Ltd (三諾生物傳感股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300298), since December 2019.

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

Dr. HUANG Taosheng (黃濤生), aged 59, was appointed as an independent 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 at University of Cincinnati, the director of Mitochondrial Medicine Program and a director at Molecular Diagnostic Laboratory of Division of Human Genetics at Cincinnati Children's Hospital Medical Center.

Dr. Huang did his pediatrics residency at Georgetown University Medical Center from July 1993 to June 1996. He completed his clinical genetics and clinical molecular genetics fellowship at Harvard Medical School in June 1999.

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

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

Mr. YU Kwok Kuen Harry (余國權), aged 51, was appointed as an independent non-executive Director on January 16, 2021. Mr. Yu is primarily responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group.

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

Mr. Yu has been serving as an independent non-executive director of China Risun Group Limited (中國旭陽集團), a company listed on the Stock Exchange (Stock Code: 1907), since September 2018 and an independent non-executive director at Impro Precision Industries Limited (鷹普精密工業有限公司), a company listed on the Stock Exchange (Stock Code: 1286), since April 2019.

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

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

BOARD OF SUPERVISORS

The Board of Supervisors comprises three members. The following table sets out information in respect of the Supervisors of our Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a Supervisor	Roles and responsibilities
HUANG Bing (黃冰)	28	Supervisor	June 1, 2015	August 26, 2020	Responsible for supervising the compliance of the business operations of our Group
LIN Yi (林藝)	51	Supervisor	August 26, 2020	August 26, 2020	Responsible for supervising the compliance of the business operations of our Group
ZHU Tingting (朱婷婷)	27	Supervisor	June 1, 2015	August 26, 2020	Responsible for supervising the compliance of the business operations of our Group

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

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

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

Dr. Lin has been serving as a managing partner of Suzhou Industry Park Yuanfu Venture Capital Management Corporation (Limited Partnership) (蘇州工業園區元福創業投資管理企業(有限合夥)), since June 2016. From September 2015 to June 2016, Dr. Lin served as an executive director at Riverhead Capital Investment Management Co., Ltd. (陽光融匯資本投資管理有限公司). Dr. Lin worked at Korea Investment Partners (Shanghai) Venture Capital Management Co., Ltd. (韓投夥伴(上海)創業投資管理有限責任公司) until September 2015. From April 2011 to August 2014, Dr. Lin served as an executive director and partner of ePlanet Ventures Investment Group (Hong Kong) Limited Beijing Representative Office (壹普蘭投資(香港)有限公司北京代表處). From May 2009 to March 2011, Dr. Lin served as an executive director at Mingly China Growth Fund (名力中國成長基金). In August 2002, Dr. Lin founded Beijing Eastwin Innovation Biotechnology Co., Ltd. (北京東勝創新生物科技有限公司) and served as a vice president until December 2008.

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

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

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

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out information in respect of the senior management members of our Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a senior management member	Roles and responsibilities
LIANG Bo (梁波)	40	General manager	December 14, 2010	December 14, 2010	Responsible for the overall management of the business strategy, corporate development and research and development of our Group
KONG Lingyin (孔令印)	40	Chief technical officer	June 7, 2011	June 15, 2016	Responsible for the research and development and regulatory filing activities of our Group
RUI Maoshe (芮茂社)	32	Chief operating officer	May 1, 2014	November 5, 2018	Responsible for the operation management and customer service of our Group
DAI Jing (戴靜)	33	Chief financial officer	August 24, 2020	August 26, 2020	Responsible for the finance, budgeting and internal control of our Group

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

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

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

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

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

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

Save as disclosed above, none of the Directors, Supervisors or senior management members has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

As of the Latest Practicable Date and save as disclosed above, (i) none of the Directors, Supervisors or members of the senior management of our Company is related to any other Directors, Supervisors and members of the senior management, and (ii) there is no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

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

Mr. Lok Kwan YIM (嚴洛鈞) was appointed as our joint company secretary on August 31, 2020. Mr. Yim is a manager of SWCS Corporate Services Group (Hong Kong) Limited and has over eight years of experience in the corporate services field.

Mr. Yim obtained his bachelor's degree in accounting from Hong Kong Shue Yan University in July 2020 and his master degree in corporate governance from Hong Kong Polytechnic University in September 2016. Mr. Yim is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators).

BOARD COMMITTEES

Our Company has established three committees under the Board pursuant to the laws and regulations of the PRC and corporate governance practice requirements under the Listing Rules, including the audit committee, the remuneration and appraisal committee and the nomination committee.

Audit committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and to advise the Board. The audit committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. YU Kwok Kuen Harry, Dr. KANG Xixiong and Mr. WANG Weipeng. Mr. YU Kwok Kuen Harry, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and appraisal committee

We have established a remuneration and appraisal committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration and appraisal committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration and appraisal committee comprises one executive Director and two independent non-executive Directors, namely Dr. Liang, Mr. YU Kwok Kuen Harry and Dr. KANG Xixiong. Dr. KANG Xixiong is the chairman of the committee.

Nomination committee

We have established a nomination committee in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises one executive Director and two independent non-executive Directors, namely Dr. Liang, and Dr. KANG Xixiong and Mr. YU Kwok Kuen Harry. Dr. Liang is the chairman of the committee.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In view of Dr. Liang's experience, personal profile and his roles in our Group as mentioned above and that Dr. Liang has assumed the role of general manager of our Group since our incorporation, our Board considers it beneficial to the business prospect and operational efficiency of our Group that upon Listing, Dr. Liang acts as the chairman of our Board and continues to act as the general manager of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Listing Rules, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors, and we believe that there is sufficient check and balance in our Board; (ii) Dr. Liang and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer (or general manager) is necessary.

Our Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of Shareholders. Save as disclosed above, our Directors consider that upon Listing, we will comply with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE

We have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

For details on the service agreements signed between our Company and our Directors and Supervisors, please see "Appendix VI—Statutory and General Information—C. Further Information about Our Directors, Supervisors and Substantial Shareholders—1. Directors and Supervisors—(ii) Particulars of service agreements" to this prospectus.

For the two financial years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, the total amount paid by us for payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) to our Directors were approximately RMB20.8 million, RMB1.6 million and RMB7.2 million, respectively. For remuneration details of all Directors during the Track Record Period, please refer to Note 8 to the Accountants' Report as set out in Appendix I to this prospectus.

For the two financial years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, the total amount paid by us for payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) to our Supervisors was nil, nil and nil, respectively.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) to be paid by us to our Directors and Supervisors for the financial year ending December 31, 2021 is expected to be approximately RMB6.5 million.

The remuneration of our Directors and Supervisors has been determined with reference to the salaries of comparable companies and their experience, duties and performance.

For the two financial years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, the five highest remuneration individuals of our Company included one, three, and three Directors, respectively, their remunerations were included in the total amount paid by us for the emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) of the relevant Directors.

For the two financial years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, the total amount of remuneration and benefits in kind (if applicable) paid by us to the five highest remuneration individuals were approximately RMB22.9 million, RMB2.3 million and RMB7.8 million, respectively.

During the Track Record Period, no remuneration was paid to the Directors or Supervisors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, the Directors or past directors of our Company, Supervisors or past supervisors or the five highest paid individuals for the loss of office as Director or Supervisor of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of the Directors or Supervisors had waived any remuneration and/or emoluments during the Track Record Period.

Save as disclosed above, no Director or Supervisor is entitled to receive other special benefits from our Company.

BOARD DIVERSITY

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

We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. In particular, our chief financial officer, who is responsible for the finance, budgeting and internal control of our Group, is female and forms part of our senior management team. Going forward, we will continue to work to enhance gender diversity of our Board. Our Board will use its best endeavors to appoint female directors to our Board after Listing (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles) and our nomination committee will use its best endeavors and on suitable basis to, within one year after Listing, identify and recommend multiple suitable

female candidates to our Board for its consideration on appointment of a Director. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

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

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

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into employment contracts, confidentiality agreements and non-competition agreements with our senior management members and other key personnel. Below sets forth the key terms of these contracts we enter into with our senior management and other key personnel.

Non-competition

Within 12 months from the date of the employee's departure (the "**Non-compete Period**") and during the course of employment by our Group, he/she shall not, among others, (i) be engaged by, hold equity or beneficiary interests in, receive services or benefit from, provide services or consultation to, or cooperate with any entity that (a) competes with us or (b) is invested or controlled, directly or indirectly, by the entities that compete with us, (ii) engage in any business that competes with us, or (iii) directly or indirectly, in any other entity, hold positions that are the same or similar to the position held by the employee in our Group. In addition, the employee shall not have any business connection with any our customer during the Non-compete Period.

We will pay monthly compensation to the relevant employee during the Non-compete Period.

Confidentiality

The employee shall keep in confidence and shall not disclose our trade secrets, including but not limited to our technical information and operational information in confidence during the term of their employment and thereafter.

Service Invention

The intellectual property rights in any invention, work or non-patent technical result that is (i) resulted from performing employee duties or (ii) developed mainly using our material, technologies and information shall belong to us.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and medical device industries. However, as these non-executive Directors are neither our Controlling Shareholders nor members of our executive management team, we believe that their interests in such companies as directors would not render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

OVERVIEW

As of the Latest Practicable Date, Dr. Liang, directly and through Basecare Investment, was entitled to exercise the voting rights attaching to approximately 45.66% of the total issued Shares of our Company. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), directly and through Basecare Investment, Dr. Liang will be entitled to exercise the voting rights attaching to approximately 34.25% of the total issued Shares of our Company. Accordingly, Dr. Liang and Basecare Investment will continue to be our Controlling Shareholders upon the Listing.

Basecare Investment is a limited partnership incorporated in the PRC on May 23, 2016 whose beneficial owners are certain former employees, employees and advisors of our Group with Dr. Liang acting as the sole general partner and was owned by Dr. Liang as to approximately 58.31% as of the Latest Practicable Date. For background of Dr. Liang, please see "Directors, Supervisors and Senior Management" of this prospectus.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Each of our Controlling Shareholders has confirmed that, as of the Latest Practicable Date, none of them had any interest in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

Non-Competition

Each of our Controlling Shareholders has undertaken to us, for the benefit of our Group, 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 (the "**Restricted Business**"). 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.

The above undertaking does not preclude our Controlling Shareholders and their close associates from:

(i) having an aggregate interest in not more than 10% of the total issued share capital of any public company (whose shares are listed on the Stock Exchange or any recognized exchange) or private company (whose shares are not listed on any stock exchange) which is engaged in any business that directly or indirectly competes, or may compete with the Restricted Business, provided that our Controlling

Shareholders and their close associates do not have the right to nominate 50% or more members or control the voting rights (including but not limited to control the casting vote) of the board of directors of such public or private companies; or

(ii) participating in any Competing Business Opportunities (as defined below) if our Group has declined the Competing Business Opportunities or no written notice has been received from our Group of our decision to pursue or decline the Competing Business Opportunity that we shall be deemed to have declined the Competing Business Opportunity as set out below.

Options for Competing Business Opportunities

Each of our Controlling Shareholders has undertaken that if any new business/investment opportunity relating to the Restricted Business (the "**Competing Business Opportunity**") is identified by/made available to it/him or any of its/his close associates, it/he shall, and shall procure that its/his close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the "**Offer Notice**") to our Company of such Competing Business Opportunity within 60 days of identifying the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from a board committee consisting of Directors who do not have an interest in the Competing Business Opportunity, at least one of whom has appropriate industry background or related expertise (the "**Independent Board Committee**") as to whether to pursue or decline the Competing Business Opportunity;

- any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board Committee) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity;

- the Independent Board Committee shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board Committee may appoint independent financial advisors, industry consultant and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board Committee shall, within 30 Business Days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;

- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if it or he has received a notice from the Independent Board Committee declining such Competing Business Opportunity or if the Independent Board Committee failed to respond within such 30 Business Days' period mentioned above;

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, it/he shall refer such revised Competing Business Opportunity to our Company as if it was a new Competing Business Opportunity; and

- our Controlling Shareholders shall not charge us for the referral of the Competing Business Opportunity.

Further Undertakings

In order to promote good corporate governance practices and to improve transparency, the Non-Competition Undertaking includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Non-Competition Undertaking by our Controlling Shareholders;

- each of our Controlling Shareholders has undertaken to us that it/he will provide and procure its/his close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Non-Competition Undertaking;

- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Non-Competition Undertaking in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;

- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;

- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Non-Competition Undertaking; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Non-Competition Undertaking, it/he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

The Non-Competition Undertaking will lapse automatically if (i) our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights, provided that our Controlling Shareholders and their close associates do not have the right to nominate 50% or more members of our Board or control the voting rights (including but not limited to control the casting vote) of the Board; or (ii) our Shares cease to be listed on the Stock Exchange.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders after the Listing.

Management Independence

Our Board will be comprised of three executive Directors, three non-executive Directors and three independent non-executive Directors upon Listing. Please see "Directors, Supervisors and Senior Management" for further details. None of our Directors or members of senior management serves as a director or a member of senior management in any close associate of our Controlling Shareholders.

Our Directors are of the view that our Board and the senior management of our Group are able to perform their roles independently from our Controlling Shareholders for the following reasons:

- our Company has been operated and managed by a senior management team of professional executives and will continue to be operated as an integrated unit under the same executive Directors and senior management. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a stand-alone basis;

- according to the Articles of Association, with respect to any matters of conflict or potential conflict of interest which involve a transaction between our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall not be counted towards the quorum for the voting;

- we have appointed three independent non-executive Directors to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisors at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates;

- each of our Directors is aware of his fiduciary duties and responsibilities under the Listing Rules as a director, which require that he/she acts in the best interests of our Company and our Shareholders as a whole; and

- where a Shareholders' meeting is held to consider a proposed transaction in which our Controlling Shareholders have a material interest, our Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs. We have opened accounts with banks independently and do not share any bank accounts with our Controlling Shareholders or their close associates. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and a credit profile to support our daily operations.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Based on the above, we are of the view that there is no financial dependence on our Controlling Shareholders and their close associates.

Operational Independence

Our Group holds all of the relevant material licenses, qualifications and permits required for conducting our business. We have access to customers and suppliers independent of our Controlling Shareholders. We have our own accounting and financial department, human resources and administration department, internal control department and technology department (including research and development function) which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently and are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the Listing.

CORPORATE GOVERNANCE MEASURES

We will comply with the provisions of the Corporate Governance Code set forth in Appendix 14 to the Listing Rules, which sets out the principles of good corporate governance.

Each of our Controlling Shareholders has confirmed that they fully comprehend each of their obligations to act in the best interests of our Company and our Shareholders as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- where a board meeting or Shareholders' meeting is to be held for considering proposed transactions in which any of our Directors or Controlling Shareholders or any of their respective close associates has a material interest, the relevant Director or Controlling Shareholder will not vote on the relevant resolutions;

- we have established internal control mechanisms to identify connected transactions. Upon the Listing, if we enter into connected transactions with any Controlling Shareholder or any of their associates, we will comply with the applicable Listing Rules;

- the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and any Controlling Shareholder (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

- our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

- our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;

- where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

- we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

OVERVIEW

We will continue to engage in certain transactions with our connected persons upon Listing which will constitute a continuing connected transaction under Chapter 14A of the Listing Rules.

RELEVANT CONNECTED PERSONS

Connected Person	Connected relationship
Suzhou Double Helix	As of the Latest Practicable Date, Suzhou Double Helix was owned as to 3.5% by Ms. LIANG Ping (梁萍), the sister of Dr. Liang and 66.5% by Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) (蘇州雙螺旋企業管理合夥企業(有限合夥)), which was owned as to 99% by Ms. LIANG Ping as the general partner. Suzhou Double Helix is therefore an associate of Dr. Liang and thus a connected person of our Company.
Suzhou Medical Laboratory	As of the Latest Practicable Date, Suzhou Medical Laboratory was wholly owned by Suzhou Double Helix. Suzhou Medical Laboratory is therefore an associate of Dr. Liang and thus a connected person of our Company.
Shandong Medical Laboratory	As of the Latest Practicable Date, Shandong Medical Laboratory was owned as to 85% by Suzhou Double Helix. Shandong Medical Laboratory is therefore an associate of Dr. Liang and thus a connected person of our Company.
Benxi Medical Laboratory	As of the Latest Practicable Date, Benxi Medical Laboratory was owned as to 51% by Suzhou Double Helix. Benxi Medical Laboratory is therefore an associate of Dr. Liang and thus a connected person of our Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Following the Listing, the following transaction will be regarded as a continuing connected transaction subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Master Sales Agreement

Principal Terms

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

During the Track Record Period, we provided genetic testing services to hospitals and reproductive clinics that did not have their own laboratories through the Connected Medical Laboratories. As part of our efforts to focus on our positioning as a R&D-focused provider of genetic testing solutions, rather than a provider of testing services and also considering that the Connected Medical Laboratories engage in genetic diagnosis and treatment business, in which foreign investment is prohibited under the Negative List, as advised by our PRC Legal Advisors, we disposed of the Connected Medical Laboratories, together with their operations, to Suzhou Double Helix during the Track Record Period. For details, see "History and Corporate Structure—Acquisitions, Mergers and Disposals."

The Master Sales Agreement has an initial term commencing from the Listing Date to December 31, 2023. Subject to compliance with Listing Rules and applicable laws and regulations, the Master Sales Agreement may be renewed for a further term of three years from time to time, unless our Company notifies Suzhou Double Helix to the contrary with 30 days' written notice prior to the expiry of the agreement or the Master Sales Agreement is terminated as required by applicable laws, regulations, requirements of the securities regulatory authorities, or judgment or decision of any competent court. Upon renewal of the Master Sales Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

Pursuant to the terms of the Master Sales Agreement, our sale of test kits will be made on the basis of individual orders specifying the type of product, purchase volume, delivery date etc. Genetic test kits will be sold to the Connected Medical Laboratories for scientific research purposes only before obtaining the relevant medical device registration certificate from the NMPA.

The Master Sales Agreement is a framework agreement which provides the mechanism for operation of the transactions described therein. Separate underlying agreements will be entered into between the parties to set out the detailed terms of the transactions based on the principles and within the parameters provided under the Master Sales Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

Pricing Policy

Under the Master Sales Agreement, the sales price of test kits shall be determined by the parties after arm's length negotiations with reference to (i) the production cost, including the cost of raw materials and selling and administrative expenses incurred in connection with the production of test kits, and (ii) the prevailing market price of the relevant genetic testing services. The prices of the test kits offered by our Group to the Connected Medical Laboratories have been and will be no more favorable than those available to our other independent customers.

Payment terms

Payments of the fees payable under the Master Sales Agreement shall be made within three months following the delivery of products and issuance of invoices by our Group. The payment terms offered by our Group to the Connected Medical Laboratories have been and will be no more favorable than those available to our other independent customers.

Reasons for and Benefits of the Transaction

The principal activities of our Group is providing genetic testing solutions for assisted human reproduction. Each of the Connected Medical Laboratories is one of the leading reproductive genetic testing service providers, according to the F&S Report. Being a supplier of relevant test kits for the Connected Medical Laboratories, our Group has benefited from working with the Connected Medical Laboratories. Our Group has established a long-term and stable relationship with the Connected Medical Laboratories. Such relationship is fair and reasonable, beneficial for the stable operation and business expansion of our Group and in the interests of our Company and the Shareholders as a whole.

Historical Transaction Amounts

The Connected Medical Laboratories were members of our Group for the majority of the Track Record Period and our historical transactions (including inter-group transactions) with the Connected Medical Laboratories consisted of both direct sales of pre-approval test kits for scientific research purposes and provision of testing services using our test kits. There was no specific internal policy regarding our sales arrangement with the Connected Medical Laboratories. The method for provision of genetic testing solutions was selected on a case-by-case basis for each transaction after considering, among others, the then service provision capacity of the Connected Medical Laboratories and our genetic testing team and our internal resource allocation. As such, there was fluctuation in the proportion of the two sales arrangements between our Group and the Connected Medical Laboratories during the Track Record Period.

As part of our efforts to focus on our positioning as an R&D-focused provider of genetic testing solutions, rather than a provider of testing services, our sales arrangement with the Connected Medical Laboratories with respect to the genetic test kits was adjusted after we disposed of the Connected Medical Laboratories. We no longer provide the genetic testing services to the Connected Medical Laboratories and only sell genetic test kits to the Connected

Medical Laboratories. The following table sets forth historical transaction amounts for providing genetic testing solutions to the Connected Medical Laboratories (including the sales of test kits and provision of testing services) during the Track Record Period (before any intercompany elimination):

	Year ended December 31,		Nine months ended September 30,
	2018	**2019**	**2020**[(1)]
	(RMB in thousands)		
PGT-A kit			
Pre-approval sales for scientific research purposes	772	–	1,680
Post-approval sales	–	–	6,619
Genetic testing services	–	1,238	–
Other test kits			
Pre-approval sales for scientific research purposes	2,848	2,435	9,799
Genetic testing services	–	1,492	92
Total	3,620	5,165	18,190

Note:

(1) Since the three Connected Medical Laboratories were disposed on April 24, 2020, May 29, 2020 and June 24, 2020, respectively, we still recorded transaction amounts with the Connected Medical Laboratories for provision of genetic testing services for the nine months ended September 30, 2020.

Annual Caps

The following table sets forth proposed annual caps for the transaction amount for the transactions contemplated under the Master Sales Agreement:

Year ending December 31,		
2021	**2022**	**2023**
	(RMB in thousands)	
57,000	88,000	150,000

The proposed annual caps are in line with the development and manufacturing plan of our Group. Considering the nature of the transactions under the Master Sales Agreement, the transaction amounts are expected to increase along with the development and commercialization of our core product and product candidates. Since (i) our sales arrangement with the Connected Medical Laboratories was adjusted in 2020 as disclosed above, and (ii) our PGT-A kit has just commenced commercial sales in April 2020 and we expect to further advance the sales of PGT-A in the near future, the historical amounts for the historical sales of genetic test kits to the Connected Medical Laboratories during Track Record Period may not be directly comparable to the proposed annual caps. As our Company has obtained the NMPA

registration certificate for our PGT-A kit, there will not be any future pre-approval sales for PGT-A kit to the Connected Medical Laboratories. The other genetic testing kits will be sold to the Connected Medical Laboratories for scientific purpose only before we obtain the relevant registration certificate from the NMPA.

The proposed annual caps for the sales of test kits under the Master Sales Agreement have been estimated based on the following factors:

(i) historical transaction amounts with, and the historical purchase volume of test kits by, the Connected Medical Laboratories;

(ii) the historical or expected future unit price of our test kits and the expected increase of the potential price fluctuations;

(iii) the estimated purchase volume for test kits (including the commercial sales of PGT-A kit and the pre-approval sales of other test kits) of the Connected Medical Laboratories after taking into account (i) the current and the possible increase in the testing capacity of the Connected Medical Laboratories, and (ii) the R&D and registration progress of our product candidates and our marketing and commercialization plans for the next three years; and

(iv) the strong growth and extensive market potential of the PRC reproductive genetic testing service industry.

Listing Rules requirements

As the highest of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 5%, the transactions under the Master Sales Agreement will constitute a continuing connected transaction subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

As the transactions contemplated under the Master Sales Agreement are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement, circular and independent shareholders' approval requirements in respect of the above non-exempt continuing connected transaction. In the event of any future amendments to the Listing Rules imposing more stringent requirements

than those applicable as of the Latest Practicable Date on the non-exempt continuing connected transaction referred to above, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the opinion that (i) the non-exempt continuing connected transaction as set out above has been entered into, and will be carried out, in the ordinary and usual course of business of our Company and on normal commercial terms or better to us and are fair and reasonable and are in the interest of our Company and our Shareholders as a whole; and (ii) the proposed caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transaction described above, and for which waiver has been sought, has been entered into in the ordinary and usual course of business of our Company on normal commercial terms or better to our Company, and are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and (ii) the proposed caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons are expected to have an interest and/or short positions in the Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

LONG POSITIONS IN THE SHARES OF OUR COMPANY

		As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming Over-allotment Option is not exercised)		
Name of Substantial Shareholder	**Nature of interest**	**Number and Class of Shares**	**Approximate percentage of interest in our Company**	**Number and Class of Shares**	**Approximate percentage of interest in our Company**	**Approximate percentage of interest in the relevant class of Shares of our Company**
H Shares						
Hillhouse HK[1]	Beneficial owner	13,636,358 Unlisted Foreign Shares	6.82%	6,006,010 H Shares; 7,630,348 Unlisted Foreign Shares	5.11%	8.11% *(H Shares)*; 3.96% *(Domestic Shares and Unlisted Foreign Shares)*
Domestic Shares and Unlisted Foreign Shares						
Dr. Liang[2]	Beneficial owner Interest in a controlled corporation	91,322,019 Domestic Shares	45.66%	91,322,019 Domestic Shares	34.25%	47.42%
Basecare Investment[2]	Beneficial owner	36,090,379 Domestic Shares	18.05%	36,090,379 Domestic Shares	13.53%	18.74%

		As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming Over-allotment Option is not exercised)		
Name of Substantial Shareholder	**Nature of interest**	**Number and Class of Shares**	**Approximate percentage of interest in our Company**	**Number and Class of Shares**	**Approximate percentage of interest in our Company**	**Approximate percentage of interest in the relevant class of Shares of our Company**
Zhongcheng Fangyuan Phase II[3]	Beneficial owner	15,189,172 Domestic Shares	7.59%	15,189,172 Domestic Shares	5.70%	7.89%
Oriza Seed[4]	Beneficial owner	12,299,422 Domestic Shares	6.15%	12,299,422 Domestic Shares	4.61%	6.39%
Broad Vision Investment[5]	Beneficial owner	11,969,242 Domestic Shares	5.98%	11,969,242 Domestic Shares	4.49%	6.21%
Suzhou Sungent[6]	Beneficial owner	11,418,525 Domestic Shares	5.71%	11,418,525 Domestic Shares	4.28%	5.93%
Broad Vision Harmony[7]	Beneficial owner	10,227,269 Domestic Shares	5.11%	10,227,269 Domestic Shares	3.84%	5.31%

Notes:

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

(2) As of the Latest Practicable Date, 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.

(3) As of the Latest Practicable Date, 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.

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

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.

(5) As of the Latest Practicable Date, 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 (徐文博), our non-executive Director, directly and indirectly through Beijing Broad Vision Funds Co., Ltd. ("**Broad Vision Funds**", 北京博康資本有限公司). 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.

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

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

(7) As of the Latest Practicable Date, Broad Vision Harmony was held as to approximately 55.63% by Mr. NA Qinfu (那勤夫). 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.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have any interest and/or short positions in the Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) that may be purchased for an aggregate amount of US$90 million (or approximately HK$698 million) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$26.36, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 26,470,500 Offer Shares, representing approximately 39.7% of the Offer Shares pursuant to the Global Offering, approximately 35.7% of the H Shares in issue upon completion of the Global Offering and approximately 9.9% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$26.86, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 25,978,000 Offer Shares, representing approximately 39.0% of the Offer Shares pursuant to the Global Offering, approximately 35.1% of the H Shares in issue upon completion of the Global Offering and approximately 9.7% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$27.36, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 25,502,500 Offer Shares, representing approximately 38.3% of the Offer Shares pursuant to the Global Offering, approximately 34.4% of the H Shares in issue upon completion of the Global Offering and approximately 9.6% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

OPM, an existing Shareholder and a Pre-IPO Investor, and certain of its close associates, namely OrbiMed Genesis Master Fund, L.P. ("**Genesis**"), OrbiMed New Horizons Master Fund, L.P. ("**ONH**") and The Biotech Growth Trust Plc ("**BGT**") (together with OPM**,** the **"OrbiMed Funds**"), have been permitted to participate in the Cornerstone Placing pursuant to paragraph 5.2 of Stock Exchange Guidance Letter HKEX-GL92-18.

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, in particular in the life sciences and healthcare sectors, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Other than OrbiMed Funds who are Cornerstone Investors as described above, our Company became acquainted with each of the Cornerstone Investors through introduction by certain Underwriters in the Global Offering.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will not count towards the public float of our Company under Rule 18A.07 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

Save as disclosed above, to the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, its subsidiaries, the Directors, chief executive, Controlling Shareholders, substantial Shareholders, existing Shareholders (other than the Cornerstone Investors which are existing Shareholders of our Company or their close associates as described above) or their respective close associates in relation to the acquisition, disposal, voting or other disposition of H Shares registered in its name or otherwise held by it; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executives, Controlling Shareholders, substantial Shareholders, existing Shareholders (other than the Cornerstone Investors which are existing Shareholders of our Company or their close associates as described above) or any of its subsidiaries or their respective close associates. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

Save for OrbiMed Funds (as defined above), the total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation".

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around February 3, 2021.

Certain Cornerstone Investors, namely OrbiMed Funds, CRF, AHAM, WinTwin, Foresight Funds and IvyRock Funds, have agreed that the Joint Global Coordinators may defer the delivery of all or any part of the Offer Shares it has subscribed for to a date later than the Listing Date. The deferred delivery arrangement was in place to facilitate the over-allocation in the International Offering. Each Cornerstone Investor has agreed that it shall pay the relevant Offer Shares on or before the Listing Date. There will be no delayed delivery if there is no over-allocation in the International Offering. For details of the Over-allotment Option and the stabilization action by the Stabilizing Manager, please refer to the sections headed "Structure of the Global Offering—The International Offering—Over-allotment Option" and "Structure of the Global Offering—Stabilization" in this Prospectus, respectively.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Placing.

OrbiMed Funds

OrbiMed Funds have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$20,000,000 at the Offer Price.

OPM is an exempted company limited by shares incorporated under the laws of Bermuda. BGT is a publicly listed trust organized under the laws of England. OrbiMed Capital LLC is the investment advisor for OPM and the portfolio manager of BGT. Genesis and ONH are each exempted limited partnerships incorporated under the laws of the Cayman Islands with OrbiMed Advisors LLC acting as the investment manager. OrbiMed Capital LLC and OrbiMed Advisors LLC exercise voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein.

Lake Bleu Prime

Lake Bleu Prime Healthcare Master Fund Limited ("**Lake Bleu Prime**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$20 million at the Offer Price.

Lake Bleu Capital (Hong Kong) Limited acts as the investment manager to Lake Bleu Prime. Lake Bleu Prime, an Exempted Company incorporated in the Cayman Islands, is a long-bias public equity fund with investments focused on Asia/Greater China healthcare, including pharmaceuticals, biotech, medical devices, and healthcare services.

CRF

CRF Investment Holdings Company Limited ("**CRF**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$20 million at the Offer Price.

CRF is a limited liability company incorporated under the laws of the Cayman Islands. CRF is wholly-owned by China Reform Conson Soochow Overseas Fund I L.P., which is a China-related overseas investment firm specializing in industrials, TMT and healthcare sectors. China Reform Conson Soochow Overseas Fund I L.P. is mainly sponsored by China Reform Holdings Corporation Ltd ("**CRHC**") (through China Reform Investment Fund I L.P.), Qingdao Conson Development (Group) Co., Ltd. (through its wholly-owned subsidiary) and Soochow Securities Co., Ltd. (through its wholly-owned subsidiary). CRHC is a wholly state-owned investment company. Qingdao Conson Development (Group) Co., Ltd. is an investment company directly under the State-owned Assets Supervision and Administration Commission of the State Council of Qingdao City. Soochow Securities Co., Ltd. (東吳證券) is a full-service brokerage firm listed on the Shanghai Stock Exchange with stock code 601555.

AHAM

Affin Hwang Asset Management Berhad ("**AHAM**"), has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$10 million at the Offer Price.

AHAM was incorporated in Malaysia on May 2, 1997 under the Companies Act 2016 and began its operations in 2001. In early 2014, AHAM was acquired by the Affin Hwang Investment Bank ("**AHIB**") and is now supported by an established Malaysian financial services conglomerate. AHIB is part of the Affin Banking Group which has over 38 years of experience in financial industry which focuses on commercial, Islamic and investment banking services, money broking, fund management and underwriting of life and general insurance business. Additionally, AHAM is also 27% owned by Nikko Asset Management International Limited ("**Nikko AM**"), a leading independent Asian investment management franchise. AHAM has approximately RM 73 billion assets under management as at December 31, 2020.

WinTwin

WinTwin Capital Limited ("**WinTwin**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$10 million at the Offer Price.

WinTwin is a mutual fund registered in Cayman Islands. It is a long term investment fund which primarily focuses on the healthcare, consumption and technology industries, and capitalized on the fast growth and future potential of China's economy and market. WinTwin Capital buy & hold high potential companies and look for long-term returns in the long run.

Foresight Funds

Foresight Orient Global Superior Choice SPC — Global Superior Choice Fund 1 SP ("**GSC Fund 1**") and Foresight Orient Global Superior Choice SPC — Vision Fund 1 SP ("**Vision Fund 1**", together with GSC Fund 1, the "**Foresight Funds**") have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$5 million at the Offer Price.

The Foresight Funds are both sub-funds of Foresight Orient Global Superior Choice SPC, which was incorporated in the Cayman Islands. The Foresight Funds are managed in full discretion by Orient Asset Management (Hong Kong) Limited, a subsidiary of Orient Securities International Financial Group Limited, and a corporation licensed to carry out Type 9 (asset management) regulated activities under the SFO. Orient Securities International Financial Group Limited is a subsidiary of Orient Finance Holdings (Hong Kong) Limited. The latter is a wholly-owned subsidiary of 東方證券股份有限公司 ("**DFZQ**"), which is listed on the Stock Exchange (Stock Code: 3958) and Shanghai Stock Exchange (Stock Code: 600958). Foresight Fund Management Co., Ltd. ("**Foresight**") is the investment advisor of the Foresight Funds. Foresight is a Shanghai-based asset management company and was founded by Mr. Chen Guangming (陳光明).

IvyRock Funds

IvyRock Asset Management (HK) Limited ("**IvyRock**"), as discretionary investment manager or discretionary asset manager for and on behalf of IvyRock China Focus Fund, IvyRock China Equity Fund, and Asia Series 6 (together, the "**IvyRock Funds**"), has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$5 million at the Offer Price.

IvyRock was incorporated in Hong Kong in 2009 and licensed by the SFC to carry out type 9 (asset management) regulated activity in 2014. The firm is wholly owned by IvyRock Asset Management (Cayman) Limited, which is ultimately owned by Mr. Yong HUANG.

IvyRock provides discretionary investment management services for IvyRock China Focus Fund and IvyRock China Equity Fund (each consisting of a master and feeder fund) and serves as a discretionary asset manager of Asia Series 6. The IvyRock Funds pursue to achieve long-term capital appreciation by investing primarily in the listed securities of companies which have great exposure to the Greater China region with a fundamentals-driven approach.

The table below sets forth details of the Cornerstone Placing:

Based on the Offer Price of HK$26.36 (being the low-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
Cornerstone Investor	Total investment Amount *(US$ in million)*	Number of Offer Shares to be acquired[1]	Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % of ownership	Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % of ownership
OrbiMed Funds	20	5,882,500	8.8%	7.9%	2.2%	7.7%	7.0%	2.1%
Lake Bleu Prime	20	5,882,500	8.8%	7.9%	2.2%	7.7%	7.0%	2.1%
CRF	20	5,882,500	8.8%	7.9%	2.2%	7.7%	7.0%	2.1%
AHAM	10	2,941,000	4.4%	4.0%	1.1%	3.8%	3.5%	1.1%
WinTwin	10	2,941,000	4.4%	4.0%	1.1%	3.8%	3.5%	1.1%
Foresight Funds	5	1,470,500	2.2%	2.0%	0.6%	1.9%	1.7%	0.5%
IvyRock Funds	5	1,470,500	2.2%	2.0%	0.6%	1.9%	1.7%	0.5%

Based on the Offer Price of HK$26.86 (being the mid-point of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
Cornerstone Investor	Total investment Amount *(US$ in million)*	Number of Offer Shares to be acquired[1]	Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % of ownership	Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % of ownership
OrbiMed Funds	20	5,773,000	8.7%	7.8%	2.2%	7.5%	6.9%	2.1%
Lake Bleu Prime	20	5,773,000	8.7%	7.8%	2.2%	7.5%	6.9%	2.1%
CRF	20	5,773,000	8.7%	7.8%	2.2%	7.5%	6.9%	2.1%
AHAM	10	2,886,500	4.3%	3.9%	1.1%	3.8%	3.4%	1.0%
WinTwin	10	2,886,500	4.3%	3.9%	1.1%	3.8%	3.4%	1.0%
Foresight Funds	5	1,443,000	2.2%	1.9%	0.5%	1.9%	1.7%	0.5%
IvyRock Funds	5	1,443,000	2.2%	1.9%	0.5%	1.9%	1.7%	0.5%

Based on the Offer Price of HK$27.36 (being the high-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
Cornerstone Investor	Total investment Amount *(US$ in million)*	Number of Offer Shares to be acquired[1]	Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % of ownership	Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % of ownership
OrbiMed Funds	20	5,667,500	8.5%	7.7%	2.1%	7.4%	6.7%	2.0%
Lake Bleu Prime	20	5,667,500	8.5%	7.7%	2.1%	7.4%	6.7%	2.0%
CRF	20	5,667,500	8.5%	7.7%	2.1%	7.4%	6.7%	2.0%
AHAM	10	2,833,500	4.3%	3.8%	1.1%	3.7%	3.4%	1.0%
WinTwin	10	2,833,500	4.3%	3.8%	1.1%	3.7%	3.4%	1.0%
Foresight Funds	5	1,416,500	2.1%	1.9%	0.5%	1.8%	1.7%	0.5%
IvyRock Funds	5	1,416,500	2.1%	1.9%	0.5%	1.8%	1.7%	0.5%

Notes:

(1) Subject to rounding down to the nearest whole board lot of 500 H Shares.

CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

(ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) the Offer Price having been agreed according to the Hong Kong Underwriting Agreement, the International Underwriting Agreement and the Price Determination Agreement to be signed among the parties to such agreements in connection with the Global Offering;

(v) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(vi) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreements are and will be (as of the closing of the Cornerstone Investment Agreements) accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

As of the Latest Practicable Date, our Company's registered capital was RMB200,000,000, divided into 183,181,817 Domestic Shares and 16,818,183 Unlisted Foreign Shares with a nominal value of RMB1.00 each.

Immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
Domestic Shares	183,181,817	68.69%
Unlisted Foreign Shares[(1)]	9,410,765	3.53%
H Shares converted from Unlisted Foreign Shares[(2)]	7,407,418	2.78%
H Shares issued under the Global Offering	66,667,000	25.00%
Total	**266,667,000**	**100%**

Immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
Domestic Shares	183,181,817	66.21%
Unlisted Foreign Shares[(1)]	9,410,765	3.40%
H Shares converted from Unlisted Foreign Shares[(2)]	7,407,418	2.68%
H Shares issued under the Global Offering	76,667,000	27.71%
Total	**276,667,000**	**100%**

Notes:

(1) The Unlisted Foreign Shares of our Company refer to 7,630,348 Shares and 1,780,417 Shares held by Hillhouse HK and OPM, respectively.

(2) Following the completion of the Global Offering and according to the approvals issued by the CSRC on November 17, 2020, 6,006,010 Unlisted Foreign Shares held by Hillhouse HK and 1,401,408 Unlisted Foreign Shares held by OPM will be converted into H Shares on a one-for-one basis and listed on the Stock Exchange for trading.

SHARE CLASSES

Upon completion of the Global Offering, we would have two classes of Shares: H Shares as one class and Domestic Shares and Unlisted Foreign Shares together as another class. Domestic Shares, Unlisted Foreign Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai–Hong Kong Stock Connect or the Shenzhen–Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC.

The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix V—Summary of Articles of Association." The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in "Appendix V—Summary of Articles of Association."

Except for the differences above, Domestic Shares, Unlisted Foreign Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Our Domestic Shares and Unlisted Foreign Shares are not listed or traded on any stock exchange. The holders of our Domestic Shares and Unlisted Foreign Shares may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have been approved by the securities regulatory authorities of the State Council, including the CSRC. The listing of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange.

Based on the procedures for the conversion of our Domestic Shares and Unlisted Foreign Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Domestic Shares and Unlisted Foreign Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

No class Shareholder voting is required for the listing and trading of the converted Shares on the Stock Exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares and Unlisted Foreign Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as we are aware, save as disclosed in this prospectus, none of our Shareholders currently proposes to convert any of their Domestic Shares or Unlisted Foreign Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

For details of the lock-up undertaking given by our Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules see "Underwriting—Underwriting Arrangements and Expenses—Undertakings pursuant to the Listing Rules—Undertakings by the Controlling Shareholder."

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 Business Days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the offering and listing of our H Shares.

You should read the following discussion and analysis in conjunction with our consolidated financial information included in "Appendix I—Accountants' Report" to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

We are an innovative platform of genetic testing solutions for assisted reproduction in China, according to Frost & Sullivan. Our PGT-A kit is the first and only third-generation IVF genetic test kit which has been approved by the NMPA. We are developing two other PGT products, namely, PGT-M and PGT-SR kits. Beyond test kits, we have developed a number of innovative devices and instruments that can improve work flow in molecular genetic laboratories using our test kits. In addition to our self-developed products, we also distribute DA8600, the only NGS sequencer approved by the NMPA for PGT, on which our test kits are designed to run, and a number of other test kits.

We only began to initiate commercial sales of our PGT-A kit in April 2020. During the Track Record Period, we primarily generated revenue from limited sales of our self-developed genetic test kits for scientific research purposes and distribution and sales of test kits, devices and instruments made by others. We have not been profitable and incurred a net loss in each period comprising the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations, financial condition and cash flow include the following:

Successful Commercial Sales of Our PGT-A Kit

Our results of operations will depend to a significant extent on the successful commercial sales of NMPA-approved products. In February 2020, we obtained a Class III medical device registration certificate from the NMPA for our PGT-A kit and began to initiate commercial sales of the product in April 2020. This approval was the first for any PGT kit in China, and the first for our self-developed product pipeline. Our revenue was primarily derived from limited sales of our self-developed genetic test kits for scientific research purposes and sales

of products made by others that we distributed during the Track Record Period. Our historical results will not be indicative of our performance going forward, as we continue to expand sales of our NMPA-approved PGT-A kit.

Development and Registration Approval Progress and Commercialization of Other Products in Our Product Portfolio

The continued advancement of our portfolio product candidates through clinical trials and the regulatory approval process toward commercialization is critical to our sustained business growth. As of the Latest Practicable Date, we had four genetic test kits and four genetic testing devices and instruments under development. We expect to commence our clinical trial for our PGT-M kit in early 2021 and obtain a registration certificate from the NMPA in 2022. We also plan to launch clinical trials for our PGT-SR, CNV and WES kits and obtain regulatory approvals to commence commercial sales of such products between 2022 and 2025. Our results of operations in the coming years will be highly impacted by the timing of clinical trials, regulatory approvals and commercial launches of these products.

During the Track Record Period, we derived certain portions of our revenue from test kits, devices and instruments we distributed. The gross profit margins of these products fluctuated during the Track Record Period. We expect our self-developed products to have higher gross profit margins than the distributed products. As our self-developed products receive regulatory approval and commence commercial sales, we expect such sales to account for an increasing proportion of our revenue, and our future profitability will be affected by this expected change in the mix of revenue sources.

Cost Structure

Our operating costs during the Track Record Period primarily consisted of cost of sales, research and development expenses, distribution costs and administrative expenses, details of which are set out below.

- *Cost of sales*. Our cost of sales primarily consisted of material costs, staff costs, depreciation expenses and testing service fees during the Track Record Period. Our cost of sales accounted for 75.0%, 52.9%, 55.3% and 64.2% of our total revenue for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. As we gradually expand the commercial production of our self-developed genetic test kits and testing devices and instruments, our material costs and staff costs are expected to increase in the foreseeable future, which will affect our profitability.

- *Research and development expenses*. Research and development is critical to the sustainable growth of our business and we have devoted significant resources on research and development activities. Our research and development expenses primarily consisted of staff costs, clinical trial expenses, technical service fees, consumables expenses and depreciation expenses relating to our laboratory equipment during the Track Record Period. Our research and development expenses accounted for 57.7%, 35.7%, 34.4% and 38.4% of our total revenue for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. Research and development expenses have been and are

expected to remain a major component in our cost structure. Our research and development expenses are affected by the timing and advancement of clinical trials of our self-developed products. When we launch clinical trials of our self-developed kits devices, including our PGT-M, PGT-SR, CNV and WES kits, our clinical trial expenses, consumables expenses and technical service fees are expected to increase in the foreseeable future, which will affect our profitability.

- *Distribution costs*. Our distribution costs primarily consisted of marketing expenses paid to a promoter, staff costs and conference expenses during the Track Record Period. Our distribution costs accounted for 33.3%, 19.8%, 20.5% and 12.3% of our total revenue for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. We expect our distribution costs to increase in the foreseeable future as we gradually commence commercial sales of our products and engage more promoters to expand our sales network.

- *Administrative expenses*. Our administrative expenses primarily consisted of staff costs, depreciation expenses, office expenses and share-based compensation expenses during the Track Record Period. Our administrative expenses accounted for 105.0%, 14.3%, 15.5% and 25.8% of our total revenue for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. We expect our administrative expenses to remain relatively stable and account for a smaller proportion of our total revenue as our revenue increases in the foreseeable future.

We expect our cost structure to evolve as we develop and expand our business. As we continue to develop new products and technologies, we expect to incur additional costs in relation to our research and development, raw materials procurement, production and sales and marketing, among other things. Moreover, to support our business growth, we expect to increase our headcount, particularly for our research and development team, and incur higher staff costs as a result.

Regulatory Environment

The medical device market in China is highly regulated. The implementation and enforcement of laws, regulations and government policies in China significantly impact the design, manufacture, pricing and sale of medical devices and cost of compliance for medical device companies in China. Relevant medical devices generally must be filed and registered with the NMPA before commercial sales in China and such filing and registration must be renewed periodically. Any change in laws, regulations or policies in relation to such filing or registration could affect our ability and plans to launch new products and renew registration for existing products. During the Track Record Period, we benefitted from the special review and approval procedure for "innovative medical devices," which enabled us to receive the registration certificate for our PGT-A kit faster than we would have otherwise been able to. We plan to advance our other pipeline products through this special procedure as well. Any changes in the special review and approval procedure for innovative medical devices may delay the commercialization plan for our pipeline products, and affect our profitability in the future.

The regulatory framework for medical devices especially those involving reproductive genetics, in China is evolving, with changes being made in recent years in relation to pricing and the tender process. Currently, the price of our PGT-A kit is negotiated with our customers, and there is no tender or bidding process set by relevant PRC government authorities. However, we expect the regulatory framework to continue to evolve. Any changes in the regulatory framework, including those in relation to pricing and the tender process, may affect our financial condition and results of operations.

Growth and Competitive Landscape of China's PGT Market

Our financial performance and future growth depend on the overall growth of China's PGT market, as well as changes in its competitive landscape. Population growth, infertility rates, demand for IVF treatments and awareness and acceptance for PGT as part of IVF (which determine its penetration rate) will ultimately determine the demand for our PGT kit products.

Changes in the competitive landscape for our products and the industry in which we compete will also impact our results of operations. To date, our PGT-A kit is the first and only NMPA-approved PGT product for aneuploidy in China. Our PGT-M kit is also leading the pack as the first and only product of its kind that has completed NMPA registration testing. While we expect to benefit from first-mover advantages for these products, market entry by potential competitors or faster-than-expected development of potential competitors may affect our market position and demand for our products and cause downward pricing pressure on our products, which may in turn affect our results of operations.

Carrying Amount of Financial Instruments Issued to Investors

We issued shares to a group of Pre-IPO Investors in relation to our Series A, Series B and Series C Investments, which were recognized as financial liabilities because these financial instruments did not meet the definition of equity for the Company. The aggregate carrying amount of these financial instruments as of December 31, 2018 and 2019 and September 30, 2020 was RMB503.3 million, RMB1,043.7 million and nil, respectively. These financial liabilities were measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of each period comprising the Track Record Period. Changes in the carrying amount of these financial instruments amounted to RMB104.1 million, RMB520.4 million and RMB826.8 million for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, respectively. During the Track Record Period, changes in the carrying amount of financial instruments issued to investors resulted in increases in our total loss from continuing operations. On July 23, 2020, we entered into supplementary investment agreements with the Pre-IPO Investors, pursuant to which the Pre-IPO Investors waived certain priority rights. These agreements enabled these financial instruments to be classified into our equity on July 23, 2020, after which we no longer recognized these financial instruments as financial liabilities or any changes in the carrying amount of such financial liabilities in our statements of profit or loss. See Note 23 to the Accountants' report set out in Appendix I to this prospectus.

BASIS OF PREPARATION AND PRESENTATION

The Company was established in Suzhou, Jiangsu Province as a limited liability company on December 14, 2010 and was converted into a joint stock company with limited liability on August 27, 2020. See "History and Corporate Structure—Establishment and Major Shareholding Changes of Our Company." Our consolidated financial information has been prepared in accordance with all applicable IFRS which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB. For the purpose of preparing the consolidated financial information, we have adopted all applicable new and revised IFRS to the Track Record Period and we have not adopted any new standards or interpretations that are not yet effective for the accounting year beginning January 1, 2021, except for amendments to IFRS 16, *COVID-19-Related Concessions*, which we early adopted on January 1, 2020. The revised and new accounting standards and interpretations issued and not yet effective for the accounting year beginning on or after January 1, 2021 are set forth in Note 28 to the Accountants' report set out in Appendix I to this prospectus.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires our management to make judgments, 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 we believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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 recognized 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.

We believe the following accounting policies are most critical to our business operations and to an understanding of our financial condition and results of operations, and reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements. Our most critical accounting policies and estimates are summarized below. See Notes 2 and 3 to the Accountants' Report set out in Appendix I to this prospectus for a detailed description of our significant accounting policies, estimates, assumptions and judgments which are important for understanding our financial condition and results of operations.

Significant Accounting Policies

Revenue and Other Income

We classify income as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our business.

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

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

Sale of Test Kits and Testing Devices and Instruments

We recognize revenue 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 recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Service Income

We earn revenue by provision of testing services to our customers through contracts. The customers cannot control the service or consume the benefit and have no obligation to pay until each service is completed and accepted. We recognize revenue at the time when performance obligation is completed and have a present right to collect payment for the services performed.

Interest Income

We recognize interest income 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 amortized 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 amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

Government Grants

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

Financial instruments issued to investors

We entered into series of investment agreements with our Series A, Series B and Series C Pre-IPO investors, or Financial Instruments Issued to Investors. We recognized the Financial Instruments Issued to Investors as financial liabilities, because these financial instruments did not meet the definition of equity. The financial liabilities are measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of each period comprising the Track Record Period. Any changes in the carrying amount of the financial liabilities were recorded in "changes in the carrying amount of financial instruments issued to investors."

Critical Accounting Judgements and Estimates

Research and Development Expenses

Development expenses incurred on our pipeline products are capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our 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 expenditures 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 capitalization. All development expenses were expensed when incurred during the Track Record Period.

Net Realizable Value of Inventories

Net realizable 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. Our management reassesses these estimates at the balance sheet dates to ensure inventory is shown at the lower of cost and net realizable value.

Provision for Expected Credit Losses on Trade Receivables

We use a provision matrix to calculate expected credit losses, or ECLs, for trade receivables. The provision rates are based on days past due. The provision matrix is initially based on our historical observed default rates. At the end of each period comprising the Track Record 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 analyzed.

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. Our historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Depreciation

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

Income Tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. Our 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 legislation. Deferred tax assets are recognized for deductible temporary differences and cumulative tax losses.

As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized and management's judgment is required to assess the probability of future taxable profits. Our management's assessment is regularly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

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 recognized in accordance with accounting policy for impairment of non-current assets. The carrying amounts of our 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 recognized 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 our 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 judgment 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.

Determining the Lease Term

We initially recognize lease liability at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by us, we evaluate the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for us to exercise the option, including favorable terms, leasehold improvements undertaken and the importance of that underlying asset to our operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within our control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognized in future years.

Adoption of IFRS 9, IFRS 15 and IFRS 16

Our historical financial information has been prepared based on the underlying financial statements, in which IFRS 9, "Financial instruments," or IFRS 9, and IFRS 15, "Revenue from contracts with customers," or IFRS 15, and IFRS 16, "Leases," or IFRS 16, have been applied consistently throughout the Track Record Period.

IFRS 9 and IFRS 15 became effective for the financial year beginning January 1, 2018 and replaced IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 18 "Revenue," respectively. In addition, given that the Track Record Period spans from January 1, 2018 to September 30, 2020, by which time IFRS 16 would be mandatorily applied, we have adopted IFRS 16 in lieu of IAS 17 "Leases" in the preparation of our financial statements, such that our historical financial information prepared under IFRS 16 is comparable on a period-to-period basis. For the purpose of providing additional information to our investors, our Directors have used the best efforts to assess the effects of the adoption of IFRS 9, IFRS 15 and IFRS 16 on our consolidated financial statements and consider that the adoption of IFRS 9, IFRS 15 and IFRS 16 did not have significant impact on our consolidated financial position and performance during the Track Record Period.

Further details of our accounting policies with respect of financial instruments, revenue recognition and leases are set out in Notes 2(e), 2(h), 2(i)(i) and 2(s) to the historical financial information for the Track Record Period as set out in the Accountants' Report in Appendix I to this prospectus.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our consolidated statement of profit or loss and other comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages)				*(unaudited)*			
Continuing operations								
Revenue	32,609	100.0%	55,685	100.0%	41,863	100.0%	57,243	100.0%
Cost of sales	(24,472)	(75.0)%	(29,432)	(52.9)%	(23,141)	(55.3)%	(36,766)	(64.2)%
Gross profit	8,137	25.0%	26,253	47.1%	18,722	44.7%	20,477	35.8%
Other income	3,999	12.3%	3,958	7.1%	2,684	6.4%	1,721	3.0%
Other losses	(26)	(0.1)%	(55)	(0.1)%	(50)	(0.1)%	(3,455)	(6.0)%
Distribution costs	(10,866)	(33.3)%	(11,011)	(19.8)%	(8,577)	(20.5)%	(7,024)	(12.3)%
Administrative expenses	(34,243)	(105.0)%	(7,990)	(14.3)%	(6,503)	(15.5)%	(14,745)	(25.8)%
Research and development expenses	(18,817)	(57.7)%	(19,885)	(35.7)%	(14,384)	(34.4)%	(21,967)	(38.4)%
Loss from operations	(51,816)	(158.9)%	(8,730)	(15.7)%	(8,108)	(19.4)%	(24,993)	(43.7)%
Finance costs	(927)	(2.8)%	(1,316)	(2.4)%	(941)	(2.2)%	(1,153)	(2.0)%
Share of (loss)/profit of associates	(174)	(0.5)%	(76)	(0.1)%	(76)	(0.2)%	250	0.4%
Changes in the carrying amount of financial instruments issued to investors	(104,088)	(319.2)%	(520,448)	(934.6)%	(362,527)	(866.0)%	(826,828)	(1,444.4)%
Loss before taxation	(157,005)	(481.5)%	(530,570)	(952.8)%	(371,652)	(887.8)%	(852,724)	(1,489.7)%
Income tax	5,069	15.5%	2,290	4.1%	2,568	6.1%	4,268	7.5%
Loss for the year/period from continuing operations	(151,936)	(465.9)%	(528,280)	(948.7)%	(369,084)	(881.7)%	(848,456)	(1,482.2)%
Discontinued operations								
Loss for the year/period from discontinued operations	(5,764)	(17.7)%	(5,717)	(10.3)%	(3,781)	(9.0)%	(3,835)	(6.7)%
Loss for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages)				*(unaudited)*			
Loss for the year/period attributable to equity shareholders of the Company:								
– from continuing operations	(151,936)	(465.9)%	(528,280)	(948.7)%	(369,084)	(881.7)%	(848,456)	(1,482.2)%
– from discontinued operations	(2,941)	(9.0)%	(3,056)	(5.5)%	(1,978)	(4.7)%	(2,928)	(5.1)%
Loss for the year/period attributable to equity shareholders of the Company	(154,877)	(475.0)%	(531,336)	(954.2)%	(371,062)	(886.4)%	(851,384)	(1,487.3)%
Loss for the year/period attributable to non-controlling interests:								
– from continuing operations	–	–	–	–	–	–	–	–
– from discontinued operations	(2,823)	(8.7)%	(2,661)	(4.8)%	(1,803)	(4.3)%	(907)	(1.6)%
Loss for the year/period attributable to non-controlling interests	(2,823)	(8.7)%	(2,661)	(4.8)%	(1,803)	(4.3)%	(907)	(1.6)%
Loss for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%
Total comprehensive income for the year/period attributable to:								
Equity shareholders of the Company	(154,877)	(475.0)%	(531,336)	(954.2)%	(371,062)	(886.4)%	(851,384)	(1,487.3)%
Non-controlling interests	(2,823)	(8.7)%	(2,661)	(4.8)%	(1,803)	(4.3)%	(907)	(1.6)%
Total comprehensive income for the year/period	(157,700)	(483.6)%	(533,997)	(959.0)%	(372,865)	(890.7)%	(852,291)	(1,488.9)%

Revenue

During the Track Record Period, we generated revenue from the provision of genetic testing solutions and sales of genetic testing devices and instruments. Genetic testing solutions revenue consists of (i) sales of test kits, which included our self-developed genetic test kits and test kits made by third parties and distributed by us, primarily including NIPT kits and certain metagenomic genetic detection, or MGD kits, and (ii) provision of testing services, which we conducted mainly through joint laboratories we established with major hospitals using our test kits. Our sales of genetic testing devices and instruments primarily included distribution and sales of devices and instruments used in the joint laboratories and distribution and sales of Da An's NGS sequencer, DA8600.

The following table sets forth a breakdown of our revenue by nature for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages)				*(unaudited)*			
Genetic testing solutions								
– Sales of test kits	19,882	61.0%	24,513	44.0%	18,492	44.2%	44,716	78.2%
– Provision of testing services	12,000	36.8%	28,801	51.7%	21,000	50.1%	6,203	10.8%
	31,882	97.8%	53,314	95.7%	39,492	94.3%	50,919	89.0%
Sales of testing devices and instruments	727	2.2%	2,371	4.3%	2,371	5.7%	6,324	11.0%
Total	32,609	100.0%	55,685	100.0%	41,863	100.0%	57,243	100.0%

During the Track Record Period, we generated limited revenue from our self-developed genetic test kits. We used to adopt two approaches to recognize revenue from genetic testing solutions. Under the first approach, we sold our test kits to customers and recognized revenue as such. With the exception of our PGT-A kit after it received NMPA registration approval in February 2020, our self-developed genetic test kits were sold for limited scientific research purposes. Under the second approach, we stationed our staff on site at joint laboratories we established with major hospitals and reproductive clinics to provide genetic testing services using our kits. Under this approach, we charged our customers based on testing volume and recognized revenue under "provision of testing services." With major hospitals and reproductive clinics gradually having their own trained staff and our efforts to focus on our positioning as an R&D-focused provider of genetic testing solutions, rather than a provider of testing services, we have phased out the second approach. Starting from September 2020, we no longer stationed our staff on site and started charging the relevant customers based on the genetic test kits we provided. As such, we will only use the first approach to recognize revenue from genetic testing solutions going forward.

The following table sets forth a breakdown of our revenue by product for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages)							
					(unaudited)			
PGT-A	7,927	24.3%	17,978	32.3%	11,525	27.5%	15,614	27.3%
NIPT	17,495	53.7%	14,992	26.9%	11,262	26.9%	14,260	24.9%
CNV	4,818	14.8%	9,631	17.3%	8,195	19.6%	2,344	4.1%
MGD[(1)]	42	0.1%	6,197	11.1%	4,471	10.7%	9,983	17.4%
Testing devices and instruments	727	2.2%	2,371	4.3%	2,371	5.7%	6,324	11.0%
Others[(2)]	1,600	4.9%	4,516	8.1%	4,039	9.6%	8,718	15.3%
Total	32,609	100.0%	55,685	100.0%	41,863	100%	57,243	100%

(1) Revenue generated from MGD primarily represents distribution of MGD kits, which was not the focus of our business. We do not expect these kits to be a major revenue source for us going forward as we focus our efforts on our key self-developed products.

(2) Others primarily included our other self-developed test kits, the PGT-M, PGT-SR and WES kits.

During the Track Record Period, we generated revenue mainly from (i) distributed products, including NIPT kits, MGD kits and testing devices and instruments, and (ii) our self-developed products, mainly including PGT-A and CNV kits. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, our revenues generated from NIPT kits, MGD kits and testing devices and instruments were RMB18.3 million, RMB23.6 million, RMB18.1 million and RMB30.6 million, respectively, representing 56.0%, 42.3%, 43.3% and 53.3% of our total revenue, respectively. As a percentage of revenue, revenues from NIPT kits, MGD kits and testing devices and instruments decreased from 56.0% in 2018 to 42.3% in 2019, which was primarily due to an increase in proportion of revenue from our self-developed products, PGT-A and CNV kits, as a result of the expansion of our customer base due to growing clinical demand for genetic testing. As a percentage of revenue, revenue from NIPT kits, MGD kits and testing devices and instruments increased from 43.3% for the nine months ended September 30, 2019 to 53.3% for the nine months ended September 30, 2020, which was primarily due to a growing clinical demand.

Cost of Sales

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

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages)				*(unaudited)*			
Material costs	14,464	59.1%	14,542	49.4%	12,226	52.8%	26,225	71.3%
Staff costs	4,793	19.6%	7,466	25.4%	5,499	23.8%	5,475	14.9%
Depreciation expenses	3,633	14.8%	4,950	16.8%	3,691	16.0%	3,052	8.3%
Testing service fees	462	1.9%	1,190	4.0%	589	2.5%	1,087	3.0%
Others	1,120	4.6%	1,284	4.4%	1,136	4.9%	927	2.5%
Total	24,472	100.0%	29,432	100.0%	23,141	100%	36,766	100%

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of gross profit and gross profit margin by nature for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	(RMB'000, except for percentages)				*(unaudited)*			
Provision of genetic testing solutions	7,995	25.1%	25,250	47.4%	17,719	44.9%	18,635	36.6%
Sales of testing devices and instruments	142	19.5%	1,003	42.3%	1,003	42.3%	1,842	29.1%
Total gross profit/ Overall gross profit margin	8,137	25.0%	26,253	47.1%	18,722	44.7%	20,477	35.8%

The following table sets forth the breakdown of gross profit and gross profit margin by product for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	(RMB'000, except percentages)				*(unaudited)*			
PGT-A	115	1.5%	9,374	52.1%	5,658	49.1%	7,522	48.2%
NIPT	7,763	44.4%	7,674	51.2%	5,590	49.6%	4,318	30.3%
CNV	(146)	(3.0)%	3,921	40.7%	3,288	40.1%	1,001	42.7%
MGD[1]	13	31.0%	2,123	34.3%	1,728	38.7%	2,705	27.1%
Testing devices and instruments	142	19.5%	1,003	42.3%	1,003	42.3%	1,842	29.1%
Others[2]	250	15.6%	2,158	47.8%	1,455	36.0%	3,089	35.4%
Total gross profit/ overall gross profit margin	8,137	25.0%	26,253	47.1%	18,722	44.7%	20,477	35.8%

(1) Gross profit and gross profit margin of MGD primarily represents gross profit and gross profit margin of our distribution of MGD kits, which was not the focus of our business. We do not expect these kits to be a major revenue source for us going forward as we focus our efforts on our key self-developed products.

(2) Others primarily included our other self-developed test kits, the PGT-M, PGT-SR and WES kits.

Our gross profit margin increased from 25.0% for the year ended December 31, 2018 to 47.1% for the year ended December 31, 2019, primarily due to significantly increased gross profit margins of our self-developed genetic test kits, the PGT-A and CNV kits, and increased revenue from these kits in 2019 as compared with 2018. Gross profit margins of our PGT-A kits and CNV kits significantly increased from 1.5% and -3.0% for the year ended December 31, 2018 to 52.1% and 40.7% for the year ended December 31, 2019, respectively, primarily due to economies of scale as we increased production to meet growing sales.

Gross profit margin decreased from 44.7% for the nine months ended September 30, 2019 to 35.8% for the nine months ended September 30, 2020, primarily due to increased sales of NIPT and MGD kits we distributed in the latter period, which had lower gross profit margins compared to our self-developed test kits. Gross profit margins of NIPT and MGD kits we distributed were 30.3% and 27.1% for the nine months ended September 30, 2020, respectively, which were lower than gross profit margins of our self-developed PGT-A kits and CNV kits for the same period, being 48.2% and 42.7%, respectively. Gross profit margin of NIPT kits decreased from 49.6% for the nine months ended September 30, 2019 to 30.3% for the nine months ended September 30, 2020, primarily due to a decrease in their average selling prices as a result of increased competition.

Other Income

Our other income consists of (i) government grants, which primarily consist of one-off government grants we received from local government in support of our research and development project and compensation from local government on our lease of facilities for research and development activities, (ii) net realized and unrealized gains from fair value changes on financial assets measured at fair value through profit or loss, representing gains from our wealth management products, (iii) interest income from bank deposits, and (iv) others, which mainly represent amount payables deemed as waived due to absence of collection from certain suppliers. The following table sets forth the breakdown of our other income for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2018	**2019**	**2019**	**2020**
	(RMB'000)		*(unaudited)*	
Government grants	2,906	2,428	1,967	782
Net realized and unrealized gains from fair value changes on financial assets measured at fair value through profit or loss	157	875	628	103
Interest income from bank deposits	58	64	52	240
Others	878	591	37	596
Total	3,999	3,958	2,684	1,721

Other Losses

Our other losses primarily consist of non-operating expenses.

Distribution Costs

Our distribution costs consist of (i) marketing expenses, representing service fees we paid to a promoter, Nanjing Fanghua, for its promotion and after-sale services, (ii) staff costs, which include wages, bonuses and benefits for our in-house sales and marketing team, (iii) conference expenses for academic conferences and exhibitions we attended, (iv) business development expenses, and (v) travel expenses. The following table sets forth a breakdown of our distribution costs and their percentages against our revenue for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages of revenue)							
					(unaudited)			
Marketing expenses	3,616	11.0%	3,439	6.2%	3,080	7.4%	1,826	3.2%
Staff costs	3,579	11.0%	4,317	7.8%	3,139	7.5%	3,431	6.0%
Conference expenses	2,730	8.4%	2,824	5.1%	2,067	4.9%	1,245	2.2%
Business development expenses	581	1.8%	241	0.4%	133	0.3%	122	0.2%
Travel expenses	360	1.1%	190	0.3%	158	0.4%	400	0.7%
Total	10,866	33.3%	11,011	19.8%	8,577	20.5%	7,024	12.3%

Administrative Expenses

Our administrative expenses consist of (i) staff costs, which include wages, bonuses and benefits for our administrative and other personnel, (ii) depreciation expenses, which primarily include depreciation of property, plant and equipment and right-of-use assets, (iii) office expenses, (iv) entertainment expenses, (v) share-based compensation expenses in relation to the grant of equity interest to eligible persons under the equity interest award scheme, and (vi) others, which primarily include travel expenses, accrual or reversal of allowance on trade receivables and recruitment expenses. The following table sets forth a breakdown of our administrative expenses and their percentages against our revenue for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages of revenue)							
					(unaudited)			
Staff costs	3,188	9.8%	4,226	7.6%	3,098	7.4%	8,930	15.6%
Depreciation expenses	1,194	3.7%	1,215	2.2%	916	2.2%	931	1.6%
Office expenses	1,142	3.5%	776	1.4%	546	1.3%	744	1.3%
Entertainment expenses	535	1.6%	608	1.1%	470	1.1%	562	1.0%
Share-based compensation expenses	26,979	82.7%	–	–	–	–	–	–
Listing expenses	–	–	–	–	–	–	2,457	4.3%
Others	1,205	3.7%	1,165	2.0%	1,473	3.5%	1,121	2.0%
Total	34,243	105.0%	7,990	14.3%	6,503	15.5%	14,745	25.8%

Research and Development Expenses

Our research and development expenses primarily consist of (i) staff costs, which include wages, bonuses and benefits for our in-house research and development personnel, (ii) clinical trial expenses, primarily for our PGT-A kit, (iii) technical service fees, mainly representing service fees we paid for external research collaborations during the Track Record Period and fees we paid to technical services providers, (iv) consumables expenses, (v) depreciation expenses relating to our laboratory equipment, and (vi) others, which primarily include travel expenses, utility expenses and office expenses. We did not capitalize any research and development expenditures during the Track Record Period.

	For the year ended December 31,				For the nine months ended September 30,			
	2018		2019		2019		2020	
	(RMB'000, except for percentages of revenue)							
					(unaudited)			
Staff costs	7,479	22.9%	9,062	16.3%	6,671	15.9%	8,643	15.1%
Clinical trial expenses	2,800	8.7%	3,047	5.5%	2,955	7.1%	4,374	7.6%
Technical service fees	1,529	4.7%	2,469	4.4%	1,077	2.6%	3,664	6.5%
Consumables expenses	4,022	12.3%	2,254	4.0%	1,645	3.9%	3,387	5.9%
Depreciation expenses	2,129	6.5%	2,153	3.9%	1,611	3.9%	1,514	2.6%
Others	858	2.6%	900	1.6%	425	1.0%	385	0.7%
Total	18,817	57.7%	19,885	35.7%	14,384	34.4%	21,967	38.4%

For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, our research and development expenses in relation to our Core Product amounted to RMB10.8 million, RMB11.6 million, RMB8.0 million and RMB4.4 million, respectively, accounting for 57.3%, 58.4%, 55.9% and 20.1%, respectively, of our total research and development expenses. The percentage of research and development expenses in relation to our Core Product decreased to 20.1% for the nine months ended September 30, 2020 compared to the same period in 2019, primarily due to completion of clinical trial for our Core Product.

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 RMB0.9 million, RMB1.3 million, RMB0.9 million and RMB1.2 million for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

Share of (Loss)/Profit of Associates

Our share of loss or profit of associates represents our share of loss or profit in our investment in a 20% equity interest in Suzhou Chaoyun. We recorded share of losses of associates of RMB174,000, RMB76,000 and RMB76,000 for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019, respectively. We recorded disposal income with respect to Suzhou Chaoyun of RMB250,000 for the nine months ended September 30, 2020.

Changes in the Carrying Amount of Financial Instruments Issued to Investors

Financial instruments issued to investors represent the carrying amount of the financial instruments issued to our Series A, Series B and Series C Pre-IPO Investors pursuant to their respective investment agreements, which were recognized as financial liabilities because these financial instruments did not meet the definition of equity for the Company. We recorded changes in the carrying amount of financial instruments issued to investors of RMB104.1 million, RMB520.4 million, RMB362.5 million and RMB826.8 million for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. Certain priority rights were waived by the Pre-IPO Investors in supplementary investment agreements on July 23, 2020, which enabled these financial instruments to be reclassified from liabilities into equity on July 23, 2020, after which we no longer recognized these financial instruments as financial liabilities or any changes in the carrying amount of such financial liabilities in our statement of profit or loss.

Income Tax

We recorded income tax credit of RMB5.1 million, RMB2.3 million, RMB2.6 million and RMB4.3 million for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. Basecare Medical Device qualified as a high and new technology enterprise and is entitled to a preferential income tax rate of 15% for the three years ended December 31, 2020 and is expected to continue to qualify as a high and new technology enterprise and enjoy such preferential income tax rate for the next three years till December 2023. Basecare Intelligent Manufacturing qualified as a small and low profit enterprise and was entitled to a preferential income tax rate of 5% for the year ended December 31, 2019 and nine months ended September 30, 2020. During the Track Record Period, Basecare Medical Device and Basecare Intelligent Manufacturing also qualified as small to medium scientific enterprises and entitled to an additional deduction of 75% of their qualified research and development expenses incurred from our taxable income. As of the Latest Practicable Date, we fulfilled our previous and existing tax obligations and we were not aware of any outstanding or potential disputes with relevant tax authorities.

Discontinued Operations

In April 2020, April 2020 and June 2020, we disposed of Suzhou Medical Laboratory, Shandong Medical Laboratory and Benxi Medical Laboratory, together with their operations, respectively, to Suzhou Double Helix. During the Track Record Period, we provided genetic testing services to hospitals and reproductive clinics that did not have their own laboratories through these disposed medical laboratories. We decided to discontinue these operations as part of our efforts to focus on our positioning as a R&D-focused provider of genetic testing solutions, rather than a provider of testing services. See "History and Corporate Structure—Acquisitions, Mergers and Disposals."

In June 2020, we disposed of Suzhou Laman, which did not carry on any business since its incorporation, to an Independent Third Party. See "History and Corporate Structure—Acquisitions, Mergers and Disposals."

In July 2020, we disposed of Fanghua Gene to Nanjing Fanghua, an Independent Third Party. See "Business—Suppliers and Procurement." During the Track Record Period, we carried out our sales activities through Fanghua Gene. Similarly, as part of our efforts to focus on our positioning as a R&D-focused provider of genetic testing solutions, we decided not to maintain a large in-house sales team to conduct sales activities. We plan to mainly rely on third-party promoters to market our products to hospitals and reproductive clinics and rely on distributors to sale our products in the future. See "History and Corporate Structure—Acquisitions, Mergers and Disposals."

The following table sets forth the results of discontinued operations for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2018	**2019**	**2019**	**2020**
	(RMB'000)			
			(unaudited)	
(Loss)/profit for the year/period from discontinued operations				
Suzhou Medical Laboratory	(2)	(287)	(102)	3,406
Shandong Medical Laboratory	(1,457)	(1,820)	(1,514)	543
Benxi Medical Laboratory	(1,551)	(862)	(693)	(519)
Suzhou Laman	–	–	–	–
Fanghua Gene	(2,754)	(2,748)	(1,472)	(7,265)
Total	(5,764)	(5,717)	(3,781)	(3,835)

We recorded losses from discontinued operations of RMB5.8 million, RMB5.7 million, RMB3.8 million and RMB3.8 million for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Revenue

Our revenue increased by 36.7% from RMB41.9 million for the nine months ended September 30, 2019 to RMB57.2 million for the nine months ended September 30, 2020. This increase was primarily driven by the increase in revenue from our genetic testing solutions and, to a lesser extent, by the revenue we generated from sales of testing devices and instruments.

Genetic Testing Solutions

Our revenue from genetic testing solutions increased by 28.9% from RMB39.5 million for the nine months ended September 30, 2019 to RMB50.9 million for the nine months ended September 30, 2020, primarily due to (i) a RMB5.5 million increase in our revenue from increased sales of MGD kits driven by the increased clinical demand for the kits, (ii) a RMB4.7 million increase in our revenue from sales of our self-developed PGT-SR and PGT-M kits for limited scientific research purposes as a result of a growing demand from hospital customers, and (iii) a RMB4.1 million increase in our revenue from sales of our PGT-A kits as a result of our growing customer base. Such increases were partially offset by a RMB5.9 million decrease in revenue from our CNV kit, which was primarily due to a decrease sales volume as a result of market competition.

Testing Devices and Instruments

Our revenue from sales of testing devices and instruments increased significantly from RMB2.4 million for the nine months ended September 30, 2019 to RMB6.3 million for the nine months ended September 30, 2020, primarily attributable to distribution and sales of a molecular hybridization scanning equipment used in a molecular genetic laboratory we helped establish and a molecular spectrometer used in a new scientific research project on which we collaborated with hospital.

Cost of Sales

Our cost of sales increased by 58.9% from RMB23.1 million for the nine months ended September 30, 2019 to RMB36.8 million for the nine months ended September 30, 2020, primarily due to a RMB14.0 million increase in material costs as a result of our increased purchase costs of NIPT and MGD kits, which were in line with our increased sales and distribution of NIPT and MGD kits.

Gross Profit and Gross Profit Margin

Our gross profit increased by 9.4% from RMB18.7 million for the nine months ended September 30, 2019 to RMB20.5 million for the nine months ended September 30, 2020, primarily due to increased sales of our PGT-A kits. Our gross profit margin decreased from 44.7% for the nine months ended September 30, 2019 to 35.8% for the nine months ended September 30, 2020. The decrease of our gross profit margin were primarily due to a decrease in gross profit margin of our genetic testing solutions, which contributed 89.0% of our total revenue for the nine months ended September 30, 2020. Gross profit margin of our genetic testing solutions decreased from 44.9% for the nine months ended September 30, 2019 to 36.6% for the nine months ended September 30, 2020, primarily due to (i) increased sales and decreased gross profit margins of NIPT and MGD kits and (ii) lower gross profit margins of NIPT and MGD kits compared to our self-developed genetic test kits for the nine months ended September 30, 2020. Gross profit margins of NIPT and MGD kits we distributed were 30.3% and 27.1% for the nine months ended September 30, 2020, respectively, which were lower than gross profit margins of our self-developed PGT-A kits and CNV kits, being 48.2% and 42.7%, respectively. Gross profit margin of NIPT kits decreased from 49.6% for the nine months ended September 30, 2019 to 30.3% for the nine months ended September 30, 2020, primarily due to a decrease in their average selling prices as a result of increased competition.

Other Income

Our other income decreased by 35.9% from RMB2.7 million for the nine months ended September 30, 2019 to RMB1.7 million for the nine months ended September 30, 2020, primarily due to a RMB1.2 million decrease in government grants we received.

Other Losses

Our other losses increased from RMB50,000 for the nine months ended September 30, 2019 to RMB3.5 million for the nine months ended September 30, 2020, primarily due to increased foreign exchange losses.

Distribution Costs

Our distribution costs decreased by 18.1% from RMB8.6 million for the nine months ended September 30, 2019 to RMB7.0 million for the nine months ended September 30, 2020, primarily due to a RMB1.3 million decrease in our marketing expenses paid to Nanjing Fanghua, due to a decrease in average selling prices of NIPT kits as a result of increased competition. As a percentage of revenue, our distribution costs decreased from 20.5% for the nine months ended September 30, 2019 to 12.3% for the nine months ended September 30, 2020, primarily due to a decrease in marketing expenses and our revenue growth.

Administrative Expenses

Our administrative expenses increased by 126.7% from RMB6.5 million for the nine months ended September 30, 2019 to RMB14.7 million for the nine months ended September 30, 2020, primarily due to a RMB5.8 million increase in our staff costs as a result of discretionary bonus we paid to Dr. Liang to reward his contribution for the receipt of a Class III medical device registration certificate for our PGT-A kits and increased headcount. As a percentage of revenue, our administrative expenses increased from 15.5% for the nine months ended September 30, 2019 to 25.8% for the nine months ended September 30, 2020, which was primarily due to an increase in staff costs.

Research and Development Expenses

Our research and development expenses increased by 52.7% from RMB14.4 million for the nine months ended September 30, 2019 to RMB22.0 million for the nine months ended September 30, 2020, primarily due to (i) a RMB2.6 million increase in service fees we paid to technical service suppliers mainly for the development of our WES kit, (ii) a RMB2.0 million increase in our staff costs as a result of increased headcount for our research and development personnel, and (iii) a RMB1.7 million increase in consumables expenses for development and registration testing of our PGT-SR, WES, PGT-M and CNV kits.

Finance Costs

Our finance costs increased by 22.5% from RMB0.9 million for the nine months ended September 30, 2019 to RMB1.2 million for the nine months ended September 30, 2020, primarily due to increased bank loans with principal amount of RMB5.0 million.

Share of (Loss)/Profit of Associates

We recorded share of loss of our 20% equity interest investment in Suzhou Chaoyun of RMB76,000 for the nine months ended September 30, 2019. We recorded income from the disposal of Suzhou Chaoyun of RMB250,000 for the nine months ended September 30, 2020.

Changes in the Carrying Amount of Financial Instruments Issued to Investors

Our changes in the carrying amount of financial instruments issued to investors increased from RMB362.5 million for the nine months ended September 30, 2019 to RMB826.8 million for the nine months ended September 30, 2020.

Income Tax

Our income tax credit amount increased by 66.2% from RMB2.6 million for the nine months ended September 30, 2019 to RMB4.3 million for the nine months ended September 30, 2020, primarily due to an increase in recognition of deferred tax assets.

Loss for the Period from Continuing Operations

As a result of the foregoing, our loss for the period from continuing operations significantly increased from RMB369.1 million for the nine months ended September 30, 2019 to RMB848.5 million for the nine months ended September 30, 2020.

Loss for the Period

As a result of the foregoing, our loss for the period significantly increased from RMB372.9 million for the nine months ended September 30, 2019 to RMB852.3 million for the nine months ended September 30, 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 70.8% from RMB32.6 million for the year ended December 31, 2018 to RMB55.7 million for the year ended December 31, 2019. This increase was primarily driven by an increase in revenue from genetic testing solutions and, to a lesser extent, by the revenue from sales of testing devices and instruments.

Genetic Testing Solutions

Our revenue from genetic testing solutions increased by 67.2% from RMB31.9 million for the year ended December 31, 2018 to RMB53.3 million for the year ended December 31, 2019, primarily due to (i) a RMB14.9 million increase in revenue from our PGT-A and CNV kits as a result of the expansion of our customer base due to growing clinical demand for genetic testing, and (ii) a RMB6.2 million increase in revenue from our distribution and sales of MGD kits as a result of increased clinical demand. Such increases were partially offset by a RMB2.5 million decrease in revenue from our distribution and sales of NIPT kits, primarily due to a decrease in their average selling prices as a result of increased competition.

Testing Devices and Instruments

Our revenue from sales of testing devices and instruments increased significantly from RMB0.7 million for the year ended December 31, 2018 to RMB2.4 million for the year ended December 31, 2019, primarily attributable to increased distribution and sales of DA8600 in 2019.

Cost of Sales

Our cost of sales increased by 20.3% from RMB24.5 million for the year ended December 31, 2018 to RMB29.4 million for the year ended December 31, 2019, primarily due to (i) a RMB2.7 million increase of our staff costs as a result of our increased headcount, and (ii) a RMB1.3 million increase in our depreciation expenses in relation to our genetic testing devices and instruments, right-of-use assets and leasehold improvements.

Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB8.1 million for the year ended December 31, 2018 to RMB26.3 million for the year ended December 31, 2019. Our gross profit margin increased from 25.0% for the year ended December 31, 2018 to 47.1% for the year ended December 31, 2019. The increases of our gross profit and gross profit margin were primarily due to (i) a significant increase in the gross profit margins of our self-developed genetic test kits, the PGT-A and CNV kits, and (ii) increased revenue from our PGT-A and CNV kits as a result of the expansion of our customer base due to a growing clinical demand for genetic testing. Gross profit margins of our PGT-A kits and CNV kits significantly increased from 1.5% and -3.0% for the year ended December 31, 2018 to 52.1% and 40.7% for the year ended December 31, 2019, respectively, primarily due to economies of scale as we increased production to meet growing sales.

Other Income

Our other income remained stable at RMB4.0 million and RMB4.0 million for the years ended December 31, 2018 and 2019, respectively.

Other Losses

Our other losses were RMB26,000 and RMB55,000 for the years ended December 31, 2018 and 2019, respectively, which were primarily non-operating expenses.

Distribution Costs

Our distribution costs increased by 1.3% from RMB10.9 million for the year ended December 31, 2018 to RMB11.0 million for the year ended December 31, 2019, primarily due to a RMB0.7 million increase in our staff costs as a result of our increased headcount. As a percentage of revenue, our distribution costs decreased from 33.3% for the year ended December 31, 2018 to 19.8% for the year ended December 31, 2019, primarily due to our strong revenue growth.

Administrative Expenses

Our administrative expenses decreased by 76.7% from RMB34.2 million for the year ended December 31, 2018 to RMB8.0 million for the year ended December 31, 2019. This decrease was primarily due to RMB27.0 million in share-based compensation expenses in relation to the grant of equity interests to eligible persons under the equity interest award scheme in 2018. We did not incur such share-based compensation expenses in 2019. As a percentage of revenue, our administrative expenses decreased from 105.0% for the year ended December 31, 2018 to 14.3% for the year ended December 31, 2019, primarily for the same reason.

Research and Development Expenses

Our research and development expenses increased by 5.7% from RMB18.8 million for the year ended December 31, 2018 to RMB19.9 million for the year ended December 31, 2019, primarily due to (i) a RMB1.6 million increase in our staff costs as a result of our increased headcounts for research and development personnel in 2019, and (ii) a RMB0.2 million increase in clinical trial expenses relating to our clinical trial for PGT-A kit. Such increases were partially offset by a RMB1.8 million decrease in consumable expenses due to a decreased amount of consumables we procured as the clinical trial of the PGT-A kit was substantially completed in 2019.

Finance Costs

Our finance costs increased by 42.0% from RMB0.9 million for the year ended December 31, 2018 to RMB1.3 million for the year ended December 31, 2019, primarily due to a RMB0.5 million increase in interest on bank loans.

Share of Loss of Associates

Our share of loss of associates relating to our 20% equity interest investment in Suzhou Chaoyun was RMB0.2 million and RMB0.1 million for the years ended December 31, 2018 and 2019, respectively.

Changes in the Carrying Amount of Financial Instruments Issued to Investors

Our changes in the carrying amount of financial instruments issued to investors increased from RMB104.1 million for the years ended December 31, 2018 to RMB520.4 million for the years ended December 31, 2019.

Income Tax

Our income tax credit amount decreased by 54.8% from RMB5.1 million for the year ended December 31, 2018 to RMB2.3 million for the year ended December 31, 2019, primarily due to a decrease in recognition of deferred tax assets.

Loss for the Year from Continuing Operations

As a result of the foregoing, our loss for the year from continuing operations increased significantly from RMB151.9 million for the year ended December 31, 2018 to RMB528.3 million for the year ended December 31, 2019.

Loss for the Year

As a result of the foregoing, our loss for the year increased significantly from RMB157.7 million for the year ended December 31, 2018 to RMB534.0 million for the year ended December 31, 2019.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statement of financial position as of the dates indicated.

	As of December 31,		As of September 30,
	2018	**2019**	**2020**
		(RMB'000)	
Non-current assets			
Property, plant and equipment	25,758	21,775	17,270
Right-of-use assets	3,987	1,959	1,860
Interests in associates	76	–	–
Deferred tax assets	10,163	12,453	16,721
Total non-current assets	39,984	36,187	35,851
Current assets			
Inventories	7,986	11,737	8,614
Trade and other receivables	28,503	44,858	92,519
Other current assets	2,644	2,103	14,436
Financial assets at fair value through profit or loss	50,100	32,088	–
Cash and cash equivalents	19,041	24,155	225,406
Total current assets	108,274	114,941	340,975

	As of December 31,		As of September 30,
	2018	2019	2020
		(RMB'000)	
Current liabilities			
Trade and other payables	32,098	20,671	37,923
Bank loans	20,000	30,000	30,000
Lease liabilities	2,202	1,490	944
Total current liabilities	54,300	52,161	68,867
Net current assets	53,974	62,780	272,108
Total assets less current liabilities	93,958	98,967	307,959
Non-current liabilities			
Lease liabilities	2,560	1,118	956
Financial instruments issued to investors	503,297	1,043,745	–
Total non-current liabilities	505,857	1,044,863	956
Net (liabilities)/assets	(411,899)	(945,896)	307,003
Total equity attributable to equity shareholders of the Company	(407,517)	(938,853)	307,003
Non-controlling interests	(4,382)	(7,043)	–

Inventories

Our inventories primarily consist of raw materials, finished goods and devices and instruments we distribute. We generally purchase raw materials for our in-house products based the orders received. We maintain a finished goods inventory for our PGT-A kits and the NIPT kits we distribute. We also maintain a device and instrument inventory for DA8600s we distribute. The following table sets forth the details of our inventories as of the dates indicated and inventory turnover days for the periods indicated.

	As of/for the year ended December 31,		As of/for the nine months ended September 30,
	2018	**2019**	**2020**
		RMB'000	
Finished goods	4,039	5,413	2,821
Devices and instruments	2,290	4,321	4,757
Raw materials	1,374	1,692	870
Others	283	311	166
Total	7,986	11,737	8,614
Inventory turnover days[(1)]	101	122	76

(1) The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories for the relevant period by cost of sales for the relevant period and multiplying by 365 days for the full-year period and 274 days for the nine months period.

Our inventories increased from RMB8.0 million as of December 31, 2018 to RMB11.7 million as of December 31, 2019, primarily because we had six DA8600s to be distributed in our inventory as of December 31, 2019 as a result of our advance purchase in response to the increased market demand. Our inventories decrease from RMB11.7 million as of December 31, 2019 to RMB8.6 million as of September 30, 2020, primarily due to a RMB2.6 million decrease of finished goods driven by increased sales. Our inventory turnover days increased from 101 days in 2018 to 122 days in 2019, primarily due to increased inventories of the DA8600 we sold and distributed. Our inventory turnover days decreased to 76 days for the nine months ended September 30, 2020 primarily due to our increased sales of NIPT and MGD kits and DA8600 sequencers we distributed.

As of November 30, 2020, RMB4.7 million, or 54.7% of our total inventories as of September 30, 2020, had been subsequently consumed.

Trade and Other Receivables

Our trade and other receivables represent (i) trade receivables, (ii) prepayments to suppliers, which mainly represent prepayments we paid to large suppliers for the MGD kits we distributed, (iii) rental deposits for our leased properties, (iv) amounts due from related parties, which were primarily consideration for transfer of our equity interests in the three disposed medical laboratories to be paid by Suzhou Double Helix and short-term loans we lent to Suzhou Chaoyun, which was fully settled in August 2020, and (v) others, which were mainly advances to employees. Our trade receivables are generally due within 60 to 240 days from the date of billing. The following table sets forth the details of our trade and other receivables as of the dates indicated and trade receivables turnover days for the periods indicated.

	As of/for the year ended December 31,		As of/For the nine months ended September 30,
	2018	**2019**	**2020**
		RMB'000	
Trade receivables			
– Receivables from third parties	23,405	37,568	50,498
– Receivables from related parties	935	2,879	19,459
Less: losses allowance on trade receivables	(356)	(351)	(440)
Trade receivables, net	23,984	40,096	69,517
Prepayments to suppliers	1,633	2,299	6,919
Deposits	909	939	945
Amounts due from related parties	–	–	14,500
Others	1,977	1,524	638
Total other receivables	4,519	4,762	23,002
Total trade and other receivables	28,503	44,858	92,519
Trade receivable turnover days[(1)]	237	212	264
– Third parties	238	210	270
– Related parties	193	256	242[(2)]

(1) The trade receivable turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in relevant period by revenue for the relevant period and multiplying by 365 days for the full-year period and 274 days for the nine months period.

(2) Our increased trade receivable turnover days of related parties for the nine months ended September 30, 2020 were primarily due to our increased trade receivable balances due from disposed medical laboratories after the disposal, which were primarily attributable to (i) the disposals of these medical laboratories, and (ii) our increased sales of genetic test kits to these medical laboratories. We disposed of three medical laboratories in the first half of 2020. Before the disposals, our sales of genetic test kits to these medical laboratories were inter-company transactions and were eliminated at consolidation level. Upon completion of the disposals, we started to record trade receivables from our sales to these medical laboratories as trade receivables from related parties. The adjusted trade receivable turnover days of related parties for the nine months ended September 30, 2020 were 378 days, representing our trade receivable turnover days of related parties if the disposals had not taken place. The adjusted trade receivable turnover days are adjusted by adding back the opening balance of trade receivables due from disposed medical laboratories to the opening balance of the trade receivables from related parties and the eliminated sales transaction with the disposal medical laboratories to the revenue for the nine months ended September 30, 2020, as if the disposal had been completed as at January 1, 2020.

Our trade receivables increased from RMB24.0 million as of December 31, 2018 to RMB40.1 million as of December 31, 2019, primarily due to the growth of our business and revenue as a result of the increased number of customers. Our trade receivables further increased to RMB69.5 million as of September 30, 2020, primarily due to increased trade receivable balances due from disposed medical laboratories after the disposal. The increased trade receivable balances due from disposed medical laboratories were primarily due to (i) disposals of these medical laboratories, and (ii) our increased sales of genetic test kits to these medical laboratories. We sold genetic test kits to three disposed medical laboratories during the Track Record Period. Before the disposals, our sales of genetic test kits to these medical laboratories were inter-company transactions and were eliminated at consolidation level. Upon completion of the disposals in the first half of 2020, we started to record trade receivables from these medical laboratories as trade receivables from related parties. Our trade receivable turnover days decreased from 237 days in 2018 to 212 days in 2019, primarily because we accelerated our trade receivables collections. Our trade receivable turnover days further increased to 264 days for the nine months ended September 30, 2020, primarily due to the increase of trade receivable balances due from disposed medical laboratories. Credit terms we granted to disposed medical laboratories generally ranged from six to eight months. Such credit terms were determined based on the credit terms of major customers of these medical laboratories, which were mainly hospitals. During the Track Record Period and as of the Latest Practicable Date, we did not experience any material disputes or disagreements with our major customers relating to the relevant trade receivables.

Our other receivables, comprising prepayments to suppliers, rental deposits for our leased properties, amount due from related parties and others, remained stable at RMB4.5 million and RMB4.8 million as of December 31, 2018 and 2019, respectively. Our other receivables increased to RMB23.0 million as of September 30, 2020, primarily due to (i) amounts due from related parties in relation to the consideration for transfer of our equity interests in disposed medical laboratories, and (ii) our increased prepayment to suppliers of MGD kits as a result of our increased purchases of MGD kits.

As of the Latest Practicable Date, RMB20.0 million, or 28.6% of our trade receivables as of September 30, 2020, had been subsequently settled. In particular, RMB14.0 million, or 27.8% of our trade receivables from third parties as of September 30, 2020 and RMB6.0 million, or 30.5% of our trade receivables from related parties as of September 30, 2020, had been subsequently settled as of the Latest Practicable Date.

We have set up credit control policies and procedures to minimize our credit risk and maintain control over our outstanding receivables. Our senior management regularly reviews our overdue balances, and we actively follow up with customers with past due trade receivables. We measures loss allowances for trade receivables at lifetime expected credit loss, or ECL. We determine ECL at the end of each financial year using a provision matrix to measure expected credit losses and assess our credit risk exposure. We assessed each debtor individually based on the historical credit loss experience, past default experience, subsequent settlement and current financial position of the debtor, the general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast duration of condition as of the end of each of period comprising the Track Record Period. As of December 31, 2018 and 2019 and September 30, 2020, we recorded allowance on trade receivables of RMB0.4 million, RMB0.4 million and RMB0.4 million, respectively. We believe that we have made sufficient bad debt provision for our trade receivables during the Track Record Period.

The following table sets forth an aging analysis, based on the invoice date and net of loss allowance, of our trade receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2018	**2019**	**2020**
		RMB'000	
Within six months	18,910	30,347	52,173
6 to 12 months	1,321	8,818	13,839
12 to 18 months	3,267	902	2,136
18 to 24 months	2	–	814
Over two year	484	29	555
Total	23,984	40,096	69,517

The following table sets forth an aging analysis, based on the invoice date and net of loss allowance, of our trade receivables from third parties and related parties as of the dates indicated.

	As of December 31,				As of September 30,	
	2018		2019		2020	
	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties[1]
	RMB'000					
Within six months	18,910	–	27,473	2,874	38,444	13,729
6 to 12 months	387	934	8,818	–	9,552	4,287
12 to 18 months	3,267	–	902	–	2,136	–
18 to 24 months	2	–	–	–	–	814
Over two years	484	–	29	–	–	555
	23,050	934	37,222	2,874	50,132	19,385

(1) Increased trade receivables from related parties as of September 30, 2020 were primarily due to increased trade receivable balance due from medical laboratories after the disposal.

During the Track Record Period, our trade receivables aged over 12 months were primarily from our hospital customers, which have a relative long credit term. We have maintained long-term relationships with these hospital customers and have not experienced any material disputes or disagreements with, nor observed any history of default in relation to, such customers. Therefore, to the knowledge of the Company, we have not experience any recoverability issue for trade receivables aged over one year.

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

As of December 31, 2018 and 2019 and September 30, 2020, we had financial assets at fair value through profit or loss of RMB50.1 million, RMB32.1 million and nil, respectively. Our financial assets at fair value through profit or loss represent wealth management products we purchased from commercial banks in the PRC. The wealth management products we purchased during the Track Record Period were principal guaranteed with an expected interest rates ranging from 2.7% to 4.1% per annum. These wealth management products either have a maturity date of 30 days or 90 days or are redeemable on demand. The fair value of financial assets at FVTPL as of a specific date is the unredeemed principal amount that we have invested to purchase these wealth management products plus our expected returns with reference to the expected interest rates as of the same date. As a result, the amount of the financial assets at FVTPL is primarily affected by our purchase amount, which is determined in light of our cash flow, operational needs, expected capital expenditure and treasury management policies.

We believe that we can make better use of our cash by purchasing wealth management products to enhance our income without materially interfering with our business operations or capital expenditures. Investment decisions are made based on our estimated capital requirements for the next three to six months and our annual budget. We also take into account the duration, expected returns and risks of the wealth management products. We generally only purchase low-risk, short-term products from reputable commercial banks. Our finance department is responsible for selecting wealth management products, which is reviewed and approved by our general manager.

Our investments in wealth management products were categorized as level 3 financial assets as of December 31, 2018, 2019 and September 30, 2020. See note 26(e) to the historical financial information for the Track Record Period as set out in the Accountants' Report in Appendix I to this prospectus. The fair value of banks' wealth management products was estimated using a discounted cash flow valuation model based on assumptions that were not supported by observable market prices or rates. We have a finance team that is responsible for performing valuation for financial assets which are categorized into level 3 of the fair value hierarchy, or the Finance Team. The Finance Team reports directly to the head of our finance department. A valuation analysis of changes in fair value measurement is prepared by the Finance Team periodically. Such valuation analysis is reviewed and approved by the head of finance department.

In determining the fair value of our investment in wealth management products, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of related agreements; (ii) reviewed the valuation working papers and report prepared by the Finance Team; (iii) carefully considered all information especially those non-market related information input; and (iv) critically analyzed and thoroughly discussed with the Finance Team regarding the contents of the valuation analysis including but not limited to, the basis of computation, assumptions, limitations, qualifications and valuation methodologies on which the valuation is based, the basis of the discount rate and the choice of comparable companies. Based on the foregoing, our Directors are of the view that the valuation is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 26 to the historical financial information of Group for the Track Record Period as set out in the Accountants' Report issued by the reporting accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in the Appendix I to this prospectus. The reporting accountants' opinion on the historical financial information of the Group for the Track Record Period as a whole is set out in the Appendix I to this prospectus.

The Sole Sponsor has conducted, among others, the following due diligence work in respect of the valuation of level 3 financial assets at fair value: (i) discussed with the Company, in particular, the Finance Team which performed the valuation of level 3 financial assets and the general manager who approved the purchase of such financial assets, to understand the

nature and details of the financial assets; (ii) obtained and reviewed the structured deposit agreements regarding the financial assets; (iii) obtained and reviewed the valuation analysis prepared by the Finance Team; (iv) discussed with the Company and the reporting accountants about the key basis and assumptions of the valuation of the financial assets; and (v) reviewed the relevant notes in the Accountants' Report as set out in Appendix I of this prospectus. Having considered the work done by the Company, and the Reporting Accountants, and the relevant due diligence work conducted as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed on the level 3 financial assets by the Company.

Trade and Other Payables

Our trade and other payables primarily represent (i) trade payables, (ii) payables for marketing expenses, which represent payables to our distributors, (iii) payroll payables, (iv) interest payables, (v) accrued Listing expenses, and (vi) other payables and accruals, which primarily consist of deposit received from customers and payables to maintenance service providers. The following table sets forth the details of our trade and other payables as of the dates indicated.

	As of/for the year ended December 31,		As of/for the nine months ended September 30,
	2018	**2019**	**2020**
		RMB'000	
Trade payables			
– third parties	12,458	9,749	13,246
	12,458	9,749	13,246
Payables for marketing expenses	12,557	5,328	3,619
Payroll payables	2,211	3,457	2,509
Interest payables	35	47	39
Accrued Listing expenses	–	–	13,107
Other payables and accruals	4,837	2,090	5,403
Total other payables	19,640	10,922	24,677
Total trade and other payables	32,098	20,671	37,923
Trade payable turnover days[(1)]	213	138	86

(1) Calculated by dividing the arithmetic mean of the opening and ending balance of trade payables in relevant period by cost of sales for the relevant period and multiplying by 365 days for the full-year period and 274 days for the nine months period.

Our trade payables decreased from RMB12.5 million as of December 31, 2018 to RMB9.7 million as of December 31, 2019, mainly due to our decreased purchases of NIPT kits from our supplier. Our trade payables increased to RMB13.2 million as of September 30, 2020, primarily due to our increased purchases of MGD kits. Our trade payable turnover days decreased from 213 days for the year ended December 31, 2018 to 138 days for the year ended December 31, 2019 and further to 86 days for the nine months ended September 30, 2020, primarily due to accelerated settlements with our suppliers and prepayment requirements from certain new suppliers. Our credit terms with the supplier of the NIPT kits were eight months, eight months and six months for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, respectively.

Our other payables decreased from RMB19.6 million as of December 31, 2018 to RMB10.9 million as of December 31, 2019, primarily due to a RMB7.3 million decrease in marketing expense payables because of the settlement of payables with Nanjing Fanghua. Our other payables increased from RMB10.9 million as of December 31, 2019 to RMB24.7 million as of September 30, 2020, primarily attributable to a RMB13.1 million increase in accrued Listing expenses.

As of the Latest Practicable Date, RMB7.8 million, or 58.9% of our trade payables as of September 30, 2020, had been subsequently settled.

The following table sets forth an aging analysis of trade payables presented based on the invoice dates as of the dates indicated and trade payable turnover days for the period indicated.

	As of December 31,		As of September 30,
	2018	**2019**	**2020**
		RMB'000	
Within three months	5,173	2,743	5,744
Three to six months	3,122	4,566	6,853
Six to 12 months	2,102	2,370	–
Over one year	2,061	70	649
Total	12,458	9,749	13,246

Lease Liabilities

As of December 31, 2018 and 2019 and September 30, 2020, we recorded lease liabilities of RMB4.8 million, RMB2.6 million and RMB1.9 million, respectively. Our lease liabilities relate to our leases of certain office buildings. We recognize a lease liability with respect to our leases, except for short term leases and leases of low value assets. For these short-term leases and leases of low value assets, we generally recognize the lease payments as operating

expenses on a systematic basis over the terms of the leases. The lease liability is initially measured at present value that are not paid at the commencement date of the lease and subsequently adjusted by interest accretion and lease payments.

Financial Instruments Issued to Investors

Our financial instruments issued to investors represent the carrying amount of the shares issued pursuant to the Pre-IPO Investments. Our financial instruments issued to investors increased from RMB503.3 million as of December 31, 2018 to RMB1,043.7 million as of December 31, 2019, as a result of changes in the carrying amount of the financial instruments issued to investors. We did not have any financial instruments issued to investors as of September 30, 2020 because these financial instruments were all reclassified from financial liabilities to equity on July 23, 2020. For details on our financial instruments issued to investors, see "History and Corporate Structure—Pre-IPO Investments."

Our financial instruments issued to investors are recognized as financial liabilities and measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of each period comprising the Track Record Period. See note 23 to the historical financial information for the Track Record Period as set out in the Accountants' Report in Appendix I to this prospectus.

The financial liabilities were measured with reference to valuation reports carried out by an independent qualified professional valuer. The valuations of these financial liabilities were determined by using discount cash flow method to determine the total share value of the Company and applied a liquidation discount ratio to arrive the carrying amount of the financial instruments issued to investors as of the dates of issuance and at the end of each period comprising the Track Record Period.

In determining the valuation of financial instruments issued to investors, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the relevant contract terms of the investment agreements signed with investors; (ii) engaged an independent qualified professional valuer, confirmed with the valuer that it was independent from the Company and that there is no conflict of interests of the valuer, reviewed the qualifications, experience of the valuer and the work scope of the engagement team to ensure that the valuer possessed the experience, qualifications and expertise to compile the valuation report properly; (iii) provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iv) carefully considering all information which require management assessments and estimates; and (v) reviewing the valuation results prepared by the valuer. Based on the above procedures, our management are of the view that the valuation of financial instruments issued to investors is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the valuation measurement of financial instruments issued to investors, particularly the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to valuation are disclosed in note 23 to the historical financial information of Group for the Track Record Period as set out in the Accountants' Report issued by the reporting accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in the Appendix I to this prospectus. The reporting accountants' opinion on the historical financial information of the Group for the Track Record Period as a whole is set out in the Appendix I to this prospectus.

The Sole Sponsor has conducted, among others, the following due diligence work in respect of the valuation of financial instruments issued to investors: (i) discussed with the Company, in particular, the Directors who performed the valuation of financial instruments issued to investors with reference to valuation report prepared by independent valuer, to understand the nature and details of the financial liabilities; (ii) obtained and reviewed the investment agreements with investors regarding the financial liabilities; (iii) obtained and reviewed the valuation report prepared by the independent valuer; (iv) discussed with the Company about the key basis and assumptions of the valuation of financial liabilities; and (v) discussed with the reporting accountants on the audit work performed and reviewed the relevant notes in the Accountants' Report as set out in Appendix I of this prospectus.

Having considered the results of discussions with the Company and the Reporting Accountants, and the relevant due diligence work conducted as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed on the valuation measurement of financial instruments issued to investors by the Company.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

	As of December 31,		As of September 30,	As of November 30,
	2018	2019	2020	2020
	(RMB'000)			
				(unaudited)
Current assets				
Inventories	7,986	11,737	8,614	10,567
Trade and other receivables	28,503	44,858	92,519	77,065
Other current assets	2,644	2,103	14,436	19,442
Financial assets at fair value through profit or loss	50,100	32,088	–	–
Cash and cash equivalents	19,041	24,155	225,406	201,542
Total current assets	108,274	114,941	340,975	308,616
Current liabilities				
Trade and other payables	32,098	20,671	37,923	24,659
Bank loans	20,000	30,000	30,000	30,000
Lease liabilities	2,202	1,490	944	625
Total current liabilities	54,300	52,161	68,867	55,284
Net current assets	53,974	62,780	272,108	253,332

The increase in our net current assets from RMB54.0 million as of December 31, 2018 to RMB62.8 million as of December 31, 2019 was primarily due to (i) an increase of RMB16.4 million in trade and other receivables as a result of our business growth, (ii) a decrease of RMB11.4 million in trade and other payables, and (iii) an increase of RMB5.1 million in cash and cash equivalents, partially offset by (i) a decrease of RMB18.0 million in financial assets at fair value through profit or loss as a result of our disposal of wealth management products, and (ii) an increase of RMB10.0 million in bank loans.

The increase in our net current assets from RMB62.8 million as of December 31, 2019 to RMB272.1 million as of September 30, 2020 was primarily due to (i) an increase of RMB201.3 million in cash and cash equivalents primarily because we received proceeds from Series D Pre-IPO Investors in July 2020, and (ii) an increase of RMB47.7 million in trade and other receivables as a result of our business growth, partially offset by a decrease of RMB32.1 million in financial assets at fair value through profit or loss as a result of our disposal of wealth management products.

The decrease in our net current assets from RMB272.1 million as of September 30, 2020 to RMB253.3 million as of November 30, 2020 was primarily due to a RMB23.9 million decrease in cash and cash equivalents, which was primarily due to our increased daily operating costs and Listing expenses.

Working Capital

Our primary uses of cash during the Track Record Period were to fund our research and development, clinical trials, purchase of equipment and raw materials and other recurring expenses. During the Track Record Period and up to the Latest Practicable Date, 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.

Going forward, we believe our liquidity requirements will be mainly satisfied by using funds from a combination of cash generated from our operations, the net proceeds from the Global Offering and bank loans. As of November 30, 2020, being the latest practicable date for determining our indebtedness, we had capital resources of RMB201.5 million, consisting of cash and cash equivalents and bank facilities. The Directors are of the opinion that, taking into account (i) the financial resources available to our Group, including cash and cash equivalents, of RMB201.5 million as of November 30, 2020, available financing facilities and the estimated net proceeds from the Global Offering, (ii) the planned commercialization of our PGT-A kit, and (iii) our cash burn rate, which is our cash and cash equivalents balance divided by average monthly net cash used in operating activities plus payments for property, plant and equipment, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this prospectus. Without taking into account the estimated net proceeds from the Global Offering, our Directors believe that we have sufficient working capital for approximately 12 months from the date of this prospectus.

Cash Operating Costs

The following table provides key information regarding our cash operating costs for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020
	(RMB in thousands)		
R&D costs			
R&D costs for Core Product			
Clinical trial expenses	158	5,689	1,315
Staff costs	1,360	2,689	1,352
Consumables expenses	3,756	1,775	625
Technical service fee	1,345	1,832	459
Others	631	672	130
R&D costs for other product candidates[(1)]			
Clinical trial expenses	–	–	3,058
Staff costs	5,944	5,930	7,385
Consumables expenses	577	331	3,148
Technical service fee	137	631	2,741
Others	227	267	86
Workforce Employment Cost	13,648	17,993	18,002
Marketing expenses	3,249	10,668	3,535
Material costs	17,775	25,630	23,567

(1) Other product candidates include our PGT-M, PGT-SR and CNV and WES kits.

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,	
	2018	2019	2019	2020
	RMB'000		*(unaudited)*	
Operating loss before changes in working capital	(22,711)	(7,141)	(6,451)	(21,903)
Total changes in working capital	(3,984)	(31,004)	(27,824)	(25,200)
Net cash used in operating activities	(26,695)	(38,145)	(34,275)	(47,103)
Net cash (used in)/generated from investing activities	(54,716)	16,765	5,852	27,229
Net cash generated from financing activities	82,118	26,494	22,421	221,125
Net increase/(decrease) in cash and cash equivalents	707	5,114	(6,002)	201,251
Cash and cash equivalents at beginning of year/period	18,334	19,041	19,041	24,155
Cash and cash equivalents at end of year/period	19,041	24,155	13,039	225,406

Operating Activities

For the nine months ended September 30, 2020, we had net cash flows used in operating activities of RMB47.1 million, primarily attributable to loss before taxation from continuing operations of RMB852.7 million, as adjusted by non-cash items, which primarily include changes in carrying amount of financial instruments issued to investors of RMB826.8 million. The amount was further adjusted by changes in working capital, which primarily include (i) a RMB42.8 million increase in operating receivables primarily due to our sales of genetic test kits to three medical laboratories we disposed, and (ii) a RMB15.8 million increase in operating payables primarily due to our increased purchases of MGD kits.

In 2019, our net cash used in operating activities was RMB38.1 million, primarily attributable to loss before taxation from continuing operations of RMB530.6 million, as adjusted by non-cash items, which primarily include changes in carrying amount of financial instruments issued to investors of RMB520.4 million and depreciation of property, plant and equipment of RMB6.3 million. The amount was further adjusted by changes in working capital, which primarily include (i) a RMB15.8 million increase in operating receivables primarily due

to the growth of our business and revenue as a result of the increased number of customers, and (ii) a RMB11.4 million decrease in operating payables primarily due to our decreased purchases of NIPT kits from our supplier.

In 2018, our net cash used in operating activities was RMB26.7 million, primarily attributable to loss before taxation from continuing operations of RMB157.0 million, as adjusted by non-cash items, which primarily include changes in carrying amount of financial instruments issued to investors of RMB104.1 million and equity settled share-based payment expenses of RMB27.0 million. The amount was further adjusted by changes in working capital, which primarily include a RMB2.4 million increase in inventories primarily due to the increased stock prepared for more sales orders for 2019.

In view of our net operating cash outflows throughout the Track Record Period, we plan to improve our operating cash flow position by (i) adopting comprehensive measures to effectively control cost and operating expenses, primarily including cost of sales, research and development expenses, distribution costs and administrative expenses; (ii) expanding sales of our NMPA-approved PGT-A kit, (iii) rapidly advancing our portfolio product candidates towards commercialization to generate revenue from product sales; and (iv) enhancing working capital management efficiency.

Investing Activities

For the nine months ended September 30, 2020, our net cash generated from investing activities was RMB27.2 million, primarily attributable to proceeds from disposal of wealth management products of RMB60.7 million, partially offset by purchases wealth management products of RMB30.0 million.

In 2019, our net cash generated from investing activities was RMB16.8 million, primarily attributable to proceeds from disposal of wealth management products of RMB231.1 million, partially offset by purchases wealth management products of RMB212.0 million.

In 2018, our net cash used in investing activities was RMB54.7 million, primarily attributable to purchases of wealth management products of RMB65.0 million, partially offset by our proceeds from disposal of wealth management products of RMB15.1 million.

Financing Activities

For the nine months ended September 30, 2020, our net cash generated from financing activities was RMB221.1 million, primarily attributable to capital injections we received from Shareholders of RMB211.7 million.

In 2019, our net cash generated from financing activities was RMB26.5 million, primarily attributable to (i) proceeds from bank loans of RMB30.0 million and (ii) proceeds we received from MING Bioventures in relation to a Series C Investment of RMB20.0 million, partially offset by repayment of bank loans of RMB20.0 million.

In 2018, our net cash generated from financing activities was RMB82.1 million, primarily attributable to (i) proceeds we received from Board Vision Investment and Yingtan Jinhu of RMB65.0 million in relation to our Series C Investments, and (ii) proceeds from bank loans of RMB20.0 million.

INDEBTEDNESS

The following table sets forth the components of our indebtedness as of the dates indicated.

	As of December 31,		As of September 30,	As of November 30,
	2018	2019	2020	2020
			RMB'000	
				(unaudited)
Bank loans – Unsecured bank	20,000	30,000	30,000	30,000
Lease liabilities – current	2,202	1,490	944	625
Lease liabilities – non-current	2,560	1,118	956	900
Total	24,762	32,608	31,900	31,525

Bank Loans

As of December 31, 2018, we had unsecured bank loans of RMB20.0 million with interest rates ranging from 5.44% to 6.09% per annum. These unsecured bank loans were fully repaid in installments by July 2019.

As of December 31, 2019, we had unsecured bank loans of RMB30.0 million with interest rates ranging from 4.79% to 5.22% per annum. As of the Latest Practicable Date, RMB30.0 million of these unsecured bank loans were fully repaid in installments.

As of September 30, 2020, we had unsecured bank loans of RMB30.0 million with an interest rate of 4.35% per annum. These unsecured bank loans were not due as of the Latest Practicable Date.

As of November 30, 2020, being the latest practicable date for determining our indebtedness, we had unsecured bank loans of RMB30.0 million with an interest rate of 4.35% per annum.

The unsecured bank loans of RMB30.0 million were guaranteed by a subsidiary of our Group. Such guarantee arrangement within our Group will continuously exist upon Listing, based on requests from the banks.

The bank loan agreements contain standard events of default such as the occurrence of a change of control, bankruptcy and an event that has a material adverse effect. Our Directors confirm that we had no material defaults in payment of bank loans and had not breached any finance covenants thereunder during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings.

Save as disclosed in the prospectus, as of the same date, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings and other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to our purchases of medical equipment and instrument, office equipment and furniture, motor vehicles, construction in progress in relation to equipment upgrades and leasehold improvements. We funded our capital expenditure requirements during the Track Record Period mainly from bank loans, equity financing and cash generated from our operations. The following table sets forth the details of our capital expenditure for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2018	**2019**	**2020**
		RMB'000	
Medical equipment and instrument	1,967	1,074	3,705
Construction in progress	–	1,107	–
Leasehold improvement	1,939	–	–
Motor vehicles	217	–	1,091
Office equipment and furniture	461	180	146
Total	4,584	2,361	4,942

We expect that our capital expenditures in 2020 and 2021 will be approximately RMB10.2 million and RMB84.0 million, respectively, primarily related to purchase of machinery and equipment related to our production and R&D activities. We plan to finance such expenditures primarily with proceeds from Pre-IPO Investments and net proceeds from the Global Offering.

CAPITAL COMMITMENTS

As of December 31, 2018 and 2019 and September 30, 2020, we did not have any capital commitments.

CONTINGENT LIABILITIES

As of December 31, 2018 and 2019 and September 30, 2020, we did not have any contingent liabilities. We confirm that, as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities since September 30, 2020.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into the following material related party transactions.

	For the year ended December 31,		For the nine months ended September 30,	
	2018	2019	2019	2020
	RMB'000			
			(unaudited)	
Sales of test kits to disposed medical laboratories	–	–	–	12,576
Sales of testing devices and instruments to Suzhou Chaoyun	–	–	–	54
Provision of testing services	883	2,716	2,304	–
Service fee charged by disposed medical laboratories	–	–	–	3,058
Loan lent to Suzhou Chaoyun	–	–	–	2,000
Loan repaid by Suzhou Chaoyun	–	–	–	2,000
Disposal of subsidiaries	–	–	–	17,000
Disposal of associates	–	–	–	250

We sold genetic test kits, mainly NIPT and PGT-A kits, to our three disposed medical laboratories with a transaction amount of RMB12.6 million for the nine months ended September 30, 2020. In addition, we also sold testing devices and instruments to Suzhou Chaoyun with a transaction amount of RMB54,000 for the nine months ended September 30, 2020. We will continue to sell genetic test kits to our disposed medical laboratories, see "Connected Transaction."

During the Track Record Period, we provided certain testing services during our external research collaborations with the Chinese University of Hong Kong through Basecare Technology, the transaction amount of which was RMB0.9 million, RMB2.7 million, RMB2.3 million and nil for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

Our disposed medical laboratories charged us service fees for providing genetic testing services to us, the transaction amount of which was RMB3.1 million for the nine months ended September 30, 2020.

We provided short-term loans to Suzhou Chaoyun, which were fully settled in August 2020.

In April 2020, April 2020 and June 2020, we disposed of Suzhou Medical Laboratory, Shandong Medical Laboratory and Benxi Medical Laboratory, together with their operations, respectively, to Suzhou Double Helix. The total consideration for transfer of our equity interests in three disposed medical laboratories was RMB17.0 million, resulting in a non-trade related amount due from Suzhou Doule Helix of RMB14.5 million as of September 30, 2020. Such amount was fully settled in November 2020. See "—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Discontinued Operations."

The following table sets forth outstanding balances with related parties as of the dates indicated.

	As of December 31,		As of September 30,
	2018	**2019**	**2020**
		RMB'000	
Amounts due from related parties			
Trade related:			
– Basecare Technology	935	2,879	2,879
– Shandong Medical Laboratory	–	–	9,497
– Benxi Medical Laboratory	–	–	5,787
– Suzhou Medical Laboratory	–	–	1,235
– Suzhou Chaoyun	–	–	61
	935	2,879	19,459
Non-trade related:			
– Suzhou Double Helix	–	–	14,500

It is the view of our Directors that the related party transactions discussed above and set out in Note 27 of the Accountants' Report set out in Appendix I to this prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates or for the periods indicated:

	As of/for the year ended December 31,		As of/ for the nine months ended September 30,
	2018	2019	2020
Gross profit margin[1]	25.0%	47.1%	35.8%
Current ratio[2]	2.0	2.2	5.0
Quick ratio[3]	1.8	2.0	4.8

(1) Gross profit margin represents gross profit divided by revenue for the same period and multiplied by 100%.

(2) Current ratio represents current assets divided by current liabilities as of the same date.

(3) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

Our current ratio increased from 2.0 as of December 31, 2018 to 2.2 as of December 31, 2019 and our quick ratio increased from 1.8 as of December 31, 2018 to 2.0 as of December 31, 2019 mainly due to our increased current assets and decreased current liabilities. The increase in our current assets was primarily due to an increase in trade and other receivables, and an increase in cash and cash equivalents, partially offset by a decrease in financial assets at fair value through profit or loss as a result of our disposal of wealth management products. The decrease in our current liabilities was primarily due to a decrease in trade and other payables as a result of our decreased purchases of NIPT kits, partially offset by an increase in bank loans.

Our current ratio and our quick ratio further increased to 5.0 and 4.8 as of September 30, 2020, respectively, which was primarily due to our increased current assets as a result of our increased cash and cash equivalents.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments and arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including credit risk, liquidity risk and interest rate risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 26 in the Accountants' Report set out in Appendix I to this prospectus.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents and wealth management products, is limited because the counterparties are reputable banks or financial institution, for which we considered have low credit risks.

Our 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 of December 31, 2018 and 2019 and September 30, 2020, 70.3%, 55.8% and 36.3% of the total trade receivables were due from our Group's top five largest customers, respectively. Trade receivables are generally due within 60 to 240 days from the date of billing. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

We measure loss allowances for trade receivables at lifetime expected credit loss, or ECL. We determine 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 each of the Track Record Period. Our 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 our different customer bases.

For details and the analysis of credit risk and the maximum exposure to credit risk based on our credit policy at the end of each period during the Track Record Period, see Note 26 in the Accountants' Report set out in Appendix I to this prospectus.

Liquidity Risk

Individual operating entities within our 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 our shareholders when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

For details and the analysis of liquidity risk and the maximum exposure to liquidity risk at the end of each period during the Track Record Period, see Note 26 in the Accountants' Report set out in Appendix I to this prospectus.

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. Our interest rate risk arises primarily from cash at bank, wealth management products issued by banks, bank loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. We regularly review our strategy on interest rate risk management in light of the prevailing market conditions.

For details and the analysis of interest rate risk and the maximum exposure to interest rate risk at the end of each period during the Track Record Period, see Note 26 in the Accountants' Report set out in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As of September 30, 2020, the Company did not have any reserves available for distribution to our Shareholders.

DIVIDENDS

No dividend was paid or declared by the Company during the Track Record Period. The determination of whether to pay a dividend and in which amount is based on factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder's meeting. Under the PRC law and the Articles of Association, the general reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. In view of our accumulated losses, as advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations and the Articles of Association, we shall not declare or pay dividend until the accumulated losses are covered by our after-tax profits and sufficient statutory common reserve are drawn in accordance with the relevant laws and regulations.

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

Our Directors estimate, on the bases set out in Appendix IIA to this prospectus, and in the absence of unforeseen circumstances, the estimated consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2020 as follows:

Estimated consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2020[(1)]	Not more than RMB880 million

Note:

(1) The basis on which the above estimate has been prepared is set out in Appendix IIA to this prospectus.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB90.8 million (including underwriting commission, assuming an Offer Price of HK$26.86 per H Share, which is the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised), of which approximately RMB9.1 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB81.7 million is expected to be accounted for as a deduction from equity upon the Listing. During the Track Record Period, we incurred Listing expenses of RMB2.5 million. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Listing expenses as a percentage of gross proceeds is 6.1%, assuming an Offer Price of HK$26.86 per H Share, which is the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operations for the year ended December 31, 2020.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited *pro forma* statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity shareholders of the Company as of September 30, 2020 as if the Global Offering had taken place on that date.

The unaudited *pro forma* statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the financial position of the Group had the Global Offering been completed as of September 30, 2020 or at any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of September 30, 2020	Estimated net proceeds from the Global Offering	Unaudited *pro forma* adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited *pro forma* adjusted net tangible assets attributable to equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2 and 4)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$26.36 per Share	307,003	1,377,778	1,684,781	6.32	7.58
Based on an Offer Price of HK$27.36 per Share	307,003	1,431,131	1,738,134	6.52	7.82

Notes:

1. The consolidated net tangible assets attributable to the equity shareholders of the Company as of September 30, 2020 is based on the consolidated total equity attributable to the equity shareholders of the Company of RMB307,003,000 as of September 30, 2020 as extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the expected issuance of 66,667,000 H Shares and the indicative Offer Prices of HK$26.36 and HK$27.36 per H Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of approximately RMB87.2 million and RMB89.4 million respectively (excluding approximately RMB2.5 million of listing expenses which have been charged to the profit or loss up to September 30, 2020), and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

3. The unaudited *pro forma* adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share is arrived at after the adjustment referred to in the preceding paragraphs and on the basis that a total of 266,667,000 shares in issue assuming that the Global Offering had been completed on September 30, 2020, but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

4 The estimated net proceeds from the Global Offering and the unaudited *pro forma* adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share are converted into or from Renminbi at a rate of HK$1 = RMB0.83363, being the exchange rate set by PBOC prevailing on January 15, 2021. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or *vice versa*, at that rate.

5 No adjustment has been made to the unaudited *pro forma* statement of adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to September 30, 2020.

MATERIAL ADVERSE CHANGE

We cannot foresee when the COVID-19 pandemic will become completely under control or whether COVID-19 will have a material and adverse impact on our business going forward. See "Risk Factors—Risks Relating to Our Business and Industry—Risks relating to Our Operations—We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, the COVID-19 outbreak in China and worldwide has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition." We are continually monitoring the COVID-19 situation as well as various regulatory and administrative measures adopted by local governments to prevent and control the pandemic. We will continue to evaluate the impact of this pandemic on us and adjust our precautionary measures according to the latest developments.

Our Directors confirm that, up to the date of this prospectus, save as disclosed above regarding the impact of the COVID-19 pandemic, as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since September 30, 2020 and there has been no event since September 30, 2020 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business—Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,684.7 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$26.86 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at HK$27.36 per Share, which is the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$32.0 million. If the Offer Price is set at HK$26.36 per Share, which is the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$32.0 million.

We intend to apply these net proceeds for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 30%, or HK$505.4 million, will be allocated to our Core Product, PGT-A kit, as follows:
  - o approximately 20%, or HK$336.9 million, will be used for the 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:
    - ➢ approximately 10%, or HK$168.5 million, will be used for organizing science and technology promotion campaigns in hospitals to improve patient awareness and clinical knowledge of physicians in the field of IVF technology and PGT-A, as well as assisting hospitals to develop educational videos and materials to promote IVF technology and PGT-A;
    - ➢ approximately 6%, or HK$101.1 million, will be used for hosting and sponsoring domestic and international medical conferences relating to assisted reproduction procedures with experts and KOLs, particularly those with topics relating to IVF technology and PGT-A, in order to enhance our influence in this market;
    - ➢ approximately 4%, or HK$67.3 million, will be used for assisting physicians to participate in national training course in genetic testing and obtain genetic counseling certification, in order to increase the number of physicians with ability to provide genetic consulting, which is expected to accelerate the penetration of our PGT-A kits; or to participate in advanced studies overseas in world-leading assisted reproduction medical institutions to communicate knowledge of IVF and PGT-A;

- o approximately 10%, or HK$168.5 million, will be used for optimizing the production process of our PGT-A kit by upgrading our existing manufacturing machinery and equipment, as well as procuring and installing new automated operational equipment and instruments to increase our production efficiency for PGT-A kit;

- approximately 20%, or HK$336.9 million, will be used for the clinical trial, registration filing and commercialization of our PGT-M kit, as follows:

  - o approximately 10%, or HK$168.5 million, will be used for the clinical trial and registration filing of our PGT-M kit. To date our PGT-M kit is the first and only product of its kind that has completed the registration testing in China. With the satisfactory results from the registration testing, we plan to commence clinical trial for PGT-M in early 2021;

  - o approximately 10%, or HK$168.4 million, will be used for the commercialization, sales and marketing activities of our PGT-M kit. We expect to leverage the existing relationships we have built with hospitals and clinics to market and promote our PGT-M kit, as well as target physicians, hospitals and KOLs specifically for our PGT-M kit to expand our sales channels. We also plan to organize academic seminars, offer trainings to physicians and improve patient outreach and education to promote our PGT-M kit;

- approximately 30%, or HK$505.4 million, will be allocated to the development, clinical trials and registration filings of our other products, as follows:

  - o approximately 13%, or HK$219.0 million, will be allocated to the development, clinical trials and registration filings of our other genetic test kit products, including:

    - ➢ approximately 4%, or HK$67.4 million, will be allocated to the development, clinical trials and registration fillings of our PGT-SR product. We expect to obtain registration testing report in late 2021;

    - ➢ approximately 4%, or HK$67.4 million, will be allocated to the development, clinical trials and registration fillings of our CNV kit. We expect to obtain registration testing report in late 2020;

    - ➢ approximately 5%, or HK$84.2 million, will be allocated to the development, clinical trials and registration fillings of our WES kit. We expect to obtain registration testing report in late 2022;

- o approximately 17%, or HK$286.4 million, will be allocated to the research, development and manufacturing of our genetic testing devices and instruments, including:

  - ➢ approximately 8%, or HK$134.8 million, will be used for the research and development of a proprietary NGS sequencer with higher throughput, more accurate testing results and lower cost, for our reagent products;

  - ➢ approximately 4%, or HK$67.4 million, will be allocated to the research, development and registration fillings of our automated workstation (BS1000). We expect to obtain registration testing report in late 2023;

  - ➢ approximately 5%, or HK$84.2 million, will be allocated to the research, development and manufacturing of our liquid nitrogen storage dewar (BCT38A) and cryostorage system (BSG800). We expect to obtain registration testing report in late 2021;

- approximately 10%, or HK$168.5 million, will be used for 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; and

- approximately 10%, or HK$168.5 million, will be used for our working capital and general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus. If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK$1,942.6 million, assuming an Offer Price of HK$26.86 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intent to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits with licensed banks or authorized financial institutions in Hong Kong. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

CLSA Limited
Citigroup Global Markets Asia Limited
China International Capital Corporation Hong Kong Securities Limited
Haitong International Securities Company Limited
CMB International Capital Limited
ICBC International Securities Limited
SPDB International Capital Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 6,667,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any H Shares to be converted from Unlisted Foreign Shares as mentioned herein, and certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Stock Exchange:

(i) there develops, occurs, exists or comes into force:

(a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore, the South-East Asia or other jurisdictions relevant to the Company (each a "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change, or any event or series of events likely to result in a change or prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal, regulatory, currency, credit or market conditions or other financial markets (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) or currency exchange rate or controls in or affecting any Relevant Jurisdictions; or

(c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a regional, national or international emergency or war, strikes, labor disputes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, acts of God, epidemic, pandemic, outbreak or escalation of infectious disease (including without limitation COVID-19), accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions, or without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(d) the imposition or declaration of (a) any moratorium, suspension or restriction (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the

Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(e) any moratorium on commercial banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services in those places or jurisdictions; or

(f) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(g) the commencement by any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or other regulatory or political body or organization in any of the Relevant Jurisdictions of any public action or investigation against a Director or an announcement by any Governmental Authority or regulatory or political body or organization in any of the Relevant Jurisdictions that it intends to take any such action; or

(h) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, any Relevant Jurisdiction; or

(i) any event, act or omission which gives rise or is likely to give rise to any material liability of the Company or the Controlling Shareholders pursuant to the indemnities in the Hong Kong Underwriting Agreement; or

(j) an order or petition is presented for the winding-up or liquidation of any member of the Group, or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(k) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(l) any change or prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(m) the issue or requirement to issue a supplement to this prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC except with the prior consent of the Joint Global Coordinators; or

(n) any litigation or claim instigated, or any litigation or claim being threatened against any member of the Group, any Director or the Controlling Shareholders; or

(o) any contravention by the Company or any Director of the Listing Rules or applicable laws; or

(p) a valid demand by any creditor for repayment or payment of any of the Group's indebtedness in respect of which the Company or any of the Group Company's liable prior to its stated maturity,

which, in any such case individually or in the aggregate, in the absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or the Group as a whole; (B) has or will or may have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) has or will or may have a material adverse effect on the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (D) make, will or may make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering, to market the Global Offering or the delivery of H Shares on the Listing Date; or (E) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of any the Sole Sponsor or the Joint Global Coordinators:

(a) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (but excluding information relating to the Underwriters) was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect or misleading in any respect; or

(b) that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become unfair or misleading in any respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or

(c) any matter which would, if the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or

(d) any material breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement; or

(e) any material breach of any of the obligations of any party (other than the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters or the International Underwriters) to the Hong Kong Underwriting Agreement, or the International Underwriting Agreement; or

(f) any material adverse change, or any development or any prospective material adverse change or development, in the condition (financial or otherwise) or in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(g) that (a) any Director seeks to retire, to vacate his/her office, or is removed from office, or (b) any Director is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(h) that the Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or

(i) that the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(j) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(k) any person (other than the Sole Sponsor) has withdrawn or sought to withdraw its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or

(l) that a material portion of the orders placed or confirmed in the bookbuilding process or investment commitments made by any cornerstone investors under the Cornerstone Investment Agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled,

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their absolute discretion and upon giving notice orally or in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rule, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for the issue of H Shares or securities pursuant to the Global Offering (including the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to each of the Hong Kong Stock Exchange, the Sole Sponsor and to our Company that, save as disclosed in the prospectus and except pursuant to the Global Offering or the exercise of the Over-allotment Option, each of them will not, and will procure that the relevant registered holder(s) (if any) of the Shares in which any of them has a beneficial interest will not:

(a) at any time in the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares in which any of the Controlling Shareholders are shown in the prospectus to be the beneficial owners; and

(b) at any time in the period of six months commencing from the date on which the period referred to in the above paragraph (a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares to such extent that, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders will, directly or indirectly cease to be our Controlling Shareholders,

provided that the above shall not prevent them from using securities of the Company beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company respectively that, within the period commencing from the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will immediately inform the Company and the Stock Exchange in writing of:

(1) any pledge(s) or charge(s) of any Shares or securities of the Company beneficially owned by it directly or indirectly in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(2) any indication(s) received by it, either verbal or written, from any pledgee or chargee of any Shares or other securities of the Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by anyone of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by anyone of our Controlling Shareholder.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

The Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six Month Period**"), it will not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (and such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, defect, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (an "**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities convertible into equity securities of the Company, as applicable, or any interest in

any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company, as applicable), or deposit any share capital or other securities convertible into equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other securities convertible into equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six Month Period). The Company further agreed that, in the event the Company is allowed to enter into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "**Second Six Month Period**"), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company. Each of the Controlling Shareholders has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with such undertakings.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders have jointly and severally undertaken to each of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) it will not, at any time during the First Six Month Period and the Second Six Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase,

grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise, and whether or not the transactions will be completed within the First Six Month Period or the Second Six Month Period;

(ii) until the expiry of the First Six Month Period and the Second Six Month Period, in the event that it enters into any of the transactions specified in (a), (b) or (c) above, offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company; and

(iii) at any time during the First Six-Month Period and the Second Six-Month Period, it will (a) if and when it or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it, immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other securities of the Company so pledged or charged; and (b) if and when it or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications.

provided that nothing in this Clause shall prevent the Controlling Shareholders from (a) purchasing additional Shares or other securities of the Company and disposing of such additional Shares or securities of the Company in accordance with the Listing Rules, (b) using the Shares or other securities of the Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favour of an authorised

institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan. The Company has undertaken to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that upon receiving such information in writing from any Controlling Shareholder, it will, as soon as practicable and if required pursuant to the Listing Rules, the SFO and/or any other applicable law, notify the Stock Exchange and/or other relevant Governmental Authorities (as defined in the Hong Kong Underwriting Agreement), and make a public disclosure in relation to such information by way of an announcement.

Indemnity

Our Company has agreed to indemnify, among others, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, as the case may be.

Sole Sponsor's Fee

A total amount of US$500,000 is payable by our Company as sponsor fees to the Sole Sponsor.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option), failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 10,000,000 additional Offer Shares representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission of 3% of the Offer Price of all the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission and other fees, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the Company will pay an underwriting commission at the rate applicable to the International Offering to the relevant International Underwriters (but not the Hong Kong Underwriters). The International Underwriters are expected to receive an underwriting commission of 3% of the Offer Price of the International Offer Shares. In addition, the Company may at its sole discretion pay the Underwriters an additional incentive fee of up to an aggregate of no more than 1% of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$26.86 per Offer Share (being the mid-point of the indicative offer price range of HK$26.36 to HK$27.36 per Offer Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK$109 million in total.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering (together, referred to as "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or the stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering—The International Offering—Over-allotment Option" and "Structure of the Global Offering—The International Offering—Stabilization." These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Joint Global Coordinators, the Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Global Coordinators, Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Underwriters

The Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our H Shares.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in "Structure of the Global Offering—The International Offering—Stabilization," and "Structure of the Global Offering—The International Offering—Over-allotment Option."

Independence of the Sole Sponsor

CLSA Capital Markets Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 6,667,000 Offer Shares in Hong Kong as described below in the paragraph headed "—The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of initially 60,000,000 Offer Shares, consisting of the offering of H Shares (i) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Global Coordinators, as representatives of the International Underwriters, have an option to require us to issue and allot up to 10,000,000 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either

(a) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(b) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "—The International Offering—Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "—The Hong Kong Public Offering—Reallocation" below.

CLSA Limited, Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited are the Joint Global Coordinators of the Global Offering.

CLSA Limited, Citigroup Global Markets Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, CMB International Capital Limited, ICBC International Capital Limited and SPDB International Capital Limited are the Joint Bookrunners of the Hong Kong Public Offering. CLSA Limited, Citigroup Global Markets Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, CMB International Capital Limited, ICBC International Securities Limited, SPDB International Capital Limited and Futu Securities International (Hong Kong) Limited are the Joint Lead Managers of the Hong Kong Public Offering.

CLSA Limited, Citigroup Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, CMB International Capital Limited, ICBC International Capital Limited and SPDB International Capital Limited are the Joint Bookrunners of the International Offering. CLSA Limited, Citigroup Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, CMB International Capital Limited, ICBC International Securities Limited, SPDB International Capital Limited and Futu Securities International (Hong Kong) Limited are the Joint Lead Managers of the International Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 6,667,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 2.5% of our Company's registered capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "—The International Offering—Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC translation levy and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 3,333,500 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In accordance with paragraph 4.2 of Practice Note 18 of the Listing Rules, if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 20,001,000 H Shares, 26,668,000 H Shares and 33,335,000 H Shares, respectively, representing approximately 30.0% (in the case of (i)), 40.0% (in the case of (ii)) and approximately 50.0% (in the case of (iii)), respectively, of the total number of Offer Shares

initially available under the Global Offering (before any exercise of the Over-allotment Option), reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 6,667,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the H Shares available under the Hong Kong Public Offering will be increased to 13,334,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price should be fixed at the low-end of the indicative Offer Price range (i.e., HK$26.36 per Offer Share). In the event that the International Offering and the Hong Kong Public Offering are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$27.36 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "—The International Offering—Pricing of the Global Offering" below, is less than the maximum price of HK$27.36 per Hong Kong Offer Share, appropriate refund payments (including the

brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 60,000,000 Offer Shares to be initially offered by us, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of our Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "—The International Offering—Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback mechanism described in the sub-section headed "The Hong Kong Public Offering—Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 10,000,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as

compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be issued under the Over-allotment Option, namely, 10,000,000 H Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager,

or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on the thirtieth day after the last day for lodging applications under the Hong Kong Public Offering. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, February 1, 2021 and in any event on or before Tuesday, February 2, 2021, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company.

The Offer Price will not be more than HK$27.36 per H Share and is expected to be not less than HK$26.36 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.basecare.cn**) notices of the reduction. As soon as practicable following the decision to make such reduction, our Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will be entitled to withdraw their applications and will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus. Failure to confirm within the prescribed time will lead to the application being lapsed and all unconfirmed applications will not be valid. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares and the Hong Kong Offer Shares may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

Assuming an Offer Price of HK$26.86 per Offer Share (being the mid-point of the Offer Price Range of between HK$26.36 and HK$27.36 per Offer Share), the net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$1,684.7 million.

The final Offer Price is expected to be announced on Friday, February 5, 2021. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, February 5, 2021 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.basecare.cn**).

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting".

Admission of the H Shares into CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Tuesday, February 2, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Friday, February 5, 2021 but will only become valid certificates of title at 8:00 a.m. on Monday, February 8, 2021 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus has not been exercised.

Dealings in the H Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, February 8, 2021, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, February 8, 2021.

The H Shares will be traded in board lots of 500 H Shares each and the stock code of the H Shares will be 2170.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a PRC legal or natural person.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of any Shares in our Company and/or any of its subsidiaries;
- are a Director, Supervisor or chief executive officer of our Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Wednesday, January 27, 2021 until 12:00 noon on Monday, February 1, 2021 from:

(i) any of the following offices of the Hong Kong Underwriters:

CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
Citigroup Global Markets Asia Limited	50/F, Champion Tower 3 Garden Road, Central Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
CMB International Capital Limited	45F, Champion Tower 3 Garden Road, Central Hong Kong
ICBC International Securities Limited	37/F, ICBC Tower 3 Garden Road Hong Kong
SPDB International Capital Limited	33/F, SPD Bank Tower, One Hennessy 1 Hennessy Road Hong Kong
Futu Securities International (Hong Kong) Limited	Unit C1-2, 13/F United Centre No. 95 Queensway, Admiralty Hong Kong

(ii) any of the designated branches of the following receiving bank:

Bank of China (Hong Kong) Limited

District	Branch	Name Address
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong
Kowloon	Olympian City Branch	Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon
New Territories	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, January 27, 2021 until 12:00 noon on Monday, February 1, 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINESS LIMITED – SUZHOU BASECARE MEDICAL PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Wednesday, January 27, 2021 – 9:00 a.m. to 4:00 p.m.
- Thursday, January 28, 2021 – 9:00 a.m. to 4:00 p.m.
- Friday, January 29, 2021 – 9:00 a.m. to 4:00 p.m.
- Saturday, January 30, 2021 – 9:00 a.m. to 12:00 noon
- Monday, February 1, 2021 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, February 1, 2021, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "7. Who can apply" in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO Service Provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, January 27, 2021 until 11:30 a.m. on Monday, February 1, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, February 1, 2021 or such later time under the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Suzhou Basecare Medical Corporation Limited" **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, the receiving banks, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree with our Company, for itself and for the benefit of each shareholder of our Company and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of our Company and each director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving electronic application instructions):

(a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Company (for our Company itself and for the benefit of each shareholder of our Company) that H Shares in our Company are freely transferable by their holders;

- authorize our Company to enter into a contract on its behalf with each director and officer of our Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Wednesday, January 27, 2021 – 9:00 a.m. to 8:30 p.m.
- Thursday, January 28, 2021 – 8:00 a.m. to 8:30 p.m.
- Friday, January 29, 2021 – 8:00 a.m. to 8:30 p.m.
- Monday, February 1, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, January 27, 2021 until 12:00 noon on Monday, February 1, 2021 (24 hours daily, except on Monday, February 1, 2021, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, February 1, 2021, the last application day or such later time as described in the paragraph headed "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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1 **Note**: The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, February 1, 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering—The Hong Kong Public Offering—Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, February 1, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, February 1, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, February 5, 2021 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Company's website at **www.basecare.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below.

- in the announcement to be posted on our Company's website at **www.basecare.cn** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, February 5, 2021;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, February 5, 2021 to 12:00 midnight on Thursday, February 11, 2021;

- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, February 5, 2021 and from Monday, February 8, 2021 to Wednesday, February 10, 2021;

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, February 5, 2021 to Saturday, February 6, 2021 and on Monday, February 8, 2021 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **White Form eIPO Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$27.36 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering—Conditions of the Hong Kong

Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, February 5, 2021.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Friday, February 5, 2021. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Monday, February 8, 2021 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, February 5, 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, February 5, 2021 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, February 5, 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, February 5, 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, February 5, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your H Share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, February 5, 2021, or such other date as notified by our Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, February 5, 2021, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, February 5, 2021 or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of Results" above on Friday, February 5, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, February 5, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, February 5, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, February 5, 2021.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-70, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUZHOU BASECARE MEDICAL CORPORATION LIMITED AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Suzhou Basecare Medical Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-70, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018 and 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended as at 31 December 2018 and 2019 and the nine months ended 30 September 2020 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 January 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2018 and 2019 and 30 September 2020 and of the Group's financial performance and cash flows for the Relevant Periods accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises 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 nine months ended 30 September 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 24(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

KPMG
Certified Public Accountants

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

27 January 2021

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shanghai Branch (畢馬威華振會計師事務所(特殊普通合夥)上海分所) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand yuan (RMB'000) except when otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 December 2018 RMB'000	Year ended 31 December 2019 RMB'000	Nine months ended 30 September 2019 RMB'000 (unaudited)	Nine months ended 30 September 2020 RMB'000
Continuing Operations					
Revenue	*4*	32,609	55,685	41,863	57,243
Cost of sales		(24,472)	(29,432)	(23,141)	(36,766)
Gross profit		8,137	26,253	18,722	20,477
Other income	*5*	3,999	3,958	2,684	1,721
Other losses		(26)	(55)	(50)	(3,455)
Distribution costs		(10,866)	(11,011)	(8,577)	(7,024)
Administrative expenses		(34,243)	(7,990)	(6,503)	(14,745)
Research and development expenses		(18,817)	(19,885)	(14,384)	(21,967)
Loss from operations		(51,816)	(8,730)	(8,108)	(24,993)
Finance costs	*6(a)*	(927)	(1,316)	(941)	(1,153)
Share of (loss)/profit of associates		(174)	(76)	(76)	250
Changes in the carrying amount of financial instruments issued to investors	*23*	(104,088)	(520,448)	(362,527)	(826,828)
Loss before taxation	*6*	(157,005)	(530,570)	(371,652)	(852,724)
Income tax	*7*	5,069	2,290	2,568	4,268
Loss for the year/period from continuing operations		(151,936)	(528,280)	(369,084)	(848,456)
Discontinued operations					
Loss for the year/period from discontinued operations	*25*	(5,764)	(5,717)	(3,781)	(3,835)
Loss for the year/period		(157,700)	(533,997)	(372,865)	(852,291)
Other comprehensive income		–	–	–	–
Total comprehensive income for the year/period		(157,700)	(533,997)	(372,865)	(852,291)

	Note	Year ended 31 December 2018 RMB'000	Year ended 31 December 2019 RMB'000	Nine months ended 30 September 2019 RMB'000 (unaudited)	Nine months ended 30 September 2020 RMB'000
Loss for the year/period attributable to equity shareholders of the Company:					
– from continuing operations		(151,936)	(528,280)	(369,084)	(848,456)
– from discontinued operations		(2,941)	(3,056)	(1,978)	(2,928)
Loss for the year/period attributable to equity shareholders of the Company		(154,877)	(531,336)	(371,062)	(851,384)
Loss for the year/period attributable to non-controlling interests:					
– from continuing operations		–	–	–	–
– from discontinued operations		(2,823)	(2,661)	(1,803)	(907)
Loss for the year/period attributable to non-controlling interests		(2,823)	(2,661)	(1,803)	(907)
Loss for the year/period		(157,700)	(533,997)	(372,865)	(852,291)
Other comprehensive income		–	–	–	–
Total comprehensive income for the year/period		(157,700)	(533,997)	(372,865)	(852,291)
Total comprehensive income for the year/period attributable to:					
Equity shareholders of the Company		(154,877)	(531,336)	(371,062)	(851,384)
Non-controlling interests		(2,823)	(2,661)	(1,803)	(907)
Total comprehensive income for the year/period		(157,700)	(533,997)	(372,865)	(852,291)
Earnings per share (RMB)					
Basic and diluted (RMB)	*10*	N/A	N/A	N/A	N/A

Consolidated statements of financial position

	Note	As at 31 December 2018 RMB'000	2019 RMB'000	As at 30 September 2020 RMB'000
Non-current assets				
Property, plant and equipment	*11*	25,758	21,775	17,270
Right-of-use assets	*12*	3,987	1,959	1,860
Interests in associates	*14*	76	–	–
Deferred tax assets	*7(c)*	10,163	12,453	16,721
		39,984	36,187	35,851
Current assets				
Inventories	*15*	7,986	11,737	8,614
Trade and other receivables	*16*	28,503	44,858	92,519
Other current assets	*17*	2,644	2,103	14,436
Financial assets at fair value through profit or loss	*18*	50,100	32,088	–
Cash and cash equivalents	*19*	19,041	24,155	225,406
		108,274	114,941	340,975
Current liabilities				
Trade and other payables	*20*	32,098	20,671	37,923
Bank loans	*21*	20,000	30,000	30,000
Lease liabilities	*22*	2,202	1,490	944
		54,300	52,161	68,867
Net current assets		53,974	62,780	272,108
Total assets less current liabilities		93,958	98,967	307,959
Non-current liabilities				
Lease liabilities	*22*	2,560	1,118	956
Financial instruments issued to investors	*23*	503,297	1,043,745	–
		505,857	1,044,863	956
NET (LIABILITIES)/ASSETS		(411,899)	(945,896)	307,003
CAPITAL AND RESERVES	*24*			
Paid-in capital		11,220	11,483	–
Share capital		–	–	200,000
Reserves		(418,737)	(950,336)	107,003
Total equity attributable to equity shareholders of the Company		(407,517)	(938,853)	307,003
Non-controlling interests	*13*	(4,382)	(7,043)	–
TOTAL EQUITY		(411,899)	(945,896)	307,003

Statements of financial position of the Company

	Note	As at 31 December 2018 RMB'000	2019 RMB'000	As at 30 September 2020 RMB'000
Non-current assets				
Property, plant and equipment		199	104	392
Interest in subsidiaries	*13*	78,100	111,700	131,000
Interest in associates	*14*	76	–	–
		78,375	111,804	131,392
Current assets				
Trade and other receivables		931	3,460	30,006
Other current assets		–	35	14,436
Financial assets at fair value through profit or loss	*18*	50,100	30,063	–
Cash and cash equivalents	*19*	17,994	21,937	213,525
		69,025	55,495	257,967
Current liabilities				
Trade and other payables		247	125	13,211
		247	125	13,211
Net current assets		68,778	55,370	244,756
Total assets less current liabilities		147,153	167,174	376,148
Non-current liabilities				
Financial instruments issued to investors	*23*	503,297	1,043,745	–
NET (LIABILITIES)/ASSETS		(356,144)	(876,571)	376,148
CAPITAL AND RESERVES	*24*			
Paid-in capital		11,220	11,483	–
Share capital		–	–	200,000
Reserves		(367,364)	(888,054)	176,148
TOTAL EQUITY		(356,144)	(876,571)	376,148

Consolidated statements of changes in equity

		Attributable to equity shareholders of the Company								
	Note	Paid-in capital *RMB'000*	Capital reserve *RMB'000*	Share capital *RMB'000*	Share premium *RMB'000*	Share based payment reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018		10,366	(10,366)	–	–	31,549	(311,168)	(279,619)	(1,559)	(281,178)
Changes in equity for 2018										
Total comprehensive income for the year		–	–	–	–	–	(154,877)	(154,877)	(2,823)	(157,700)
Issuance of financial instruments to investors	*23*	854	64,146	–	–	–	–	65,000	–	65,000
Recognition of financial instruments issued to investors as non-current liabilities	*23*	–	(65,000)	–	–	–	–	(65,000)	–	(65,000)
Equity settled share-based payments	*24(d)*	–	–	–	–	26,979	–	26,979	–	26,979
Balance at 31 December 2018 and 1 January 2019		11,220	(11,220)	–	–	58,528	(466,045)	(407,517)	(4,382)	(411,899)
Changes in equity for 2019										
Total comprehensive income for the year		–	–	–	–	–	(531,336)	(531,336)	(2,661)	(533,997)
Issuance of financial instruments to investors	*23*	263	19,737	–	–	–	–	20,000	–	20,000
Recognition of financial instruments issued to investors as non-current liabilities	*23*	–	(20,000)	–	–	–	–	(20,000)	–	(20,000)
Balance at 31 December 2019 and 1 January 2020		11,483	(11,483)	–	–	58,528	(997,381)	(938,853)	(7,043)	(945,896)
Changes in equity for the nine months ended 30 September 2020										
Total comprehensive income for the period		–	–	–	–	–	(851,384)	(851,384)	(907)	(852,291)
Issuance of financial instruments to investors	*23*	197	14,803	–	–	–	–	15,000	–	15,000
Recognition of financial instruments issued to investors as non-current liabilities	*23*	–	(15,000)	–	–	–	–	(15,000)	–	(15,000)
Reclassification of financial instruments issued to investors as equity	*23*	–	1,885,573	–	–	–	–	1,885,573	–	1,885,573
Capital contribution by equity shareholders of the Company	*24(b)*	3,688	266,507	–	–	(58,528)	–	211,667	–	211,667
Conversion into a joint stock company	*24(c)*	(15,368)	(2,140,400)	200,000	180,928	–	1,774,840	–	–	–
Disposal of subsidiaries		–	–	–	–	–	–	–	7,950	7,950
Balance at 30 September 2020		–	–	200,000	180,928	–	(73,925)	307,003	–	307,003

		Attributable to equity shareholders of the Company						
	Note	**Paid-in capital** *RMB'000*	**Capital reserve** *RMB'000*	**Share based payment reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
(Unaudited)								
Balance at 1 January 2019		11,220	(11,220)	58,528	(466,045)	(407,517)	(4,382)	(411,899)
Changes in equity for the nine months ended 30 September 2019								
Total comprehensive income for the period		–	–	–	(371,062)	(371,062)	(1,803)	(372,865)
Issuance of financial instruments to investors	*23*	263	19,737	–	–	20,000	–	20,000
Recognition of financial instruments issued to investors as non-current liabilities	*23*	–	(20,000)	–	–	(20,000)	–	(20,000)
Balance at 30 September 2019		11,483	(11,483)	58,528	(837,107)	(778,579)	(6,185)	(784,764)

Consolidated statements of cash flows

	Note	Years ended 31 December 2018 RMB'000	2019 RMB'000	Nine months ended 30 September 2019 RMB'000 (unaudited)	2020 RMB'000
Operating activities					
Cash used in operations	*19(b)*	(26,695)	(38,145)	(34,275)	(47,103)
Net cash used in operating activities		(26,695)	(38,145)	(34,275)	(47,103)
Investing activities					
Payment for the purchase of property, plant and equipment		(4,584)	(2,361)	(1,847)	(4,942)
Proceeds from disposal of property, plant and equipment		–	–	–	352
Payment for purchase of financial assets measured at fair value through profit or loss		(65,000)	(212,000)	(142,000)	(30,000)
Proceeds from sale of financial assets measured at fair value through profit or loss		15,057	231,055	149,641	60,677
Interest received from bank deposits		61	71	58	243
Loans to a related party		–	–	–	(2,000)
Loans repaid by a related party		–	–	–	2,000
Payment for acquisition of associates		(250)	–	–	–
Proceeds from disposal of associates		–	–	–	250
Proceeds from disposal of subsidiaries		–	–	–	2,500
Net cash outflow on disposal subsidiaries		–	–	–	(1,851)
Net cash (used in)/generated from investing activities		(54,716)	16,765	5,852	27,229
Financing activities					
Proceeds from bank loans	*19(c)*	20,000	30,000	25,000	30,000
Repayment of bank loans	*19(c)*	–	(20,000)	(20,000)	(30,000)
Proceeds from the issue of financial instruments to investors	*19(c)*	65,000	20,000	20,000	15,000
Capital injection received from equity shareholders of the Company		–	–	–	211,667
Bank borrowing cost paid	*19(c)*	(687)	(1,194)	(847)	(1,082)
Payment for capital element of lease liabilities	*19(c)*	(1,990)	(2,202)	(1,640)	(1,662)
Payment for interest element of lease liabilities	*19(c)*	(205)	(110)	(92)	(79)
Payment of listing expenses		–	–	–	(2,719)
Net cash generated from financing activities		82,118	26,494	22,421	221,125
Net increase/(decrease) in cash and cash equivalents		707	5,114	(6,002)	201,251
Cash and cash equivalents at beginning of the year/period		18,334	19,041	19,041	24,155
Cash and cash equivalents at ending of the year/period	*19(a)*	19,041	24,155	13,039	225,406

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Suzhou Basecare Medical Corporation Limited (the "Company") (蘇州貝康醫療股份有限公司), formerly known as Jiangsu Double Helix Biological Technology Co., Ltd. (江蘇雙螺旋生物科技有限公司) 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. During the Relevant Periods, 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 financial statements of the Company and the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The statutory financial statements of the Company for the years ended 31 December 2018 and 2019 were prepared in accordance with the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the PRC.

During the Relevant Periods, the Company has direct or indirect interests in the following principal subsidiaries:

			Proportion of ownership interest		
Company name	**Place and date of incorporation/ establishment**	**Particulars of registered and paid-up capital**	**Directly held by the Company**	**Indirectly held by the Company**	**Principal activities**
Suzhou Basecare Medical Device Co., Ltd. ("Basecare Medical Device") ("蘇州貝康醫療器械有限公司") (i)(ii)	25 Feb 2015 The PRC	RMB130,000,000/ RMB130,000,000	100%	–	Research, development, manufacturing, and provision of genetic testing solutions
Suzhou Basecare Intelligent Manufacturing Co., Ltd. ("Basecare Intelligent Manufacturing") ("蘇州貝康智能製造有限公司") (i)(vi)	10 Apr 2019 The PRC	RMB1,000,000/ RMB1,000,000	100%	–	Research, development, manufacturing and sale of medical devices and instruments
Suzhou Fanghua Gene Technology Co., Ltd. ("Fanghua Gene") ("蘇州芳華基因科技有限公司") (i)(ii)(v)	3 May 2017 The PRC	RMB10,000,000/ RMB5,100,000	51%	–	Provision of marketing service
Suzhou Beikang Medical Laboratory Co., Ltd. ("Suzhou Medical Laboratory") ("蘇州貝康醫學檢驗實驗室有限公司") (i)(ii)(v)	9 Aug 2018 The PRC	RMB15,000,000/ RMB15,000,000	–	100%	Provision of testing service
Benxi Shengjing Medical Laboratory Co., Ltd. ("Benxi Medical Laboratory") ("本溪盛京醫學檢驗所有限公司") (i)(iii)(v)	4 Feb 2017 The PRC	RMB10,000,000/ RMB5,100,000	51%	–	Provision of testing service

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
			Directly held by the Company	Indirectly held by the Company	
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)(iv)(v)	3 Aug 2016 The PRC	RMB10,000,000/ RMB5,100,000	51%	–	Provision of testing service
Suzhou Laman Medical Equipment Co., Ltd. ("Suzhou Laman") ("蘇州拉曼醫療器械有限公司") (i)(v)(vi)	17 Oct 2016 The PRC	RMB1,000,000/ –	70%	–	Dormant

Notes:

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

(ii) The statutory financial statements of these entities comprising the Group for years ended 31 December 2018 and 2019 were audited by Suzhou Wan Long Yong Ding Certified Public Accountants (蘇州萬隆永鼎會計師事務所).

(iii) The statutory financial statements of Benxi Medical Laboratory for years ended 31 December 2018 and 2019 were audited by Benxi De Xin Certified Public Accountants Co., Ltd. (本溪德信會計師事務所有限責任公司).

(iv) The statutory financial statements of Shandong Medical Laboratory for years ended 31 December 2018 and 2019 were audited by Linyi An Feng Certified Public Accountants (臨沂安豐聯合會計師事務所).

(v) During the Relevant Periods, Benxi Medical Laboratory, Shandong Medical Laboratory, Suzhou Medical Laboratory, Suzhou Laman and Fanghua Gene were disposed by the Group as disclosed in Note 25.

(vi) No audited financial statements are available for these entities as of the date of this report.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has 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 and Interpretations issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods. The accounting policies set out in Note 2 have been applied consistently throughout the Relevant Periods and the Group has not adopted any new standards or interpretations that are effective for the accounting year beginning on or after 1 January 2021, except for Amendments to IFRS 16, Covid-19-Related Concessions which has been early adopted on 1 January 2020. The revised and new accounting standards and interpretations issued which effective for the accounting years beginning on or after 1 January 2021 and not yet adopted by the Group are set out in Note 28.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

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 as set out in Note 2(e).

(b) Use of estimates and judgements

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.

(c) 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.

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 (see Note 2(d)).

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

(d) Associates

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

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

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

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

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

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

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

(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 26(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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

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

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

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

(ii) Equity investments

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

(f) Property, plant and equipment

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

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

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

Office equipment and furniture	3 – 5 years
Motor vehicle	4 – 5 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.

(g) Intangible assets

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

(h) Leases assets

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

(i) As a lessee

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

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

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

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

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

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

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

(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 the following items:

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

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

– property, plant and equipment;

– right-of-use assets;

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

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(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.

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

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

(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Trade and other payables and contract liabilities

(i) Trade and other payables

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

(ii) Contract liabilities

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

(n) Financial instruments issued to investors

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

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

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

(p) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(q) Income tax

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

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

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

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 each 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.

(r) Provisions and contingent liabilities

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

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

(s) Revenue and other income

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

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

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

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

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

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

(ii) Service income

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

(iii) Interest income

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

(iv) Government grants

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

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

(i) Non-current assets held for sale

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

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

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

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

(ii) Discontinued operations

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

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

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

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

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

(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.

(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 Relevant Periods.

(b) Sources of estimation uncertainty

Notes 24(d) and 26 contains information about the assumptions and risk factors relating to fair value of equity settled share-based transactions and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

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

(ii) Provision for expected credit losses on trade receivables

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

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

(iii) Depreciation

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

(iv) Income tax

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

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

(v) Impairment of non-current assets

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

(vi) Determining the lease term

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

4 REVENUE

During the Relevant Periods, the Group derives revenue from the provision of genetic testing solutions and sales of genetic testing devices and instruments. Genetic testing solutions consist of (i) sales of test kits and (ii) provision of testing services.

(a) Disaggregation of revenue

	Years ended 31 December		Nine months ended 30 September	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations				
Revenue from contracts with customers within the scope of IFRS 15				
Genetic testing solutions				
– Sales of test kits	19,882	24,513	18,492	44,716
– Provision of testing services	12,000	28,801	21,000	6,203
Sales of testing devices and instruments	727	2,371	2,371	6,324
	32,609	55,685	41,863	57,243

During the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020, the Group recognised its revenue from contract with customers at point in time in accordance with the accounting policies as set forth in Note 2(s).

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

(b) Information about major customers

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

	Years ended 31 December		Nine months ended 30 September	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations				
Customer A	6,157	N/A*	N/A*	N/A*
Customer B	4,936	N/A*	N/A*	N/A*
Customer C	3,546	N/A*	N/A*	N/A*
Customer D	3,368	6,648	6,648	N/A*
Customer E	N/A*	N/A*	N/A*	6,716
Customer F	N/A*	N/A*	N/A*	6,106
	18,007	6,648	6,648	12,822

* Less than 10% of the Group's revenue in the respective years/periods.

(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 Relevant Periods.

(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 Relevant Periods.

5 OTHER INCOME

	Years ended 31 December		Nine months ended 30 September	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations				
Government grants *(i)*	2,906	2,428	1,967	782
Interest income from bank deposits	58	64	52	240
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	157	875	628	103
Others	878	591	37	596
	3,999	3,958	2,684	1,721

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

6 LOSS BEFORE TAXATION

	Years ended 31 December		Nine months ended 30 September	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations				
(a) Finance costs				
Interest on bank loans	722	1,206	848	1,074
Interest on lease liabilities	205	110	93	79
	927	1,316	941	1,153

	Years ended 31 December		Nine months ended 30 September	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(b) Staff costs				
Salaries, wages and other benefits	17,688	23,071	16,946	26,229
Contributions to defined contribution retirement plan *(i)*	1,547	1,930	1,395	221
Equity settled share-based payment	26,979	–	–	–
	46,214	25,001	18,341	26,450

(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.

	Years ended 31 December		Nine months ended 30 September	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations				
(c) Other items				
Depreciation of property, plant and equipment	5,777	6,088	4,380	3,845
Depreciation of right-of-use assets	1,932	1,932	1,444	1,528
Impairment losses/(reversal of impairment losses) on trade and other receivables *(Note 16)*	149	(5)	376	89
Auditors' remuneration	13	15	11	1,311
Research and development expenses *(i)*	18,817	19,885	14,384	21,967
Cost of sales *(ii)*	24,472	29,432	23,141	36,766
Foreign exchange losses	–	5	–	3,248
Net loss on disposal of property, plant and equipment	–	–	–	177

(i) During the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020, research and development expenses include staff costs and depreciation expenses of RMB9,608,000, RMB11,215,000, RMB8,282,000 (unaudited) and RMB10,157,000 respectively, which amounts are also included in the respective total amounts disclosed separately above.

(ii) During the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020, cost of sales include staff costs and depreciation expenses of RMB8,426,000, RMB12,416,000, RMB9,191,000 (unaudited) and RMB8,526,000 respectively, 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:

	Years ended 31 December		Nine months ended 30 September	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations				
Current tax – PRC Tax	–	–	–	–
Deferred tax	(5,069)	(2,290)	(2,568)	(4,268)
Total	(5,069)	(2,290)	(2,568)	(4,268)

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

	Years ended 31 December		Nine months ended 30 September	
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations				
Loss before taxation	(157,005)	(530,570)	(371,652)	(852,724)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the PRC *(i)*	(39,251)	(132,643)	(92,913)	(213,181)
Effect of preferential tax rate *(ii)* & *(iv)*	2,662	1,051	956	1,788
Effect of additional deduction on research and development expenses *(iii)*	(1,335)	(1,514)	(1,214)	(1,962)
Tax effect of changes in the carrying amount of financial instruments issued to investors	26,022	130,112	90,632	206,707
Tax effect of other non-deductible expenses	6,952	839	121	55
Tax effect of non-taxable income	–	–	–	(3,325)
Utilisation of tax losses not recognised	–	(54)	(74)	–
Tax effect of tax losses not recognised	213	–	–	4,776
Utilisation of deductible temporary differences not recognised	–	–	–	(63)
Tax effect of deductible temporary differences not recognised	18	3	19	–
Others	(350)	(84)	(95)	937
Actual tax expense	(5,069)	(2,290)	(2,568)	(4,268)

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

(ii) According to the PRC income tax law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Basecare Medical Device obtained its renewed certificate of high-technology enterprise on 7 December 2017 and is subject to income tax at 15% for a three years period.

(iii) Effective from 1 January 2018 to 31 December 2020, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations.

(iv) According to the PRC income tax law and its relevant regulations issued in 2019, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). Basecare Intelligent Manufacturing was qualified as small and low profit enterprise and entitled to the preferential income tax rate of 5% for the year ended 31 December 2019 and nine months ended 30 September 2020.

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

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year/period 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 2018	31	(776)	852	145	3,014	1,828	5,094
Credited/(charged) to profit or loss	16	290	(299)	(70)	4,354	778	5,069
At 31 December 2018 and 1 January 2019	47	(486)	553	75	7,368	2,606	10,163
Credited/(charged) to profit or loss	5	290	(330)	(8)	4,233	(1,900)	2,290
At 31 December 2019 and 1 January 2020	52	(196)	223	67	11,601	706	12,453
Credited/(charged) to profit or loss	13	(82)	62	(125)	4,566	(166)	4,268
At 30 September 2020	65	(278)	285	(58)	16,167	540	16,721

(d) Deferred tax assets not recognised

As at 31 December 2018 and 2019 and 30 September 2020, the Group has not recognised deferred tax assets of certain entities in respect of their respective cumulative tax losses and temporary differences of RMB9,989,000, RMB9,785,000 and RMB28,639,000 respectively, in accordance with the accounting policy set out in Note 2(q), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments during the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020 are as follows:

For the year ended 31 December 2018	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Liangbo	–	600	50	34	684	19,153	19,837
Mr. Kong Lingyin	–	415	100	34	549	–	549
Mr. Rui Maoshe *(i)*	–	318	30	35	383	–	383
	–	1,333	180	103	1,616	19,153	20,769
Non-executive directors							
Mr. Xu Wenbo *(ii)*	–	–	–	–	–	–	–
Mr. Wang Weipeng	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

For the year ended 31 December 2019	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Liangbo	–	602	100	30	732	–	732
Mr. Kong Lingyin	–	407	33	30	470	–	470
Mr. Rui Maoshe	–	311	50	38	399	–	399
	–	1,320	183	98	1,601	–	1,601
Non-executive directors							
Mr. Xu Wenbo	–	–	–	–	–	–	–
Mr. Wang Weipeng	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

For the nine months ended 30 September 2020	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Liangbo	–	550	5,908	2	6,460	–	6,460
Mr. Kong Lingyin	–	408	25	2	435	–	435
Mr. Rui Maoshe	–	261	19	5	285	–	285
	–	1,219	5,952	9	7,180	–	7,180
Non-executive directors							
Mr. Xu Wenbo	–	–	–	–	–	–	–
Mr. Wang Weipeng	–	–	–	–	–	–	–
Mr. Zhang Jiecheng *(iii)*	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

(unaudited) For the nine months ended 30 September 2019	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Liangbo	–	451	75	24	550	–	550
Mr. Kong Lingyin	–	303	25	24	352	–	352
Mr. Rui Maoshe	–	233	38	29	300	–	300
	–	987	138	77	1,202	–	1,202
Non-executive directors							
Mr. Xu Wenbo	–	–	–	–	–	–	–
Mr. Wang Weipeng	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

Notes:

(i) Mr. Rui Maoshe was appointed as an executive director of the Company on 5 November 2018.

(ii) Mr. Xu Wenbo was appointed as a non-executive director of the Company on 5 November 2018.

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

(iv) During the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020, of the five individuals with the highest emoluments, one, three, three and three are directors respectively whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four, two, two and two individuals are as follows:

	Years ended 31 December		Nine months ended 30 September	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	224	611	446	556
Discretionary bonuses	26	43	32	36
Retirement scheme contributions	28	61	44	5
Share-based payments	2,777	–	–	–
	3,055	715	522	597

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended 31 December		Nine months ended 30 September	
	2018	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Nil – HKD1,000,000	3	2	2	2
HKD1,500,001 – HKD2,000,000	1	–	–	–

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the result of the Group for the Relevant Periods on the basis of preparation and presentation as disclosed.

11 PROPERTY, PLANT AND EQUIPMENT

	Office equipment and furniture *RMB'000*	Motor vehicle *RMB'000*	Medical equipment and instrument *RMB'000*	Construction in progress *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2018	533	465	24,496	–	5,597	31,091
Additions	461	217	1,967	–	1,939	4,584
At 31 December 2018 and 1 January 2019	994	682	26,463	–	7,536	35,675
Additions	180	–	1,074	1,107	–	2,361
Transfers	–	–	1,107	(1,107)	–	–
At 31 December 2019 and 1 January 2020	1,174	682	28,644	–	7,536	38,036
Additions	146	1,091	3,705	–	–	4,942
Disposals	–	(682)	(468)	–	–	(1,150)
Disposal of subsidiaries *(Note 25)*	–	–	(6,357)	–	(555)	(6,912)
At 30 September 2020	1,320	1,091	25,524	–	6,981	34,916
Accumulated depreciation:						
At 1 January 2018	(258)	(214)	(3,207)	–	(205)	(3,884)
Charge for the year	(164)	(121)	(3,143)	–	(2,605)	(6,033)
At 31 December 2018 and 1 January 2019	(422)	(335)	(6,350)	–	(2,810)	(9,917)
Charge for the year	(200)	(112)	(3,314)	–	(2,718)	(6,344)
At 31 December 2019 and 1 January 2020	(622)	(447)	(9,664)	–	(5,528)	(16,261)
Charge for the period	(133)	(125)	(2,356)	–	(1,366)	(3,980)
Written back on disposals	–	488	133	–	–	621
Disposal of subsidiaries *(Note 25)*	–	–	1,780	–	194	1,974
At 30 September 2020	(755)	(84)	(10,107)	–	(6,700)	(17,646)
Net book value:						
At 31 December 2018	572	347	20,113	–	4,726	25,758
At 31 December 2019	552	235	18,980	–	2,008	21,775
At 30 September 2020	565	1,007	15,417	–	281	17,270

12 RIGHT-OF-USE ASSETS

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

	Office Building
	RMB'000
At 1 January 2018	6,015
Charge for the year	(2,028)
At 31 December 2018 and 1 January 2019	3,987
Charge for the year	(2,028)
At 31 December 2019 and 1 January 2020	1,959
Additions	2,073
Charge for the period	(1,560)
Disposal of subsidiaries *(Note 25)*	(612)
At 30 September 2020	1,860

13 INVESTMENTS IN SUBSIDIARIES

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

	As at 31 December		**As at 30 September**
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted, at cost			
Basecare Medical Device	70,000	100,000	130,000
Fanghua Gene	1,500	1,500	–
Benxi Medical Laboratory	1,500	5,100	–
Shandong Medical Laboratory	5,100	5,100	–
Basecare Intelligent Manufacturing	–	–	1,000
Suzhou Laman	–	–	–
	78,100	111,700	131,000

Details of the subsidiaries is set forth in Note 1.

(b) Non-controlling interests in subsidiaries

The following table lists out the information relating to Fanghua Gene, Benxi Medical Laboratory and Shandong Medical Laboratory, the subsidiaries of the Group which have a material non-controlling interest (NCI) during the Relevant Periods. The summarised financial information presented below represents the amounts before any inter-company elimination.

	As at/for the year ended 31 December 2018			
	Fanghua Gene	Benxi Medical Laboratory	Shandong Medical Laboratory	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	49%	49%	49%	
Current assets	858	530	9,108	
Non-current assets	–	–	4,079	
Current liabilities	(2,906)	(3,791)	(6,500)	
Non-current liabilities	–	–	(1,070)	
Net (liabilities)/assets	(2,048)	(3,261)	5,617	
Carrying amount of NCI	(2,424)	(2,333)	375	(4,382)
Revenue	4,978	1,056	3,224	
Loss for the year	(2,754)	(1,551)	(1,457)	
Loss allocated to NCI	(1,349)	(760)	(714)	(2,823)
Cash flows (used in)/generated from operating activities	(958)	(646)	259	
Cash flows generated from investing activities	1	1	1	
Cash flows generated from financing activities	1,000	500	–	

	As at/for the year ended 31 December 2019			
	Fanghua Gene	Benxi Medical Laboratory	Shandong Medical Laboratory	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	49%	49%	49%	
Current assets	270	850	3,527	
Non-current assets	–	410	3,480	
Current liabilities	(4,453)	(1,784)	(2,340)	
Non-current liabilities	–	–	(1,118)	
Net (liabilities)/assets	(4,183)	(524)	3,549	
Carrying amount of NCI	(3,771)	(2,755)	(517)	(7,043)
Revenue	4,636	3,824	2,436	
Loss for the year	(2,748)	(862)	(1,820)	
Loss allocated to NCI	(1,347)	(422)	(892)	(2,661)
Cash flows generated from/(used in) operating activities	95	(3,133)	(532)	
Cash flows used in investing activities	–*	(408)	–*	
Cash flows generated from financing activities	–	3,600	–	

* The balance represents an amount less than RMB500.

As disclosed in Note 25, Benxi Medical Laboratory, Shandong Medical Laboratory and Fanghua Gene were disposed by the Group on 17 June 2020, 22 April 2020 and 17 July 2020 respectively.

14 INTEREST IN ASSOCIATES

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

Name of associate	Place of incorporation and business	Particulars of registered and paid-up capital	Proportion of ownership interests held by the Company	Principal activity
Suzhou Fanghua Biotechnology Co., Ltd. ("Fanghua Biotech") ("蘇州芳華生物科技有限公司")	The PRC	RMB1,000,000/ –	20%	Provision of marketing services
Suzhou Chaoyun Life Intelligence Industry Research Institute Co., Ltd. ("Suzhou Chaoyun") ("蘇州超雲生命智能產業研究院有限公司")	The PRC	RMB1,250,000/ RMB1,250,000	20%	Research and development products

All of the above associates are accounted for using the equity method in the consolidated financial statements during the Relevant Periods.

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

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

15 INVENTORIES

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,374	1,692	870
Finished goods	4,039	5,413	2,821
Devices and instruments	2,290	4,321	4,757
Others	283	311	166
	7,986	11,737	8,614

16 TRADE AND OTHER RECEIVABLES

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Receivables from third parties	23,405	37,568	50,498
Receivables from related parties *(Note 27(c))*	935	2,879	19,459
Less: losses allowance on trade receivables	(356)	(351)	(440)
Trade receivables, net	23,984	40,096	69,517
Amount due from related parties *(Note 27(c))*	–	–	14,500
Prepayments to suppliers	1,633	2,299	6,919
Deposits	909	939	945
Other receivables	1,977	1,524	638
	28,503	44,858	92,519

(a) Ageing analysis of trade receivables

As of the end of each of the Relevant Periods, the ageing analysis of the Group's trade receivables, based on the invoice date, is as follows:

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	18,910	30,347	52,173
6 ~ 12 months	1,321	8,818	13,839
12 ~ 18 months	3,267	902	2,136
18 ~ 24 months	2	–	814
Over 2 years	484	29	555
	23,984	40,096	69,517

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

17 OTHER CURRENT ASSETS

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Deferred listing expenses	–	–	14,325
VAT recoverable	2,642	2,068	111
Prepayment for current taxation	2	35	–
	2,644	2,103	14,436

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	50,100	32,088	–

The Company

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	50,100	30,063	–

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

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	19,041	24,155	225,406

The Company

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	17,994	21,937	213,525

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

	Years ended 31 December		Nine months ended 30 September	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before taxation	(162,769)	(536,287)	(375,433)	(856,559)
– from continuing operations	(157,005)	(530,570)	(371,652)	(852,724)
– from discontinued operations	(5,764)	(5,717)	(3,781)	(3,835)
Adjustments for:				
Depreciation of property, plant and equipment	6,033	6,344	4,572	3,980
Depreciation of right-of-use assets	2,028	2,028	1,516	1,560
Net loss on disposal of property, plant and equipment	–	–	–	177
Finance costs	974	1,364	977	1,169
Changes in the carrying amount of financial instruments issued to investors	104,088	520,448	362,527	826,828
Interest income	(61)	(71)	(58)	(243)
Share of loss/(profit) of associates	174	76	76	(250)
Net realised and unrealised gains from fair value changes on financial assets	(157)	(1,043)	(628)	(120)
Equity settled share-based payment expenses	26,979	–	–	–
Loss on disposal of subsidiaries	–	–	–	1,555
Operating loss before changes in working capital	(22,711)	(7,141)	(6,451)	(21,903)
Changes in working capital:				
(Increase)/decrease in inventories	(2,395)	(3,751)	(2,292)	1,848
Increase in operating receivables	(1,465)	(15,814)	(46,180)	(42,826)
(Decrease)/Increase in operating payables	(124)	(11,439)	20,648	15,778
Cash used in operations	(26,695)	(38,145)	(34,275)	(47,103)

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans *RMB'000* *(Note 21)*	**Interest payables on bank loan** *RMB'000* *(Note 20)*	**Leases liabilities** *RMB'000* *(Note 22)*	**Financial instruments issued to investors** *RMB'000* *(Note 23)*	**Total** *RMB'000*
At 1 January 2018	–	–	6,705	334,209	340,914
Changes from financing cash flows:					
Proceeds from bank loans	20,000	–	–	–	20,000
Bank borrowing cost paid	–	(687)	–	–	(687)
Payment for capital element of lease liabilities	–	–	(1,990)	–	(1,990)
Payment for interest element of lease liabilities	–	–	(205)	–	(205)
Proceeds from the issue of financial instruments to investors	–	–	–	65,000	65,000
Total changes from financing cash flows	20,000	(687)	(2,195)	65,000	82,118
Other changes:					
Interest expense	–	722	252	–	974
Changes in the carrying amount of financial instruments issued to investors	–	–	–	104,088	104,088
Total other changes	–	722	252	104,088	105,062
At 31 December 2018 and 1 January 2019	20,000	35	4,762	503,297	528,094
Changes from financing cash flows:					
Proceeds from bank loans	30,000	–	–	–	30,000
Repayment of bank loans	(20,000)	–	–	–	(20,000)
Bank borrowing cost paid	–	(1,194)	–	–	(1,194)
Payment for capital element of lease liabilities	–	–	(2,202)	–	(2,202)
Payment for interest element of lease liabilities	–	–	(110)	–	(110)
Proceeds from the issue of financial instruments to investors	–	–	–	20,000	20,000
Total changes from financing cash flows	10,000	(1,194)	(2,312)	20,000	26,494
Other changes:					
Interest expense	–	1,206	158	–	1,364
Changes in the carrying amount of financial instruments issued to investors	–	–	–	520,448	520,448
Total other changes	–	1,206	158	520,448	521,812
At 31 December 2019 and 1 January 2020	30,000	47	2,608	1,043,745	1,076,400

	Bank loans *RMB'000* *(Note 21)*	Interest payables on bank loan *RMB'000* *(Note 20)*	Leases liabilities *RMB'000* *(Note 22)*	Financial instruments issued to investors *RMB'000* *(Note 23)*	Total *RMB'000*
At 31 December 2019 and 1 January 2020	30,000	47	2,608	1,043,745	1,076,400
Changes from financing cash flows:					
Proceeds from bank loans	30,000	–	–	–	30,000
Payments for bank loans	(30,000)	–	–	–	(30,000)
Bank borrowing cost paid	–	(1,082)	–	–	(1,082)
Payment for capital element of lease liabilities	–	–	(1,662)	–	(1,662)
Payment for interest element of lease liabilities	–	–	(79)	–	(79)
Proceeds from the issue of financial instruments to investors	–	–	–	15,000	15,000
Total changes from financing cash flows	–	(1,082)	(1,741)	15,000	12,177
Other changes:					
Interest expense	–	1,074	95	–	1,169
Changes in the carrying amount of financial instruments issued to investors	–	–	–	826,828	826,828
Reclassification of financial instruments issued to investors as equity	–	–	–	(1,885,573)	(1,885,573)
Increase in lease liabilities from entering into new leases during the period	–	–	2,073	–	2,073
Disposal of subsidiaries	–	–	(1,135)	–	(1,135)
Total other changes	–	1,074	1,033	(1,058,745)	(1,056,368)
At 30 September 2020	30,000	39	1,900	–	31,939

(d) Total cash outflow for leases

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

	Years ended 31 December		Nine months ended 30 September	
	2018 *RMB'000*	2019 *RMB'000*	2019 *RMB'000* (unaudited)	2020 *RMB'000*
Within financing cash flows	2,195	2,312	1,732	1,741

These amounts relate to the following:

	Years ended 31 December		Nine months ended 30 September	
	2018 *RMB'000*	2019 *RMB'000*	2019 *RMB'000* (unaudited)	2020 *RMB'000*
Lease rentals paid	2,195	2,312	1,732	1,741

20 TRADE AND OTHER PAYABLES

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(i)*	12,458	9,749	13,246
Payroll payables	2,211	3,457	2,509
Payables for marketing expenses	12,557	5,328	3,619
Accrued listing expenses	–	–	13,107
Interest payables	35	47	39
Other payables and accruals	4,837	2,090	5,403
	32,098	20,671	37,923

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

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	5,173	2,743	5,744
3 ~ 6 months	3,122	4,566	6,853
6 ~ 9 months	2,101	2,370	–
9 ~ 12 months	1	–	–
Over 1 year	2,061	70	649
	12,458	9,749	13,246

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

21 LOANS AND BORROWINGS

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Unsecured bank loans due within one year	20,000	30,000	30,000

As at 31 December 2018, the unsecured bank loans carried interest at range of 5.44%-6.09% per annum.

As at 31 December 2019 and 30 September 2020, the unsecured bank loans were guaranteed by a subsidiary of the Group, with interest at the range of 4.79%-5.22% per annum and 4.35% per annum respectively. Such guarantee arrangement within the Group will continuously exist upon the listing of shares of the Company, based on the requests from banks.

22 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each of the Relevant Periods.

	31 December 2018		31 December 2019		30 September 2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,202	2,313	1,490	1,517	944	1,001
After 1 year but within 2 years	1,490	1,517	–	–	712	737
After 2 year but within 5 years	–	–	–	–	244	245
After 5 years	1,070	1,500	1,118	1,500	–	–
	2,560	3,017	1,118	1,500	956	982
	4,762	5,330	2,608	3,017	1,900	1,983
Less: total future interest expenses		(568)		(409)		(83)
Present value of lease liabilities		4,762		2,608		1,900

23 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

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

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

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

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

Compulsory liquidation right

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

Anti-dilution right

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

Redemption right

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

Presentation and classification

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

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

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
The Group and the Company			
At beginning of the year/period	334,209	503,297	1,043,745
Issue	65,000	20,000	15,000
Changes in the carrying amount	104,088	520,448	826,828
Reclassify to equity	–	–	(1,885,573)
At ending of the year/period	503,297	1,043,745	–

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

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

	As at 31 December		As at 23 July
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Discount rate	22.0%	20.0%	19.0%
Risk-free interest rate	2.90%	2.36%	2.02%
Implied lack of marketability discount	23.0%	14.0%	9.0%
Volatility	55.92%	48.46%	48.57%
Liquidation discount ratio	30.0%	30.0%	30.0%

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

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	**Paid-in capital** *RMB'000*	**Capital reserve** *RMB'000*	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Share based payment reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2018		10,366	(10,366)	–	–	31,549	(282,605)	(251,056)
Changes in equity for 2018:								
Total comprehensive income for the year		–	–	–	–	–	(132,067)	(132,067)
Issuance of financial instruments to investors		854	64,146	–	–	–	–	65,000
Recognition of financial instruments issued to investors as non-current liabilities		–	(65,000)	–	–	–	–	(65,000)
Equity settled share-based payments	*24(d)*	–	–	–	–	26,979	–	26,979
Balance at 31 December 2018 and 1 January 2019		11,220	(11,220)	–	–	58,528	(414,672)	(356,144)
Changes in equity for 2019:								
Total comprehensive income for the year		–	–	–	–	–	(520,427)	(520,427)
Issuance of financial instruments to investors		263	19,737	–	–	–	–	20,000
Recognition of financial instruments issued to investors as non-current liabilities		–	(20,000)	–	–	–	–	(20,000)
Balance at 31 December 2019 and 1 January 2020		11,483	(11,483)	–	–	58,528	(935,099)	(876,571)
Total comprehensive income for the period		–	–	–	–	–	(844,521)	(844,521)
Issuance of financial instruments to investors		197	14,803	–	–	–	–	15,000
Recognition of financial instruments issued to investors as non-current liabilities		–	(15,000)	–	–	–	–	(15,000)
Reclassification of financial instruments issued to investors as equity	*23*	–	1,885,573	–	–	–	–	1,885,573
Capital contribution by equity shareholders of the Company	*24(b)*	3,688	266,507	–	–	(58,528)	–	211,667
Conversion into a joint stock company	*24(c)*	(15,368)	(2,140,400)	200,000	180,928	–	1,774,840	–
At 30 September 2020		–	–	200,000	180,928	–	(4,780)	376,148

(b) Paid-in capital

	Total
	RMB'000
At 1 January 2018	10,366
Capital contribution by investors *(i)*	854
At 31 December 2018 and 1 January 2019	11,220
Capital contribution by investors *(i)*	263
At 31 December 2019 and 1 January 2020	11,483
Capital contribution by investors *(i)*	197
Capital contribution by investors *(ii)*	3,688
Conversion into a joint stock company *(Note 24(c))*	(15,368)
At 30 September 2020	–

Notes:

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

RMB854,021 (65%) of the capital injection was made by the investors during the year ended 31 December 2018, while RMB262,776 (20%) of capital injection was made by the investors during the year ended 31 December 2019 with the remaining RMB197,082 (15%) of capital injection made by the investors during the nine months ended 30 September 2020.

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

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

(c) Share capital and share premium

	Numbers of ordinary shares	**Share capital**	**Share premium**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid				
At 1 January 2018, 31 December 2018 and 2019	–	–	–	–
Issue of ordinary shares upon conversion into a joint stock company *(i)*	200,000,000	200,000	180,928	380,928
At 30 September 2020	200,000,000	200,000	180,928	380,928

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

(d) Equity settled share-based transactions

The Company adopted an equity interest award scheme (the "Scheme") to recognise and reward the contributions of certain employees, board members and individual consultant or adviser who renders bona fide services to the Company or its subsidiaries ("Eligible Person").

On 30 September 2018, an equity interest of 5% in the Company as of the grant date was granted to the Eligible Person at a consideration of RMB656,940. For this grant, there were no service periods or performance target requirements for the Eligible Person, and its estimated fair value was approximate RMB26,979,000 which was recognised as expense for the year ended 31 December 2018.

The fair value of services received in return for equity interest granted was measured by reference to the fair value of equity interest granted and the subscription price paid by Eligible Person. The fair value of the equity interest granted is measured at the grant date using the discounted cash flow method and the equity allocation model. Best estimates of key assumptions, such as discount rate and projections of future performance, are required to be determined by management. Key assumptions used in determining the fair value of equity interest granted under the Scheme are as follows:

	30 September 2018
	Share-based payments
Key Assumptions	
Discount rate	22.0%
Risk-free interest rate	3.44%
Volatility	55.02%
Lack of marketability discount	30.0%

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020, expenses arising from share-based payment transactions are as follows:

	Years ended 31 December		**Nine months ended 30 September**	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Equity settled share-based payments	26,979	–	–	–

(e) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the Relevant Periods.

(f) Capital management

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

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

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

As at 31 December 2018 and 2019 and 30 September 2020, the Group's adjusted net debt-to-capital ratio was as follows:

	Note	Years ended 31 December 2018 RMB'000	2019 RMB'000	As at 30 September 2020 RMB'000
Current liabilities:				
Bank loans	*21*	20,000	30,000	30,000
Lease liabilities	*22*	2,202	1,490	944
		22,202	31,490	30,944
Non-current liabilities:				
Lease liabilities	*22*	2,560	1,118	956
Total debt		24,762	32,608	31,900
Less: Cash and cash equivalents	*19(a)*	(19,041)	(24,155)	(225,406)
Adjusted net debt		5,721	8,453	(193,506)
Total equity		(411,899)	(945,896)	307,003
Add: Financial instruments issued to investors	*23*	503,297	1,043,745	–
Adjusted capital		91,398	97,849	307,003
Adjusted net debt-to-capital ratio		6%	9%	N/A

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

25 DISCONTINUED OPERATIONS

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

During the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2019 and 2020, the detailed results of discontinued operations are set out below:

	Years ended 31 December		Nine months ended 30 September	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit for the year/period from discontinued operations				
Suzhou Medical Laboratory (i)	(2)	(287)	(102)	3,406
Shandong Medical Laboratory (ii)	(1,457)	(1,820)	(1,514)	543
Benxi Medical Laboratory (iii)	(1,551)	(862)	(693)	(519)
Suzhou Laman (iv)	–	–	–	–
Fanghua Gene (v)	(2,754)	(2,748)	(1,472)	(7,265)
Total	(5,764)	(5,717)	(3,781)	(3,835)

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

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 April
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	–	107	14	271
Cost of sales	–	–	–	(425)
Gross profit/(loss)	–	107	14	(154)
Other income	–*	180	75	18
Administrative expenses	(2)	(574)	(191)	(294)
Loss from operations	(2)	(287)	(102)	(430)
Gain on disposal	–	–	–	3,836
(Loss)/profit for the year/period	(2)	(287)	(102)	3,406

* The balance represents an amount less than RMB500.

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 April
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	–	8	–*	–*
Interest income from bank deposits	–*	4	3	1
Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss	–	168	72	17
Depreciation and amortisation for property, plant and equipment	–	–	–	56
Staff costs				
– Salaries, wages and other benefits	–	529	172	434
– Contributions to defined contribution retirement plan *(Note 6(b)(i))*	–	41	16	8

* The balance represents an amount less than RMB500.

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 April
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows generated from/(used in) operating activities	14	(11,765)	(120)	1,858
Cash flows generated from/(used in) investing activities	–*	(1,996)	(12,997)	(2,535)
Cash flows generated from financing activities	–	15,000	15,000	–
Net cash inflow/(outflow)	14	1,239	1,883	(677)

* The balance represents an amount less than RMB500.

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

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

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

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

	Years ended 31 December		**Nine months ended 30 September**	**From 1 January to 22 April**
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	3,224	2,436	1,832	1,033
Cost of sales	(4,434)	(3,584)	(2,797)	(1,791)
Gross loss	(1,210)	(1,148)	(965)	(758)
Other income	1	71	42	–*
Other losses	–	(4)	(4)	–
Distribution costs	–	(6)	(6)	–
Administrative expenses	(201)	(685)	(545)	(93)
Loss from operations	(1,410)	(1,772)	(1,478)	(851)
Finance cost	(47)	(48)	(36)	(16)
Loss before taxation	(1,457)	(1,820)	(1,514)	(867)
Gain on disposal	–	–	–	1,410
(Loss)/profit for the year/period	(1,457)	(1,820)	(1,514)	543

* The balance represents an amount less than RMB500.

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 22 April
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on lease liability	47	48	36	16
Interest income from bank deposits	1	–*	–*	–*
Depreciation and amortisation for property, plant and equipment	256	256	192	17
Depreciation for right-of-use asset	96	96	72	32
Staff costs				
– Salaries, wages and other benefits	876	851	706	299
– Contributions to defined contribution retirement plan *(Note 6(b)(i))*	81	72	57	7

* The balance represents an amount less than RMB500.

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 22 April
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows generated from/(used in) operating activities	259	(532)	1,112	220
Cash flows generated from/(used in) investing activities	1	–*	–*	(404)
Cash flows generated from financing activities	–	–	–	–
Net cash inflow/(outflow)	260	(532)	1,112	(184)

* The balance represents an amount less than RMB500.

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

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

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

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 June
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	1,056	3,901	3,047	1,970
Cost of sales	(1,795)	(4,119)	(3,168)	(1,523)
Gross (loss)/profit	(739)	(218)	(121)	447
Other income	7	20	13	8
Other losses	–	(–)*	(–)*	–
Distribution costs	(282)	(379)	(301)	(89)
Administrative expenses	(537)	(285)	(284)	(23)
(Loss)/profit from operations	(1,551)	(862)	(693)	343
Loss on disposal	–	–	–	(862)
Loss for the year/period	(1,551)	(862)	(693)	(519)

* The balance represents an amount less than RMB500.

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 June
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	6	18	12	7
Interest income from bank deposits	1	2	2	–*
Depreciation and amortisation for property, plant and equipment	–	–	–	62
Staff costs				
– Salaries, wages and other benefits	880	1,072	661	445
– Contributions to defined contribution retirement plan *(Note 6(b)(i))*	114	108	84	53

* The balance represents an amount less than RMB500.

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 June
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows (used in)/generated from operating activities	(646)	(3,423)	(3,368)	1,059
Cash flows generated from/(used in) investing activities	1	(117)	2	(37)
Cash flows generated from financing activities	500	3,600	3,600	–
Net cash (outflow)/inflow	(145)	60	234	1,022

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

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

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

Suzhou Laman did not carry on any business since its date of incorporation.

(v) Analysis of loss for the year/period from Fanghua Gene

The results of the discontinued operations of Fanghua Gene for the year/period were as follows:

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 July
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	3,579	4,022	2,980	2,047
Cost of sales	(3,579)	(4,022)	(2,980)	(2,047)
Gross profit	–	–	–	–
Other income	1	9	4	20
Other losses	(–)*	(50)	–	–
Distribution costs	(2,408)	(2,510)	(1,290)	(1,081)
Administrative expenses	(347)	(197)	(186)	(265)
Loss from operations	(2,754)	(2,748)	(1,472)	(1,326)
Loss on disposal	–	–	–	(5,939)
Loss for the year/period	(2,754)	(2,748)	(1,472)	(7,265)

* The balance represents an amount less than RMB500.

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 July
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	–	8	4	10
Interest income from bank deposits	1	–*	–*	1
Staff costs				
– Salaries, wages and other benefits	3,352	3,824	2,737	1,840
– Contributions to defined contribution retirement plan *(Note 6(b)(i))*	316	385	281	105

* The balance represents an amount less than RMB500.

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

	Years ended 31 December		Nine months ended 30 September	From 1 January to 17 July
	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows (used in)/generated from operating activities	(958)	95	92	(3,763)
Cash flows generated from investing activities	1	–*	–*	1
Cash flows generated from financing activities	1,000	–	–	3,600
Net cash inflow/(outflow)	43	95	92	(162)

* The balance represents an amount less than RMB500.

The major classes of assets and liabilities of Fanghua Gene as at 17 July 2020 are as follow:

	As at 17 July 2020
	RMB'000
Trade and other receivables	2,304
Cash and cash equivalents	14
Trade and other payables	(800)
Non-controlling interests	4,421
	5,939
Loss on disposal of a subsidiary	(5,939)
Consideration receivables, included in trade and other receivables	–*
Net cash outflow on disposal of a subsidiary	(14)

* The balance represents an amount less than RMB500.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and wealth management products, is limited because the counterparties are reputable banks or financial institution, for which the Group considered have low credit risks.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry or country in which the customers operate also has an influence on credit risk. As at 31 December 2018 and 2019 and 30 September 2020, 70.3%, 55.8% and 36.3% of the total trade receivables were due from the Group's top five largest customers. Trade receivables are generally due within 60 to 240 days from the date of billing.

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

The Group measures loss allowances for trade receivables at lifetime ECL. The Group determines ECL by using a provision matrix, estimated based on historical credit loss experience, the past default experience of the debtor, general economic conditions of the industry and country in which the debtors operates and an assessment of both the current and the forecast duration of condition as of the end of each of the Relevant Periods. 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 2018 and 2019 and 30 September 2020:

	As at 31 December 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.2%	19,791	(31)
Within 6 months past due	1.5%	2,975	(46)
6 ~ 12 months past due	5.6%	856	(48)
12 ~ 18 months past due	11.9%	453	(54)
18 ~ 24 months past due	51.4%	181	(93)
Over 2 years past due	100%	84	(84)
		24,340	(356)

	As at 31 December 2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.2%	36,916	(64)
Within 6 months past due	1.2%	2,718	(33)
6 ~ 12 months past due	3.5%	549	(19)
18 ~ 24 months past due	27.5%	40	(11)
Over 2 years past due	100%	224	(224)
		40,447	(351)

	As at 30 September 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.1%	55,969	(30)
Within 6 months past due	0.3%	10,603	(35)
6 ~ 12 months past due	1.0%	2,389	(24)
12 ~ 18 months past due	8.8%	707	(62)
18 ~ 24 months past due	100%	25	(25)
Over 2 years past due	100%	264	(264)
		69,957	(440)

(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 each of the Relevant Periods) and the earliest date the Group can be required to pay:

	As at 31 December 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	2,313	1,517	–	1,500	5,330	4,762
Trade and other payables	32,098	–	–	–	32,098	32,098
Bank loans	20,429	–	–	–	20,429	20,000
	54,840	1,517	–	1,500	57,857	56,860

	As at 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	1,517	–	–	1,500	3,017	2,608
Trade and other payables	20,671	–	–	–	20,671	20,671
Bank loans	30,690	–	–	–	30,690	30,000
	52,878	–	–	1,500	54,378	53,279

	As at 30 September 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	1,001	737	245	–	1,983	1,900
Trade and other payables	37,923	–	–	–	37,923	37,923
Bank loans	30,929	–	–	–	30,929	30,000
	69,853	737	245	–	70,835	69,823

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, wealth management products issued by banks, bank loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial assets and liabilities as of the end of each of the Relevant Periods.

	As at 31 December				As at 30 September	
	2018		2019		2020	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate instruments:						
Lease liabilities	4.50%	(4,762)	4.50%	(2,608)	4.50%	(1,900)
Bank loans	5.44%-6.09%	(20,000)	4.79%-5.22%	(30,000)	4.35%	(30,000)
		(24,762)		(32,608)		(31,900)
Variable rate instruments:						
Cash at bank	0.0001% -0.35%	19,041	0.0001% -0.35%	24,155	0.0001% -1.76%	225,406
Financial assets at fair value through profit and loss	3.85%-4.10%	50,100	2.70%-3.50%	32,088	–	–
		44,379		23,635		193,506

(ii) Sensitivity analysis

The following table details the effect on the Group's loss after tax for each year/period of the Relevant Periods and accumulated losses as at the end of each reporting period that an increase/decrease of 100 basis points in interest rates would have.

	As at 31 December 2018			As at 31 December 2019			As at 30 September 2020		
	Increase/ (decrease) of basis point	Effect on loss after tax	Effect on accumulated losses	Increase/ (decrease) of basis point	Effect on loss after tax	Effect on accumulated losses	Increase/ (decrease) of basis point	Effect on loss after tax	Effect on accumulated losses
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Interest rates	100	(444)	(444)	100	(236)	(236)	100	(1,935)	(1,935)
	(100)	444	444	(100)	236	236	(100)	1,935	1,935

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 periods 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 periods. 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 periods, 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 through deposit with bank which give rises to 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 each of the Relevant Periods 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/period end date.

	As at 31 December		As at 30 September
	2018	**2019**	**2020**
	USD	*USD*	*USD*
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	–	–	126,614

(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.

	As at 31 December 2018		As at 31 December 2019		As at 30 September 2020	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses**	**Increase/ (decrease) in foreign exchange rates**	**Effect on loss after tax and accumulated losses**	**Increase/ (decrease) in foreign exchange rates**	**Effect on loss after tax and accumulated losses**
USD	10%	–	10%	–	10%	(12,661)
	(10%)	–	(10%)	–	(10%)	12,661

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

Financial assets at fair value through profit or loss

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

	As at 31 December		As at
	2018	2019	30 September 2020
	RMB'000	*RMB'000*	*RMB'000*
Level 3 – bank's wealth management products	50,100	32,088	–
	50,100	32,088	–

The fair values of banks' wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting periods.

Below is a summary of significant unobservable inputs to the valuation of these wealth management products together with a quantitative sensitivity analysis at the end of reporting periods:

31 December 2018

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Bank's wealth management products, at fair value	Discounted cash flow method	Interest return rate	3.85% to 4.10%	0.50% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB112,000.

31 December 2019

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Bank's wealth management products, at fair value	Discounted cash flow method	Interest return rate	2.70% to 3.50%	0.50% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB101,000.

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

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Bank's wealth management products			
At beginning of the year/period	–	50,100	32,088
Payment for purchases	65,000	212,000	30,000
Changes in fair value recognised in profit or loss during the year/period			
– from continuing operations	157	875	103
– from discontinued operations	–	168	17
Redemption of investment	(15,057)	(231,055)	(60,677)
Disposal of subsidiary	–	–	(1,531)
At ending of the year/period	50,100	32,088	–

Financial instruments issued to investors

The Group's financial instruments issued to investors are grouped under Level 3 hierarchy. The valuation method, key valuation assumptions and the movements of the Financial Instruments Issued to Investors are presented in Note 23.

If the carrying amount of Financial Instruments Issued to Investors had been 10% higher/lower, the loss before taxation for the year ended 31 December 2018 and 2019 would have been approximately RMB50,330,000 higher/lower and RMB104,375,000 higher/lower, respectively.

During the years ended 31 December 2018 and 2019 and nine months ended 30 September 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Fair values of financial assets and liabilities carried at other than fair value

All financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2018 and 2019 and nine months ended 30 September 2020.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9.

(b) Related party transactions

During the Relevant Periods, the directors are of the view that the following companies are related parties:

Name of party	Relationship
Liang Bo	Controlling Shareholder
Liang Ping	Close family member of the Controlling Shareholder

Name of party	Relationship
Suzhou Chaoyun Life Intelligence Industry Research Institute Co., Ltd. ("Suzhou Chaoyun") 蘇州超雲生命智能產業研究院有限公司 (i)	Fellow subsidiary
Suzhou Fanghua Biotechnology Co., Ltd. ("Fanghua Biotech") 蘇州芳華生物科技有限公司 (i)(iii)	Fellow subsidiary
BaseCare Medical Technology Co., Limited ("Basecare Technology")	Fellow subsidiary
Benxi Shengjing Medical Laboratory Co., Ltd. ("Benxi Medical Laboratory") 本溪盛京醫學檢驗所有限公司 (i)(ii)	Fellow subsidiary
Shandong Beikang Medical Laboratory Co., Ltd. ("formerly known as: Linyi Double Helix Medical Laboratory Co., Ltd.") ("Shandong Medical Laboratory") 山東貝康醫學檢驗所有限公司(原名為: 臨沂雙螺旋醫學檢驗所有限公司") (i)(ii)	Fellow subsidiary
Suzhou Beikang Medical Laboratory Co., Ltd. ("Suzhou Medical Laboratory") 蘇州貝康醫學檢驗實驗室有限公司 (i)(ii)	Fellow subsidiary
Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) ("Double Helix Partnership") 蘇州雙螺旋企業管理合夥企業(有限合夥) (i)	Fellow subsidiary
Suzhou Double Helix Medical Laboratory Co., Ltd. ("Suzhou Double Helix") 蘇州雙螺旋醫學檢驗所有限公司 (i)	Fellow subsidiary

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

(ii) During the Relevant Periods, Benxi Medical Laboratory, Shandong Medical Laboratory and Suzhou Medical Laboratory were disposed by the Group as disclosed in Note 25. Upon completion of the disposal, these entities were transferred to Suzhou Double Helix, which was hold by Double Helix Partnership and ultimately under Liang Ping's control and became the related parties of the Group.

(iii) During the period, the Group disposed its interest in Fanghua Biotech as disclosed in Note 14, and the key management personnel of the Group also disposed their interest in Fanghua Biotech in July 2020. Upon the completion of the disposal, Fanghua Biotech was not presented as a related party of the Group.

During the Relevant Periods, the Group entered into the following material related party transactions:

	Years ended 31 December		Nine months ended 30 September	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of test kits	–	–	–	12,576
Sales of testing devices and instruments	–	–	–	54
Provision of testing services	883	2,716	2,304	–
Service fee charged by related parties	–	–	–	3,058
Loans to a related party	–	–	–	2,000
Loans repaid by a related party	–	–	–	2,000
Disposal of subsidiaries	–	–	–	17,000
Disposal of associates	–	–	–	250

(c) Related party balances

The outstanding balances arising from the above transactions as at the end of each of the Relevant Periods are as follows:

	As at 31 December		As at 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Trade related:			
Basecare Technology	935	2,879	2,879
Shandong Medical Laboratory	–	–	9,497
Benxi Medical Laboratory	–	–	5,787
Suzhou Medical Laboratory	–	–	1,235
Suzhou Chaoyun	–	–	61
	935	2,879	19,459
Non-trade related:			
Suzhou Double Helix	–	–	14,500

The non-trade related balances have been settled in full as of the date of this report.

28 POSSIBLE IMPACT OF AMENDMENTS

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are effective for the accounting year beginning from 1 January 2021 and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Amendments to IFRS 3*, Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
IFRS 17, *Insurance contracts* and related Amendments	1 January 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2020.

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as at 30 September 2020, as if the Global Offering had taken place on 30 September 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 September 2020 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 September 2020	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share	
	RMB'000[(1)]	*RMB'000*[(2)(4)]	*RMB'000*	*RMB*[(3)]	*HK$*[(4)]
Based on an Offer Price of HK$26.36 per Share	307,003	1,377,778	1,684,781	6.32	7.58
Based on an Offer Price of HK$27.36 per Share	307,003	1,431,131	1,738,134	6.52	7.82

Notes:

(1) The consolidated net tangible assets attributable to the equity shareholders of the Company as at 30 September 2020 is based on the consolidated total equity attributable to the equity shareholders of the Company of RMB307,003,000 as at 30 September 2020 as extracted from the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the expected issuance of 66,667,000 H Shares and the indicative Offer Prices of HK$26.36 and HK$27.36 per H Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of approximately RMB87.2 million and RMB89.4 million respectively (excluding approximately RMB2.5 million of listing expenses which have been charged to the profit or loss up to 30 September 2020), and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share is arrived at after the adjustment referred to in the preceding paragraphs and on the basis that a total of 266,667,000 shares in issue assuming that the Global Offering had been completed on 30 September 2020, but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share are converted into or from Renminbi at a rate of HK$1 = RMB0.83363, being the exchange rate set by PBOC prevailing on 15 January 2021. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma statement of adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Suzhou Basecare Medical Corporation Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司) (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 September 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 27 January 2021 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 September 2020 as if the Global Offering had taken place at 30 September 2020. As part of this process, information about the Group's financial position as at 30 September 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 September 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

27 January 2021

The estimate of our consolidated loss attributable to equity shareholders of the Company for the year ended December 31, 2020 is set out in the section headed "Financial Information – Loss Estimate For The Year Ended December 31, 2020" in this prospectus.

A. BASES

The Directors have prepared the estimate of the consolidated loss attributable to equity shareholders of the Company for the year ended December 31, 2020 (the "**Loss Estimate**") on the basis of the audited consolidated results of the Group for the nine months ended September 30, 2020 as set out in the Appendix I to this prospectus and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2020. The Loss Estimate has been prepared on a basis consistent in all material respects with the accounting policies we have presently adopted as set out in Appendix I to this prospectus.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the purpose of inclusion in this prospectus, from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in relation to the Group's loss estimate for the year ended December 31, 2020.

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

27 January 2021

The Directors
Suzhou Basecare Medical Corporation Limited
Unit 101, Building A3
BioBay, No. 218 Xinghu Street
Suzhou Industrial Park, Suzhou
Jiangsu Province, PRC

CLSA Capital Markets Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Dear Sirs,

Suzhou Basecare Medical Corporation Limited (the "Company")

Loss Estimate for Year Ended 31 December 2020

We refer to the estimate of the consolidated loss attributable to equity shareholders of the Company for the year ended 31 December 2020 (the "Loss Estimate") set forth in the section headed "Financial Information" in the prospectus of the Company dated 27 January 2021 (the "Prospectus").

Directors' Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the nine months ended 30 September 2020 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2020.

The Company's directors are solely responsible for the Loss Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures. We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Part A of Appendix IIA to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 27 January 2021, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, received from CLSA Capital Markets Limited, the Sole Sponsor, in relation to the Group's loss estimate for the year ended December 31, 2020.

January 27, 2021

The Directors
Suzhou Basecare Medical Corporation Limited

Dear Sirs,

We refer to the estimate of the consolidated loss of Suzhou Basecare Medical Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended December 31, 2020 (the "**Loss Estimate**") as set out in the section headed "Financial Information – Loss Estimate For The Year Ended December 31, 2020" in the prospectus issued by the Company dated January 27, 2021 (the "**Prospectus**").

The Loss Estimate, for which the directors of the Company (the "**Directors**") are solely responsible, has been prepared by the Directors based on (i) the audited consolidated results of the Group for the nine months ended September 30, 2020 as set out in the Accountants' Report in Appendix I to the Prospectus; and (ii) the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2020.

We have discussed with you the bases and assumptions made by the Directors, as set forth in Part A of Appendix IIA to the Prospectus, upon which the Loss Estimate has been made. We have also considered, and relied upon, the letter dated January 27, 2021 addressed to yourselves and ourselves from KPMG regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Loss Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
CLSA Capital Markets Limited
Ringo Leung
Executive Director

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "IIT Law"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the "EIT Law"), a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or

premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the State Administration of Tax on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the State Administration of Taxation (hereinafter referred to as SAT) on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (hereinafter referred to as the "the Arrangement"), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company unless a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia,

the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業税改徵增值税試點的通知》) (hereinafter referred to as "Circular 36"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家税務總局關於個人金融商品買賣等營業税若干免税政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "Local Additional Tax"), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the State Administration of Tax on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from

individual income tax. The State Administration of Taxation has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on December 31, 2009, the Ministry of Finance, SAT and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which was issued on August 6, 1988 and latest amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which came into effect on September 29, 1988, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

HONG KONG TAXATION

Taxation on Dividends

No tax is payable in Hong Kong in respect of dividends paid by our Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisors as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to "Regulatory Overview" of the prospectus.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (hereinafter referred to as "SAFE"), with the authorization of the People's Bank of China (hereinafter referred to as "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations"), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of

directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on 30 December, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

The Circular on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Return Investments by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (hereinafter referred to as "Circular 37") was promulgated and implemented by the SAFE on July 4, 2014. According to Circular 37, domestic residents, individuals and entities shall apply to the SAFE for registration of foreign exchange for offshore investment before making contributions to special purpose vehicles with domestic and overseas legal assets or equities. In addition, any domestic resident who is a shareholder of an overseas special purpose vehicle shall complete the registration formality of foreign exchange alteration for offshore investment with the SAFE in a timely manner in the event of any change of significant matters of such overseas special purpose vehicle such as capital increase/decrease, equity transfer or swap, merge and spin-off.

The subsequent foreign exchange business (including remittance of profits and dividend) of a domestic resident who fails to comply with the registration requirements as set out in Circular 37 may be restricted. Domestic residents that have made contributions to special purpose vehicles with domestic and overseas legal assets or equities without the required registration of foreign exchange for offshore investment prior to the implementation of Circular 37 shall issue a letter of explanation to the SAFE containing specific reasons. The SAFE shall make a post-registration following the principles of legality and rationality and impose administrative penalties in case of suspected violation of foreign exchange control regulations.

According to the Circular on Further Simplifying and Improving Policies for the Foreign Exchange Administration Applicable to Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on 30 December, 2019, banks that have obtained financial institution identification codes from foreign exchange authorities and have connected to the Capital Account Information System with the local foreign exchange authorities may directly handle the registration under Circular 37 and the foreign exchange authorities shall indirectly regulate the foreign exchange registration of direct investment through banks.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see section entitled "Regulatory Overview" in this prospectus.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (*《中華人民共和國憲法》*) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2015 revision) (*《中華人民共和國立法法(2015年修訂)》*) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any

inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (*《全國人民代表大會常務委員會關於加強法律解釋工作的決議》*) passed on June 10, 1981, the Supreme People's Court of the PRC (the "Supreme People's Court") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (*《中華人民共和國人民法院組織法(2018年修訂)》*), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2017 revision) (*《中華人民共和國民事訴訟法(2017年修訂)》*) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25,1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018;

- The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies (the "**Special Regulations**") which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the Company Law in force at that time, and were applicable, to the overseas share subscription and listing of joint stock limited companies; and

- The Mandatory Provisions of Articles of Association of Companies Listing Overseas (the "**Mandatory Provisions**") which were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, stating the mandatory provisions which must be

incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix V—Summary of Articles of Association" in this prospectus.

On April 21, 2018, the National Equities Exchange and Quotations Co., Ltd. and the Hong Kong Stock Exchange signed the Memorandum of Understanding (《合作諒解備忘錄》), providing that the listing on the Hong Kong Stock Exchange by companies that are listed on the NEEQ shall conform to the Special Regulation and relevant rules of CSRC. No Pre-examination or special conditions are set down by the National Equities Exchange and Quotations Co., Ltd.

Set out below is a summary of the major provisions of the Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be

convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, the Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the CSRC. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares." Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of

representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors, while according to the Opinions on Supplementary Amendment to Articles of Associations by Companies to be listed in Hong Kong (*《關於到香港上市公司對公司章程作補充修改的意見的函》*), a resolution of the board of supervisors shall be passed by more than two-thirds of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

- to initiate proposals for resolutions to shareholders' general meeting;

- to initiate proceedings against directors and senior management;

- other powers specified in the articles of association; and

- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;

- to arrange for the implementation of the company's annual business plans and investment proposals;

- to formulate the general administration system of the company;

- to formulate the company's detailed rules;

- to recommend the appointment and dismissal of deputy managers and person in charge of finance;

- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to

close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters

relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (*《中華人民共和國證券法》(2019年修訂)*) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council. to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (*中國國際經濟貿易仲裁委員會*) ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration center ("HKIAC") in accordance with its Securities Arbitration Rules (the "Securities Arbitration Rules"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (*《中國國際經濟貿易仲裁委員會仲裁規則》*) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, based on an agreement of the parties, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing, Zhejiang, Hubei, Fujian, Shanxi, Jiangsu, Sichuan and Shandong.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "HKSFC") issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "Shanghai-Hong Kong Stock Connect") by the Shanghai Stock Exchange (hereinafter referred to as "SSE"), the Stock Exchange, China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as "CSDCC") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of

constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant

to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and file with the relevant PRC governmental and regulatory authorities.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《*合格境內機構投資者境外證券投資管理試行辦法*》). If the H Shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions

on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V—Summary of Articles of Association."

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

(i) If there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions;

(ii) If there are not relevant provisions in the articles of associations, then (1) with the consent in writing of at least three fourths of the total voting rights of holders of the shares in the class in question, or (2) with the approval of a special resolution of the holders of the relevant class at a separate meeting.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the

company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights

represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years according to PRC Civil Code (《中華人民共和國民法典》), promulgated on May 28, 2020 and became effective on January 1, 2021. The Mandatory Provisions require the relevant company to appoint a trust

company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt

(including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years beginning from January 1, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of the Company's Articles of Association for the main purpose of outlining it to potential investors. As a summary only, all the important information to potential investors may not be exhaustive here.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on August 31, 2020, which shall become effective as of the date on which the H Shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective investors. As discussed in the Appendix headed "Appendix VII—Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, the full document of the Articles of Association in Chinese is available for examination.

1. DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general Shareholders' meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

(2) Power to dispose assets of our Company or any subsidiary

In any case that the Board of Directors intends to dispose assets, if the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the value received from the fixed assets of our Company disposed of within the four months immediately preceding this suggestion for disposal exceeds 33% of the value of fixed assets of our Company indicated on the latest balance sheet extracted from the audited consolidated financial statements submitted at the Shareholders' meeting, the Board of Directors shall not dispose of or agree to dispose of the fixed assets without the approval of the Shareholders' meeting.

For the purposes of the Articles of Association, a disposition of fixed assets includes certain acts of transfer of interests in assets but does not include the provision of fixed assets as security.

The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected by the violation of the above restrictions contained in the Articles of Association.

(3) Emoluments or compensation for Directors and Supervisors

As provided in the written contract entered between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments subject to the approval of the Shareholders at the Shareholders' meeting in advance. The aforesaid emoluments include:

i. Emoluments in respect of his service as a Director, Supervisor or senior management of our Company;

ii. Emoluments in respect of his service as a Director, Supervisor or senior management of any subsidiary of our Company;

iii. Emoluments in respect of other service in relation to the management of our Company and any subsidiary of our Company; and

iv. Payment by way of compensation for loss of office or retirement from office of a Director or Supervisors.

It should be concluded in the emolument contract that where our Company is to be acquired, the Directors and Supervisors should be entitled to compensation or other payments for loss of office or retirement from office subject to the approval of the Shareholders at the Shareholders' meeting in advance.

Acquisition of our Company refers to any of the following circumstances:

i. An offer made by any person made to all Shareholders; or

ii. An offer is made by any person with a view to the offeror becoming the controlling shareholder of our Company. The definition of controlling shareholder is the same as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received shall belong to the person who sells the shares for accepting the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments distributed.

(4) Loans or Guarantees of Loans to Directors, Supervisors or other management personnel

Our Company shall neither provide the Directors, Supervisors or senior management of our Company or our parent company with loans or loan guarantees either directly or indirectly nor provide persons related to the above personnel with loans or loan guarantees. In the event that our Company provides loans in violation of this restriction, the person who receives the

loan(s) must pay off the loan(s) immediately, regardless of the conditions of loans. Any loan guarantee provided by our Company in violation of the above requirements shall not be mandatorily enforced against us, unless under the following circumstances:

i. The loan provider unknowingly provides loans to personnel related to the Directors, Supervisors or senior management of our Company or its parent company; or

ii. The collateral provided by our Company is sold lawfully by the lender to the buyer in good faith.

The following circumstances are exempted from the above clauses:

(i) Our Company provides our subsidiaries with loans or loan guarantees;

(ii) Our Company provides any of the Directors, Supervisors or senior management with loans, loan guarantees or any other fund pursuant to the employment contracts approved at the Shareholders' meeting to pay all expenses incurred for the purpose of our Company or performing his duties owed to our Company; and

(iii) In case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors or senior management and other related personnel with loans or loan guarantees, provided that the conditions governing the above loans or loan guarantees shall be normal commercial conditions.

(5) Provide financial assistance for acquiring the shares of the Company or shares of any subsidiary

Subject to the Articles of Association, our Company or our subsidiaries (including our affiliated enterprises) shall not provide any financial assistance at any time or in any kind to personnel that acquires or plans to acquire our shares. Such personnel include any who undertake obligations, directly or indirectly, from acquiring the shares; and our Company or any of our subsidiaries (including our affiliated enterprises) shall not provide personnel mentioned in the preceding paragraph with financial assistance at any time or in any manner, to mitigate or exempt the obligations of the above personnel.

For the purpose of the above provisions, "Financial assistance" includes, but is not limited to:

i. Gifts;

ii. Guarantees (including acts of the guarantor assuming liabilities or providing properties to ensure that the obligor performs the obligations), compensation (excluding compensation arising from mistakes of our Company), release or waiver of rights;

iii. Provision of loans or signing of contracts whereby our Company performs some obligations before others, change of the parties to the loans/contracts as well as the assignment of the rights in the loans/contracts; and

iv. Financial assistance provided by our Company in any other manner when it is insolvent, has no net assets, or will suffer significant decreases in net assets.

"Assuming obligations" includes obligator undertaking obligations by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or changing its financial status in any other manner.

The following transactions are not deemed to be prohibited, unless prohibited by relevant laws, administrative regulations, regulations of the authorities and regulatory documents:

i. Related financial assistance provided by our Company which is in good faith in our interest and the main purpose of the financial assistance is not to acquire our shares or is an incidental part of a master plan of our Company;

ii. The lawful distribution of our properties by way of dividend;

iii. The allotment of bonus shares as shares;

iv. Reducing the registered capital, redeeming the shares or adjusting the equity structure pursuant to the Articles of Association;

v. Our Company granting loans within our scope of business and in the ordinary course of our business, provided that such loans shall not result in reduction in the net assets of our Company or even if the net assets are reduced, such financial assistance is paid from the profit available for distribution; and

vi. Our Company providing the employee stock ownership plan with fund, provided that such financial assistance shall not result in reduction in the net assets of our Company or, even if the net assets are reduced, such financial assistance is paid from the profit available for distribution.

(6) Disclosure of interests in contracts, transactions or arrangements with the Company

Where a Directors, Supervisors and senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into directly or indirectly (except for employment contracts that our Company has entered into with the Directors, Supervisors and senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether the above contracts, transactions or arrangements are subject to the approval of the Board of Directors in normal circumstances.

With respect to any contract, transaction or arrangement in which a Director or his Associates (defined in the Listing Rules) have a material interest, the Director shall not vote and shall not be included in the quorum, except for the exceptions provided in Note 1 Appendix 3 in the Listing Rules.

Unless the Directors, Supervisors and senior management who have interests have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors approves the matters at the meeting in which they are not included in the quorum nor participate in voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts of related Directors, Supervisors and senior management violating their obligations.

Where related personnel of the Directors, Supervisors and senior management have interests in certain contracts, transactions and arrangements, the relevant Directors, Supervisors and senior management shall be deemed to have interests.

Prior to our Company's first considering the relevant contracts, transactions or arrangements, if the Directors, Supervisors and senior management have notified the Board of Directors in writing and stated that with regard to the content of such notice, they have interest in certain contracts, transactions and arrangements thereafter. And within the scope specified by such notice, the relevant Directors, Supervisors and senior management should be considered having made disclosures which are in accordance with this Article of Association.

(7) Remuneration

Our Company shall sign written agreements with the Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholders' meeting.

(8) Appointment, Resignation and Dismissal

The Board of Directors consists of nine Directors, at least three of whom are independent non-executive Directors. The Board of Directors has one chairman. Directors are elected at the general Shareholders' meeting. The Directors need not hold any of our shares.

The chairman of the Board shall be elected and dismissed by a vote of more than one half of the Directors. Provided that it is in compliance with relevant laws, regulations and rules as well as the regulatory rules of which the Company's shares are listed, the general Shareholders' meeting may remove any Director whose term has not expired by an ordinary resolution without affecting any claim for damages that may be made pursuant to any contract.

The chairman of the Board and other Directors all serve three-year terms. Upon expiration of the term, the Director may be re-elected. Director can be the general manager or other senior management personnel at the same time. However, the number of the Directors who are also general manager or other senior management personnel shall not be more than half of the total number of Directors. There is no provision in the Articles of Association that imposes any age limit for Directors beyond which retirement of a Director is mandatory.

None of the following persons shall serve as our Director, Supervisor or senior management:

i. A person who has no civil capacity or has limited civil capacity;

ii. A person who has been imposed penalty for the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;

iii. A person who is a former director, factory manager or general manager of a company or enterprise that is bankrupt and liquidated because of poor operation, was personally liable for the bankruptcy of such company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of such company or enterprise;

iv. A person who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws, was personally liable, and is within three years of the date on which the business license of such company or enterprise was revoked;

v. A person who has a relatively large sum of debt, which was not paid at maturity;

vi. A person who is investigated by the judicial agencies for violation of criminal law and whose case is pending;

vii. A person who is prohibited to serve leadership in a company pursuant to laws and administrative regulations;

viii. A person who is subject to China Securities Regulation Commission's punishment which prohibited them from entering into the securities market for a period which has not yet expired;

ix. A person judged by the competent agencies to have violated the provisions of relevant securities laws, being involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made;

x. A person who is not a natural person; or

xi. Any other person who is otherwise not eligible under laws, administrative regulations, regulations of the authorities, regulatory documents and other conditions set out by the relevant regulatory bodies.

The election, appointment or employment of the Directors, Supervisors or other senior management shall be invalid if such election, appointment or employment is against the Articles of Association. If the Directors, Supervisors or senior management falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

The validity of an act of the Directors or senior management on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their appointment, election or qualifications.

(9) Borrowing powers

The Board of Directors shall be entitled to decide to borrow money within the scope of authorization by the general Shareholder's meeting or it is required according to the listing rules of the stock exchange where our Company is listed.

The Board of Directors shall be entitled to develop proposals for our Company to issue bonds and to list its Shares, and that such bond issues must be approved by the Shareholders by a special resolution at the general Shareholders' meeting.

(10) Duties

The Directors, Supervisors and senior management shall bear the obligations of good faith and diligence towards our Company. In the event of violation of obligations owed to our Company by the Directors, Supervisors and senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in laws and administrative regulations:

i. Require related Directors, Supervisors or senior management to compensate our Company for losses sustained as a result of their neglect of duty;

ii. Cancel any contract or transaction entered into between our Company and related Directors, Supervisors or senior management as well as any contract or transaction entered into between our Company and third person when the third person knew or should have known that the Directors, Supervisors or senior management acting on behalf of our Company violated their obligations owed to our Company;

iii. Require the relevant Directors, Supervisors or senior management to turn over the proceeds obtained from the violation of their obligations;

iv. Recover funds collected by the relevant Directors, Supervisors or senior management that should have been collected for our Company, including but not limited to commissions;

v. Require the relevant Directors, Supervisors or senior management to return the interest earned or that may be earned from funds that should have been paid to our Company;

When performing their duties, the Directors, Supervisors and senior management of the Company must comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, without limitation, performing the following obligations:

i. Acting honestly in the best interests of our Company as the starting point of any action;

ii. Exercising powers within and not exceeding the scope of authority;

iii. Exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless permitted by laws, administrative regulations or with the informed consent given in a general Shareholders' meeting;

iv. Treating Shareholders of the same class equally and Shareholders of different classes fairly;

v. Entering into contract, transaction or arrangement with our Company is not allowed, unless in line with the Articles of Association or otherwise by the approval of the general Shareholders' meeting with its full knowledge;

vi. Seeking private gain using the properties of our Company in any manner is not allowed, unless agreed by the general Shareholders' meeting with its full knowledge;

vii. Using one's position to take bribes or other illegal income is not allowed, nor is any form of embezzlement of our property, including, but not limited to, opportunities beneficial to our Company;

viii. Accepting commissions associated with transactions of our Company is not allowed unless agreed by the general Shareholders' meeting with its full knowledge;

ix. Compliance with the Articles of Association, faithfully execute one's duties and protect the Company's interests, and not to exploit one's position and power in the Company to advance one's own private interests;

x. Not to compete with our Company in any kind unless agreed by the general Shareholders' meeting with its full knowledge;

xi. Not to lend our Company's funds to any other person, misappropriate our funds or deposit the assets or funds of our Company in an account opened in one's own name or other names, and not to provide securities for the debt of our Shareholder or any other people using our Company's assets, unless otherwise provided by the laws, regulations or the Articles of Association;

xii. Disclosure of confidential information relating to our Company obtained during employment without the consent of the general Shareholders' meeting with its full knowledge; unless in the interest of our Company, using such information is also not allowed; however, under the following circumstances the information may be disclosed to a court or other competent government agencies as required by:

(i) The provisions of the law;

(ii) For the public interests;

(iii) The interests of the Directors, Supervisors or senior management.

The relevant personnel shall return the income obtained from violation of the above provisions to our Company and shall bear the liability of compensation if our Company suffers damage.

The Directors, Supervisors and senior management may not direct the following personnel or institutions ("related personnel") to do what they are prohibited from doing:

i. Spouses or minor children of the Directors, Supervisors and senior management;

ii. Trustors of the Directors, Supervisors and senior management or the persons mentioned in the preceding paragraph;

iii. Partners of the Directors, Supervisors and senior management or persons mentioned in i and ii above;

iv. Any company under de facto control by the Directors, Supervisors and senior management individually or jointly with the persons or other directors, supervisors and senior management of companies mentioned in i, ii and iii above; and

v. Directors, Supervisors or senior management of the controlled companies mentioned in the preceding paragraph.

The good faith obligation of the Directors, Supervisors and senior management may not necessarily cease with the termination of their terms; their obligation to keep the trade secrets of our Company in confidence shall survive the termination of their terms. Other duties may continue for such period as fairness may require depending on the time lapse between the termination and the act concerned and any circumstance and condition under which the relationships between them and the Company are terminated.

Unless otherwise provided in the Articles of Association, liabilities of Directors, Supervisors and senior management arising from the violation of specific duties may be dissolved by informed general Shareholders' meeting.

Apart from the obligations set forth in related laws, administrative regulations or the listing rules of the stock exchange where the Shares of the Company are listed, the Directors, Supervisors or senior management shall assume the following obligations for each of the Shareholders when exercising their rights and performing their responsibilities:

i. They shall not cause our Company to operate beyond the scope of business indicated on our business license;

ii. They shall sincerely take the best interests of our Company as the starting point of any action;

iii. They may not deprive our Company of our assets in any manner, including, but not limited to, opportunities beneficial to our Company; and

iv. They shall not deprive the Shareholders of personal rights and interests, including, but not limited to, the right to receive dividends and to vote, except for restructuring of our Company approved at the Shareholders' meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors and senior management of the Company have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding 1% or more shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the people's court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders may submit a written request to the Board of Directors to file an action with the people's court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the competent court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent court.

2. MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

Where the amendments to the Articles of Association passed by the general Shareholders' meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3. VARIATION OF RIGHTS OF EXISTING SHARES OF CLASSIFIED SHARES

Any plan of our Company of changing or abolishing the rights of a classified Shareholder is subject to the approval of the general Shareholders' meeting in the form of a special resolution and the approval of the affected classified Shareholders at a separately convened the Shareholders' meeting before it can be implemented.

The rights of a classified Shareholder shall be deemed as changed or abolished under the following circumstances:

i. Increase or decrease the number of the classified shares, or increase or decrease the number of classified shares with equal or more voting rights, distribution rights, other privileges than this type of classified shares;

ii. Convert all or part of the classified shares into other classes or convert another class of shares, partly or wholly, into the shares of such class;

iii. Remove or reduce the right of the classified shares to accrued dividends generated or rights to cumulative dividends;

iv. Reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

v. Add, remove or reduce the right of the classified shares to convert share rights, options rights, voting rights, transfer rights, and pre-emptive rights, or the right to obtain the securities of our Company;

vi. Remove or reduce the right of the classified shares to receive funds payable of our Company in specified currencies;

vii. Create new classified shares entitled to equal or more voting rights, distribution rights, or other privileges than the classified shares;

viii. Restrict the transfer or ownership of the classified shares or increase such restrictions;

ix. Issue subscription or conversion rights for this or other classified shares;

x. Increase the rights and privileges of other classes of shares;

xi. The restructuring plan of our Company may constitute different classes of Shareholders to assume responsibilities disproportionately in restructuring; and

xii. Amend or abolish clauses stipulated in our Articles of Association.

Whether or not the affected classified Shareholders have voting rights at the Shareholders' meeting, in the event of matters described above from ii through viii, xi to xii, they have voting rights at the classified Shareholders' meeting, but the Shareholders that have interests at stake shall have no voting rights at the classified Shareholders' meeting.

Shareholders that have interests at stake include:

i. Where the Company makes an offer to all the Shareholders at the same ratio according to this Articles of Association or purchase their own shares through public transaction in the Stock Exchange, Shareholders that have interests at stake refer to controlling shareholders as defined in this Articles of Association;

ii. Where our Company purchase its own shares through reaching an agreement outside the Stock Exchange and in accordance with the Articles of Association, Shareholders that have interests at stake shall mean the Shareholders who are relevant to such agreement;

iii. In our Company's re-organization plan, Shareholders that have interests at stake shall mean Shareholder who bear liability at a rate that is lower than other Shareholders in the same class or who hold different interests with other Shareholders in the same class.

The resolution of the classified Shareholders' meeting shall be passed by votes representing more than two thirds of shareholding with voting rights attending the classified Shareholders' meeting.

At least 20 Business Days before convening an annual classified Shareholders' meeting, or 15 days or 10 Business Days (the longer one would prevail, excluding the day sending the notice and the day convening the meeting) before convening an extraordinary classified Shareholders' meeting, our Company shall send a written notice to inform all registered holders of the classified shares on matters to be deliberated at the meeting, as well as the date and venue of the meeting.

For shareholders holding Domestic Shares, the notice of Shareholder's meeting could be in the form of announcement, which should be published on one or more newspapers designated by the security regulatory authority of the State Council, 20 to 25 Business Days before convening the Shareholders' meeting. All the shareholders holding Domestic Shares would be considered having received the notice regarding Shareholder's meeting once the announcement is published. For shareholders holding overseas listed foreign shares, the announcement could be published on the website designated by Hong Kong Exchange Stock or the website of our Company. All the shareholders holding overseas listed foreign shares would be considered having received the notice regarding Shareholder's meeting once the announcement is published.

Where there are special rules in the listing rules of the stock exchange where the shares are listed, the special rules prevail.

Insofar as possible, any classified Shareholders' meeting shall be held in accordance with the same procedures as those of the Shareholders' meeting, and unless otherwise provided in the Articles of Association, any clause that relates to the procedures for convening the Shareholders' meeting in the Articles of Association shall apply to classified Shareholders' meeting.

Apart from the holders of other classified shares, the holders of Domestic Shares and the holders of overseas listed foreign shares are deemed as different classified Shareholders.

The special procedures for voting by the classified Shareholders shall not apply under the following circumstances:

i. Upon the approval by a special resolution at the general Shareholders' meeting, our Company either separately or concurrently issues Domestic Shares and overseas listed foreign shares once every 12 months, and the number of those Domestic Shares and overseas listed foreign shares to be issued shall not account for more than 20% of each of its outstanding shares;

ii. The plan to issue Domestic Shares and overseas listed foreign shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council; and

iii. Upon the approval by the securities regulatory authorities of the State Council, the Domestic Shares and foreign shares under unlisted transactions are converted to overseas listed foreign shares which are listed and traded overseas markets.

4. SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the Shareholders' meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution may be adopted by a simple majority of the votes held by the Shareholders (including proxies of Shareholders) attending the general Shareholders' meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies of Shareholders) attending the general Shareholders' meeting.

5. VOTING RIGHTS

The ordinary Shareholders have the right to attend or appoint a proxy to attend and vote at the general Shareholders' meeting. When voting at the general Shareholders' meeting, the Shareholder (including proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote.

General Shareholders' meeting adopt vote by hands or open ballot. When voting at a general Shareholders' meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favour with their total number of votes.

When the number of dissenting votes equals the number of supporting votes, regardless of voting by ballot or show of hands, the chairman of the Board of Directors is entitled to one additional vote.

6. RULES ON GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meetings are divided into annual general Shareholders' meetings and extraordinary general Shareholders' meetings. The annual general shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

7. ACCOUNTING AND AUDITS

(1) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations and rules developed by the competent department. Where there are special rules in the listing rules of the stock exchange where the Shares are listed, the special rules would prevail.

The Board of Directors shall submit the financial reports to Shareholders, as required by the laws, rules and regulations or regulatory documents to be prepared by our Company, at every annual general Shareholders' meetings.

Apart from the PRC accounting standards and regulations, the financial statements of our Company shall also conform to international accounting standards or the accounting standards of overseas areas where the shares are listed. In the event of any major discrepancy between the financial statements prepared in accordance with the two types of accounting standards, such difference must be provided in the notes to the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower shall prevail.

Our Company shall make its financial reports available at the Company for inspection by the Shareholders 20 days before the annual general Shareholders' meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

Our Company shall send the financial reports, together with the balance sheet and income statement or income and expenditure statement to each of the holders of overseas listed foreign shares by postage-paid mail or by the manner, including publication on the Company's website or website of the Hong Kong Stock Exchange and other websites provided by the Listing Rules revised from time to time, as allowed in laws and regulation of the region where our Company's shares are listed and the listing rules of the stock exchange where our Company's Shares are listed at least 21 days before the annual general Shareholders' meeting is convened and the recipient's address shall be the address as registered in the register of Shareholders.

The interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with the PRC accounting standards, rules and regulations as well as international accounting standards or the accounting standards of the overseas area in which the shares are listed.

Our Company shall publish the financial reports twice in each accounting year. Interim financial reports shall be published within 60 days of the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days of the end of each accounting year.

(2) Appointment and Dismissal of Accountants

Our Company shall appoint an independent accounting firm that meets appropriate requirements of the relevant regulations of the PRC to be responsible for auditing its annual financial report and reviewing its other financial reports.

The first accounting firm of our Company can be appointed by the founding meeting before the first annual general Shareholders' meeting and the term of the appointment will expire at the close of the first annual general Shareholders' meeting. In event that the founding meeting does not exercise such power, the Board of Directors shall take it.

The term of the accounting firm appointed by our Company shall start at the close of such annual general Shareholders' meeting of the Company and continue until the close of the next annual general Shareholders' meeting.

If the position of an appointed accounting firm is vacant, the Board of Directors may appoint an accounting firm before the start of general Shareholders' meeting. However, if during the vacant period, our Company has other incumbent accounting firm, such accounting firm may take the vacant.

Except the circumstances as above said, our Company shall appoint an accounting firm by the decision of the Shareholders' meeting. The Board of Directors shall not appoint accounting firm before decisions made at Shareholders' meeting. The Shareholders may replace the accounting firm through an ordinary resolution at the general Shareholders' meeting prior to the expiration of the term of any accounting firm notwithstanding the terms and conditions of the contract howsoever entered into between our Company and the accounting firm. With respect to the compensation rights against the Company by the relevant accounting firm due to dismissal shall not be affected thereof.

8. NOTICE AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meeting is the authorized organ of our Company that performs duties and exercises powers in accordance with the law.

Under any of the following circumstances, the Board of Directors shall convene an extraordinary general Shareholders' meeting within two months:

i. The number of Directors is less than the number specified in the PRC Company Law or less than two thirds of the number required in the Articles of Association;

ii. The uncovered losses of our Company reach one-third of its total paid-in share capital;

iii. The Shareholders with 10% or more shares of the Company separately or jointly request to convene an extraordinary general Shareholders' meeting in writing (the number of shares shall be calculated by the day of the request);

iv. The Board of Directors considers it necessary;

v. The Board of Supervisors considers it necessary;

vi. Any other circumstances stipulated in laws, administrative regulations, regulations of the authorities, the Articles of Association and the listing rules of stock exchange of the place in which our Company's Shares are listed.

In the event that the Board of Director agree to convene an extraordinary general Shareholders' meeting, the notice of convening extraordinary general Shareholders' meeting shall be issued within 5 days after the Board of Directors made a resolution. With regard to the proposal of convening an extraordinary general Shareholders' meeting made by the Board of Supervisors, if the Board of Directors made a rejection or does not respond within 10 days after it receiving the proposal, it shall be viewed as the Board of Directors is unable to or fails to perform its meeting duty of convening the general Shareholders' meeting and the Board of Supervisors may convene and preside over the meeting by its own.

Shareholders who separately or jointly hold 10% or more of the shares may request in writing to convene an extraordinary Shareholders' meeting. If the Board of Directors does not issue a notice of convening the meeting within 10 days after receiving the above written requirement, or refused to convene, the shareholders who make the request may request the Board of Supervisors in writing to convene the meeting. If the Board of Supervisors does not issue the notice about convening the meeting within 5 days after receiving the above written requirement, the shareholders who make the request could convene and preside the meeting by themselves.

In the event that the general shareholders' meeting is convened, the Board of Directors, the Board of Supervisors and shareholders who separately or jointly hold more than 3% of the shares of our Company may submit a proposal 10 days before the meeting.

When convening a general shareholders' meeting, our Company shall send a written notice 20 Business Days before it is convened. When convening an extraordinary shareholders' meeting, our Company shall send a written notice 15 days or 10 Business Days (the longer would prevail, excluding the day sending the notice and the day convening the meeting) before it is convened. Where there are special rules in the laws, rules and the stock exchange.

Our Company shall calculate the number of shares with voting power represented by the shareholders planning to attend the general shareholders' meeting in accordance with the written replies received 20 days before the meeting is convened. In the event that the number of shares with voting power represented by the shareholders attending the meeting reaches more than one half of our total number of shares with voting power, our Company may convene the general shareholders' meeting. If this number is not reached, our Company shall again inform the shareholders of the matters to be deliberated and the date and venue of the meeting within five days in the form of an announcement and then approved by announcement before the general shareholders' meeting may be convened. The extraordinary general Shareholders' meeting shall not decide on issues which are not listed in the notice.

The notice of the general shareholders' meeting shall be made in writing, including the following contents:

i. the place, the date and the hour of the meeting;

ii. the matters to be discussed at the meeting;

iii. conspicuous statement that all shareholders are entitled to attend the meeting and appoint proxy to attend and vote and that proxy need not be a shareholder;

iv. name and phone number of the standing contact person for affairs;

v. information and explanations necessary for the shareholders to exercise an informed judgment on the proposals before them. It principally includes (but is not limited to), where a proposal is made to amalgamate the Company, to repurchase shares, to reorganize the share capital or to restructure our Company in any other way, the conditions of the proposed transaction must be provided in detail together with the proposed contract (if any), and the cause and consequence of such proposal must be properly explained;

vi. disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, senior management in the matter to be discussed and the effect of the proposed matter on such Director, Supervisor, or senior management in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;

vii. the full text of any special resolution proposed to be voted at the meeting;

viii. the delivery date and place lodging proxy forms;

ix. the registration date of the share of the holder entitled to attend;

x. other requirements specified in the laws, administrative regulations, regulations of the authorities, regulatory rules where the shares are listed and the Articles of Association, etc.

Unless otherwise provided by laws, rules, the Listing Rules, and the Articles of Association, the notice of the general shareholders' meeting shall be sent in person or by postage-paid mail to the shareholders (regardless of whether such shareholders have the right to vote at the shareholders' meeting), whereas recipient's address shall be according to the address registered with the register of shareholders. For domestic shareholders, the notice of our Shareholders' meeting may be given in the form of an announcement.

Abovementioned announcement shall be published in one or more newspapers designated by the securities governing authority of the State Council. Once the announcement is made, all domestic shareholders shall be deemed to have received the notice of the general shareholders' meeting.

Where in accordance with the requirements of laws, administrative regulations, regulations of the authorities and regulatory rules where the shares are listed and performing relevant procedures, notice sent to H share shareholders could be published on the websites designated by Hong Kong Stock Exchange and the website of our Company, as alternative to in person or by postage-paid mail. Once the announcement is published, all shareholders holding overseas listed foreign shares shall be deemed to have received the notice of the general shareholders' meeting.

The resolution of the general shareholders' meeting includes ordinary resolution and special resolution. The following matters shall be approved by the general shareholders' meeting through ordinary resolutions:

i. Work report of the Board of Directors and the Board of Supervisors;

ii. Plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;

iii. Appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;

iv. Annual budget and final account report;

v. Annual report of the Company;

vi. Other matters other than those approved by special resolution stipulated in the laws, administrative regulations, listing rules of the stock exchange where the shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the general shareholders' meeting:

i. the increase or decrease of the registered capital, or the issuance of shares, warrants or other quasi-securities;

ii. resolutions on the issuance of debt or other securities and listing scheme;

iii. Division, merger, dissolution and liquidation of our Company and the change of form of our Company;

iv. Amendment of the Articles of Association;

v. Substantial assets acquired or disposed of or security provided for an amount exceeding 30% of the total assets extracted from the latest audited consolidated financial statements of our Company within one year;

vi. the formulation, amendment and performance of share equity incentive plan;

vii. repurchase of the shares of our Company; and

viii. Other matters as required by the laws, administrative regulations, listing rules of the stock exchange where the shares are listed and the Articles of Association, and as approved by ordinary resolution of the general shareholders' meeting which are believed could materially affect our Company and need to be approved by special resolution.

In the event that any resolution of the general Shareholders' meeting or resolution of the Board of Directors violates laws or administrative regulations, any shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the shareholders meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted.

9. SHARE TRANSFERS

The shares of our Company holding by the funders thereof shall not be transferred within one year of the date of establishment of our Company. The shares issued before the public issuance of shares by our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded on a securities exchange.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the shares of our Company and the changes thereto. The shares transferrable by them during each year of their term of office shall not exceed 25 percent of their total holdings of the shares of our Company. The shares that they held in our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded. The aforesaid persons shall not transfer their shares of our Company within six months from the date of their resignation.

Where a Director, Supervisor or senior management of our Company, or a shareholder who holds 5% or more of the shares of our Company sells the shares of our Company within six months of purchasing such shares, or repurchases the shares within six months of selling such shares, the gains therefrom shall belong to our Company, and the Board of Directors of our Company shall recover such gains.

With regard to the H Shares that capital of which has been full-paid could be transferred without limitation in accordance with the Articles of Association. However, unless meeting the following conditions, the Board of Directors may refuse to recognise any transfer document without giving any reason:

i. Document that related to any share ownership or transfer documents that may affect the ownership of the shares shall be registered and such payment shall not exceed the maximum fee provided by the Stock Exchange of Hong Kong in its Listing Rules from time to time;

ii. The transfer documents only involve H Shares listed in Hong Kong;

iii. The stamp duty chargeable on the transfer documents has been paid;

iv. The relevant share certificate, and upon the reasonable request of the Board of Directors, any evidence in relation to the right of the transferor to transfer the shares has been submitted;

v. If the shares are to be transferred to joint holders, the number of the joint holders shall not exceed four;

vi. Our Company does not have any lien on the relevant shares; and

vii. The shares shall not be transferred to minors or the person who is insane or is found to be of unsound mind.

Respective parts of shareholder register's revision or rectification shall be subject to the laws of region where respective parts the revised or rectified shareholder register is stored. No change may be made to the information in the register of shareholders as a result of the share transfer within 30 days before the general shareholders' meeting is convened or within five days prior to the benchmark date on which our Company has decided to distribute dividends.

10. RIGHTS OF OUR COMPANY TO PURCHASE OUR OUTSTANDING ISSUED SHARES

Under any of the following circumstances, our Company may submit to relevant competent authorities for approval to buy back our outstanding issued shares according to legal procedures with the approval of procedures stipulated in the Articles of Association:

i. Reduce our Company's registered capital;

ii. Merger with other companies which hold our shares;

iii. Granting shares to the staff of our Company as incentives;

iv. Requesting the Company to buy back its shares from shareholders who vote against any resolutions adopted at the general shareholders' meeting concerning the merger and division of the Company;

v. To convert shares into bond issued by our Company which is convertible to stock of our Company;

vi. Necessary for our Company to maintain our Company's value and Shareholders' equity; or

vii. Other circumstances as permitted by the laws, administrative regulations, regulations of the authorities and listing rules of which the Shares of the Company are listed.

Our Company may buy back shares in any of the following ways:

i. Making a comprehensive buyback offer in the same proportion to all shareholders;

ii. Buying back shares through public trading on the securities exchange;

iii. Buying back shares by an agreement outside a stock exchange;

iv. In other ways approved by the laws, administrative regulations and other measures permitted by relevant regulatory authorities.

Where our Company buys back the shares by an agreement outside a stock exchange, it shall obtain prior approval at the general shareholders' meeting pursuant to the Articles of Association. Likewise, subject to the prior approval of the general shareholders' meeting, our Company may cancel or amend the contract signed in the aforesaid manner or waive any of its rights in the contract.

The contract that buys back the shares includes (but is not limited to) an agreement that consents to undertake the obligation to buy back the shares and obtain the rights to buy them back.

Our Company shall not transfer any contract that buys back the shares or any rights conferred under the contract.

Unless our Company has entered into the liquidation process, we must observe the following provisions for the buyback of issued shares:

i. Where our Company buys back shares at book value, the funds shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new shares to buy back the old shares;

ii. Where our Company buys back the shares at a premium to the book value, the portion equivalent to book value shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new shares made for the purpose of buying back of old shares, while the portion higher than book value shall be dealt with in the following manner:

   (i) Where the shares bought back were issued at book value, the funds shall be deducted from the book balance of our distributable revenue;

   (ii) Where the shares bought back were issued at a premium to the book value, the funds shall be deducted from the book balance of our distributable revenue and the proceeds obtained from the issue of new shares made for the purpose of buying back of old shares. However, the amount deducted from the proceeds obtained from the issue of new shares shall not exceed the total premium amount obtained when the shares bought back were issued or the amount in our premium account (or capital reserve account) when the old shares are bought back (including the premium amount of the issue of new shares).

iii. The funds paid by our Company for the following purposes shall be expensed from our distributable earnings:

   (i) To obtain the right to buy back the shares;

   (ii) To modify contract to buy back the shares;

   (iii) To release obligation of our Company under the share buyback contract.

iv. After the total book value of the cancelled shares is deducted from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable earnings for paying up the book value portion of the shares bought back shall be credited to our premium account (or capital reserve account).

11. POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in the Articles of Association relating to ownership by subsidiary of our Company of shares in its parent.

12. DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company may distribute dividends in the following manner of cash or stock.

A shareholder is entitled to receive interest with regard to payment of the shares which was paid before reminder notice. However, advance payment of the shares is not subject to any further dividend thereof.

Our Company shall appoint receiving agents on behalf of shareholders holding overseas listed foreign shares.

Receiving agents shall receive dividends and other payable funds that are distributed with respect to our overseas listed foreign shares for relevant shareholders. Receiving agents appointed by our Company shall on behalf of shareholders of shares listed in Stock Exchange shall be a trust company registered under the Trustee Ordinance of Hong Kong.

After the shareholders' meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the shareholders' meeting.

13. SHAREHOLDER PROXIES

Any shareholder who is entitled to attend and vote at general shareholders' meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting in his or her place. Pursuant to the authorisation of the shareholder, the proxy may exercise the following rights:

i. Speak for the shareholder at the general shareholders' meeting;

ii. Demand a poll individually or with others;

iii. exercise the right to vote by a show of hands or a poll, but the shareholder proxy may only exercise the right to vote by a poll when more than one proxy is appointed.

The proxy appointment shall be in writing and shall be signed by the appointor or a person duly authorised in writing. Where the appointor is a legal person, the stamp of the legal person shall be affixed, or signed by its Director or a duly authorised agent.

The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time. If the power of attorney is signed by another person authorised by the appointor by means of power of attorney or other instrument of authorisation, the power of attorney or other instrument must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney at our residential address or other location designated at the notice convening the meeting.

A legal person shareholder should attend the meeting by its legal representatives or persons authorised by its Board of Directors or other decision-making authorities.

Any blank power of attorney form sent by the Directors to the shareholder for appointing a shareholder proxy shall allow the shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify whether the shareholder proxy could vote at his or her own discretion if the shareholder does not provide specific instructions.

The votes of the shareholder proxy given pursuant to the terms of the power of attorney shall remain valid notwithstanding the death, loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that our Company does not receive written notice concerning such matters before the related meeting is convened.

14. REVIEW THE REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Our Company shall make a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities.

Pursuant to the understanding reached and agreement entered into between the competent agency in charge of securities of the PRC and the overseas securities regulatory authorities, our Company may keep the original register of the shareholders of the overseas listed foreign shares overseas and entrust an overseas entity to manage it. The original register of the shareholders of the overseas listed foreign shares listed in Hong Kong shall be kept in Hong Kong.

Our Company shall keep a copy of the register of the holders of the overseas listed foreign shares at our residential address. The overseas entrusted agency shall at all times maintain consistency between the original and copy of the register of the holders of the overseas listed foreign shares.

In case of inconsistency between the original and copy of the register of the holders of the overseas listed foreign shares, the original shall prevail.

Our Company must keep a complete register of shareholders. The register of Shareholders shall include the following:

i. Register of shareholders kept at our residential address other than those specified in ii and iii below;

ii. Register of the holders of our overseas listed foreign shares kept at the location of the stock exchange where such shares are listed; and

iii. Register of shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the shares.

Different parts of the shareholders' register shall not overlap. The transfer of shares registered in a certain part of the register of shareholders shall not be registered elsewhere in the register of shareholders as long as the shares remain registered.

Any alteration or rectification to any part of the register of shareholders shall be made in accordance with the laws in the place where such part of the register of shareholders is maintained.

No change of the register of shareholders as a result of share transfer shall be made within 30 days before the general shareholders' meeting is convened or within five days prior to the record date on which our Company decides to pay dividends.

When our Company convenes the general shareholders' meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of identities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the shareholders whose names registered on the register of shareholders shall be the shareholders entitled to relevant equity.

Any person who objects to the register of shareholders and requests to register his or her name (title) in the register of shareholders or to remove his or her name (title) from the register of shareholders may apply to the court with jurisdiction to amend the register of shareholders.

15. RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

Apart from the obligations required in laws, administrative regulations, or the listing rules of the stock exchange on which our shares are listed, our Controlling Shareholders shall not make any decision that is detrimental to the interest of all or part of the shareholders on the following issues by exercising his or her shareholder voting rights:

i. Releasing the Directors and Supervisors from the responsibility of acting honestly in the best interest of our Company;

ii. Permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of assets in any form, including, but not limited to, any opportunity that is beneficial to our Company; and

iii. Permitting the Directors and Supervisors (for their own or others' interests) to deprive other shareholders of their personal rights and interests, including, but not limited to, any distribution or voting right, but excluding the restructuring of the Company approved at the general shareholders' meeting pursuant to the Articles of Association.

16. PROCEDURES FOR LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

i. The term of business of our Company has expired;

ii. The general shareholders' meeting adopts a resolution to dissolve our Company;

iii. Our Company needs to be dissolved for the purpose of merger or division;

iv. Our Company is declared legally bankrupt as a result of failure to pay debts as they fall due;

v. The business license is revoked, or our Company is ordered to close or be eliminated according to applicable law; or

vi. Where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of all voting rights of the Company's shareholders may request the People's Court to dissolve the Company.

vii. Other circumstances that may lead to the liquidation of our Company as stipulated in the Articles of Association.

Where our Company is dissolved due to the provisions set forth in i, ii, v, vi and vii above, the liquidation team shall be established within 15 days from the date of the event leading to liquidation to commence dissolution and the personnel of the liquidation team shall consist of the persons determined by the Directors or the general shareholders' meeting. In the event the liquidation team is not established to conduct liquidation during such period, the creditors can request the people's court to appoint relevant personnel to establish the liquidation team for liquidation. In the event that our Company is dissolved in accordance with the provisions set forth in iv above, the people's court shall organise the shareholders, related agencies and professionals to form the liquidation team pursuant to relevant provisions of the law.

If the Board of Directors decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board of Directors shall state in the notice of the general shareholders' meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the commencement of the liquidation.

After the resolution to liquidate our Company is adopted by the general shareholders' meeting, the powers of the Board of Directors shall terminate immediately.

In accordance with the instructions of the general shareholders' meeting, the liquidation team shall at least once a year report at the general shareholders' meeting on the income and expenditure of the liquidation team, progress of the business and liquidation of our Company, and submit a final report at the general shareholders' meeting upon completion of liquidation.

Within 10 days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in the newspaper within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received.

Creditors who declare claims shall state relevant issues related to the claims and provide proofs. The liquidation team shall carry out registration of the claims. During the period for declaration of claims, the liquidation group shall not make any repayment to the creditors.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any shareholder before full payments have been made out of the property according to the aforesaid provision.

Upon liquidation for the purpose of company dissolution, in the event the liquidation team finds that, after taking stock of our Company's property and preparing the balance sheet and list of property, that the assets are insufficient to pay the debts, it shall immediately apply to the people's court to declare bankruptcy.

After our Company is declared bankrupt by ruling of the people's court, the liquidation team shall turn over matters regarding the liquidation to the people's court.

Upon closure of liquidation of our Company, the liquidation team shall prepare a liquidation report, income and expenditure statement and financial record during the liquidation period, which, after being verified by a China-registered accountant, shall be submitted to our general shareholders' meeting or the people's court for recognition. Within 30 days of the date of confirmation by the shareholders' meeting or people's court, the liquidation team shall submit the above-mentioned documents to our Company registration authority and apply for cancellation of our registration and publish an announcement on our termination.

17. OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

(1) General Provisions

Our Company is a permanently existing joint stock limited company.

Our Company may invest in other limited liability companies or joint stock limited company, provided that except as otherwise provided by law, the liabilities of our Company to be invested in are limited to the amount of its capital contribution and our Company could not assume joint and several liability to the invested company.

The Articles of Association regulate our Company's organisation and conduct guidance and is binding on our Company, the shareholders, Directors, Supervisors and senior management. Subject to no violation of the relevant provisions of the Articles of Association, shareholders may sue shareholders; shareholders may sue the Directors, Supervisors and senior management; shareholders may sue our Company, and our Company may sue shareholders, Directors, Supervisors, general manager or other senior management.

The above said suing includes filing an action and applying for an arbitration with an arbitral institution.

(2) Share and Transfer

Our Company may increase stock capital by the following means:

i. Issuing new shares to unspecified investors;

ii. Placing new shares with existing shareholders;

iii. Giving new shares to existing shareholders;

iv. Converting the reserve funds into share capital;

v. Other means approved by the laws, administrative regulations and relevant regulatory authorities.

Upon approval to increase our Company's capital via an issue of new shares according to the provisions of the Articles of Association, the matter shall be dealt with in accordance with the procedures of related laws, administrative regulations of the PRC and of the Listing Rules. etc.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in Company Law of the PRC, other related regulations and the Articles of Association.

If our Company decreases our registered capital, we shall prepare a balance sheet and a list of properties.

Upon approval by the competent securities department of the State Council, our Company may issue shares to domestic and overseas investors.

For the purpose of the preceding paragraph, overseas investors shall refer to investors from foreign countries and Hong Kong, Macao or Taiwan region who subscribe for shares issued by our Company; domestic investors shall refer to investors within the territory of the PRC apart from above-mentioned region who subscribe for shares issued by our Company.

Where permitted by the laws, administrative regulations and regulations of authorities, upon approval by the competent securities department of the State Council, the not listed shares of the Company can be listed and traded on an overseas stock exchange. Such domestic shares shall be in compliance with the regulatory procedures, provisions and requirements of overseas securities market after being listed and traded on an overseas stock exchange.

(3) Shareholders

The shareholders of our Company are persons lawfully holding the Company's shares and whose names (titles) are already listed in the register of shareholders. Shareholder is entitled to rights and assumes obligations pursuant to the classification and ratio of his or her shares. Shareholder holding the same classified share has the same rights and assumes the same obligations.

The rights of our ordinary shareholders are as follows:

i. To receive distribution of dividends and other forms of benefits according to the number of shares held;

ii. To legally require, convene, preside over, participate in or appoint a shareholder proxy to participate in and exercise corresponding voting rights at the Shareholders' meeting;

iii. To supervise and manage business and operational activities of our Company, provide suggestions or submit queries;

iv. To transfer, grant and pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

v. To obtain relevant information according to the provisions of the Articles of Association;

vi. To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;

vii. To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the general Shareholders' meeting concerning the merger and division of the Company;

viii. To submit a written extraordinary proposal 10 days before the meeting for shareholder(s) who separately or jointly hold(s) more than 3% of the shares of our Company; and

ix. Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

When any person is interested directly or indirectly in the shares of our Company, our Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person has not disclosed his interests to our Company.

The share certificates are signed by the chairman of the Board of Directors. Where the stock exchange on which our Company's shares are listed requires our general manager or other senior management to sign the share certificates, they shall also be signed by other such personnel. The share certificates shall become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the share certificates is subject to the authorisation of the Board of Directors. The signature of the chairman of the Board of Director, general manager or other senior management may also be printed. Under conditions of paperless issuance and trading, the provisions of securities administrative authorities of the region where the Company's shares listed shall apply.

If any person whose name appears in the register of shareholders or requests to register his or her name (title) in the register of shareholders loses his or her share certificates (that is, "original share certificates"), he or she may apply to our Company to reissue new share certificates for those shares.

In the event holder of Domestic shares applies to our Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the Company Law.

In the event a holder of overseas listed foreign shares applies to our Company for a reissue after losing the share certificates, the matter may be dealt with pursuant to the laws, rules of the stock exchange where the original register of holders of the overseas listed foreign shares is kept, or other related provisions.

If a H shareholder loses share certificates and applies to the Company for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

i. The applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the pertinent shares;

ii. Before deciding to issue new share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares;

iii. If our Company decides to issue new share certificates to the applicant, we shall publish an announcement in an eligible newspaper designated by the Board of Directors indicating that we plan to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days;

iv. Before publishing the announcement indicating that we plan to re-issue new share certificates, our Company shall submit a copy of the announcement to be published to the stock exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the registered shareholders of the related shares do not approve the application for reissue of new share certificates, our Company shall mail the copy of the announcement to be repeatedly published to the Shareholders;

v. In the event that nobody raises any objection to the reissue of new share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in iii and iv above, the new share certificates may be reissued according to the application made by the applicant;

vi. When re-issuing new share certificates according to the Articles of Association, our Company shall immediately cancel the original share certificates and register the cancellation and replacement issue on the register of shareholders;

vii. All expenses incurred by our Company from the cancellation of the original share certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

(4) Shareholders Failing to be Contacted

In compliance with the provisions of related laws and regulations of the PRC, our Company may exercise expropriate right to unclaimed dividend. However, our Company can only exercise such right after the expiration of the applicable corresponding valid period which started after the distribution of dividend was declared.

Our Company may terminate sending dividend coupons by mail to any holder of the overseas listed foreign shares. However, the said termination can only be made after the holder fails to withdraw from the dividend coupons for consecutive two times or the dividend coupons cannot be delivered to the receiver and returned thereof.

In compliance with the conditions indicated below, Our Company is entitled to dispose the stock held by overseas listed foreign shareholders whom we fail to contact at first time in accordance with appropriate manner as considered by the Board of Directors:

i. Our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period;

ii. Upon expiration of the 12-year period, our Company publishes an announcement in one or more newspaper of the Company's listing place, indicating our intention to sell the Shares and notifies the stock exchange where such Shares are listed of such intention.

(5) The Board of Directors

The Board of Directors is responsible to the general Shareholders' meeting and exercises the following powers:

i. To convene the general Shareholders' meeting and report on work to the general Shareholders' meeting;

ii. Implement the resolutions of the general Shareholders' meeting;

iii. Determine the business and investment plans of our Company;

iv. Devise the annual financial budget and closing account plans of our Company;

v. Devise the earnings distribution and loss offset plans of our Company;

vi. Formulate the plans for increasing or decreasing our Company's registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of our Company;

vii. Formulate plans for major acquisitions of the Company, the buy-back of shares of our Company, corporate merger, separation of our Company, changing the form and dissolution of our Company;

viii. Determine such matters as the Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management and connected transaction within the scope authorised by the general Shareholders' meeting;

ix. Determine such matters as investment, purchase or sale of assets, financing and connected transaction as decided by the Board of Directors pursuant to the listing rules where our Company's shares are listed;

x. Decide on the setup of our Company's internal management organisation;

xi. Appoint or dismiss the general manager of our Company, the secretary of the Board of Directors and the Secretary of our Company; based on the nomination of the general manager, appoint or dismiss senior management of our Company such as Chief financial officer, Chief technical officer and Chief operating officer and determine their remuneration;

xii. Set the basic management systems of our Company;

xiii. Make the modification plan to the Articles of Association;

xiv. Propose the appointment or replacement of the accounting firm that performs audits for our Company at the general Shareholders' meeting;

xv. Attend to the work report of our Company's general manager and review the work of the general manager;

xvi. Manage the disclosure of company information;

xvii. Other powers and duties authorised by the laws, administrative regulations, regulations of the authorities, listing rules of the place where the shares of our Company are listed and the Articles of Association.

The above resolutions adopted by the Board of Directors, except those in vi, vii and xiii must be approved by more than a two-thirds vote of the Directors, may be approved by more than half of the votes by the Directors.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors (including proxies) before the Board of Directors meeting can be convened.

(6) Independent Non-executive Director

At least one-third of member of the Board of Directors of the Company shall be the independent non-executive Directors and the amount shall not be less than three. At least one independent non-executive Director shall have applicable professional qualification or are equipped with applicable accounting or relevant financial management expertise.

(7) Secretary of the Board of Directors

Our Company shall have one secretary of the Board of Directors. The secretary of the Board of Directors must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors.

(8) Board of Supervisors

Our Company shall set up a Board of Supervisors.

The Board of Supervisors consists of three Supervisors and includes one chairman. The chairman of the Board of Supervisors shall be elected and dismissed by more than a two-thirds vote of the members of the Board of Supervisors.

The Board of Supervisors shall consist of Shareholder's representatives and employee's representatives. The Supervisors assumed by the employee representatives shall be elected and dismissed democratically by the employees and shall account for no less than one-third of the Board of Supervisors of our Company.

Meetings of the Board of Supervisors shall be attended by more than half of the Supervisors before it may be convened. Resolutions of the Board of Supervisors shall require approval from two-third of all the Supervisors. The Supervisors serve three-year terms.

The Supervisors may, after the expiration of the term of office, be re-elected and re-appointed.

The Directors and senior management shall not also serve as Supervisors.

The Board of Supervisors is responsible to the general Shareholders' meeting and lawfully exercises the following powers:

i. Examine the financial standing of our Company;

ii. Supervise the Company's duties performing of Directors and senior management, and put forward suggestions for dismissing any Directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the general Shareholders' meetings;

iii. Require the Directors and senior management to take corrective measures when their actions are detrimental to the Company's interests;

iv. Propose to convene an extraordinary general Shareholders' meeting, and where the Board of Directors fails to perform the duties in relation, to convene or preside over the general Shareholders' meeting, to convene and preside over the general Shareholders' meeting;

v. Submit proposals at the general Shareholders' meetings;

vi. Bring actions against the Directors and senior management in accordance with the laws;

vii. Investigate into any abnormalities in operation of our Company; if necessary, to engage accounting firms, law firms and other professional institutions to assist its work, and the expenses shall be borne by our Company;

viii. Verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;

ix. Other powers and duties stipulated in the Articles of Association.

The Supervisors may attend the meetings of the Board of Directors, query or provide suggestions on the resolution matters of the Board meeting.

(9) General manager

Our Company has one general manager, appointed or dismissed by the Board of Directors. The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

i. Be in charge of the producing and operational management of our Company, organise the enforcement of resolutions of the Board of Directors and report to the Board of Directors on work;

ii. Organise the implementation of the annual operation plans and investment schemes decided by the Board of Directors;

iii. Formulate the structure scheme of the internal department of our Company;

iv. Formulate the fundamental management policies of our Company;

v. Formulate the specific management rules of our Company;

vi. Propose the appointment or dismissal of the Company's Chief financial officer, Chief technical officer and Chief operating officer to the Board of Directors;

vii. Appoint or dismiss other management personnel except those who shall be appointed or dismissed by the Board of Directors;

viii. Other responsibilities authorised by the Articles of Association and the Board of Directors.

(10) Reserves

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the earnings to the statutory reserve of the Company.

When the total amount of the statutory reserve exceeds 50% of our Company's registered capital, no more allocations need to be drawn.

If the Company's statutory reserve is insufficient to offset our losses during the previous year, the earnings generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth above.

After allocation to the statutory reserve from the after-tax earnings of our Company, we may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the general Shareholders' meeting.

After our Company has made up for its losses and made allocations to its statutory reserve fund, the remaining profits are distributed in proportion to the number of shares held by the Shareholders, unless otherwise specified by the Articles of Association.

If the general Shareholders' meeting or Directors violates the above provisions and profits are distributed to the Shareholders before the Company makes up for losses or makes allocations to the statutory reserve fund, the profits distributed in violation of the provisions must be returned by such Shareholders to the Company.

The shares held by our Company itself shall not be subject to profit distribution.

The Company's reserves must be used only for offsetting losses of the Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of the Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

(11) Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

i. Whenever there occur any dispute or claim between shareholders of the overseas listed foreign Shares and our Company, shareholders of foreign Shares (including shareholders of overseas listed or non-listed foreign Shares) and our Company's Directors, Supervisors, general manager or other senior management, or shareholders of the overseas listed foreign Shares and shareholders of overseas non-listed foreign shares or shareholders of domestic Shares regarding the rights or obligations relating to the affairs of our Company conferred or imposed by the Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

   Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a shareholder of our Company, a Director, a Supervisor, general manager or other senior management.

   Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration;

ii. A claimant may elect for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body so elected by the applicants.

If a claimant elects for arbitration at HKIAC, any party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC;

i. The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i) above, unless otherwise provided in the laws and administrative regulations;

ii. The award of an arbitration body shall be final and binding on all parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established as a limited liability company in the PRC on December 14, 2010 and converted into a joint stock company with limited liability on August 27, 2020.

As of the date of this prospectus, our Company's head office is located at Unit 101, Building A3, Biological Nano Park, No. 218 Xinghu Street, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC. Our Company has established a principal place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 18, 2020 with the Registrar of Companies in Hong Kong. Mr. Lok Kwan YIM has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.

As our Company was established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V—Summary of Articles of Association." A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV—Summary of Principal Legal and Regulatory Provisions."

2. Changes in Share Capital of Our Company

Save as disclosed in the section headed "History and Corporate Structure", there has been no alteration in the share capital of our Company since its incorporation.

3. Shareholders' Resolutions

At the extraordinary general meeting of our Company held on August 31, 2020, among other things, the following resolutions were passed by the Shareholders:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall not exceed 66,667,000 H Shares, representing approximately 25% of the enlarged share capital of our Company upon completion of the Global Offering and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued pursuant to this resolution;

(c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date; and

(d) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

4. Changes in Share Capital of Our Subsidiaries

Details of the subsidiaries of our Company are set out in "Appendix I—Accountants' Report."

(a) On November 30, 2018, the registered capital of Basecare Medical Device was increased from RMB50 million to RMB70 million.

(b) On February 27, 2019, the registered capital of Basecare Medical Device was increased from RMB70 million to RMB100 million.

(c) On March 4, 2020, the registered capital of Basecare Medical Device was increased from RMB100 million to RMB130 million.

(d) On April 10, 2019, Basecare Intelligent Manufacturing was established in the PRC with a registered capital of RMB1 million.

Save as disclosed above and in the section headed "History and Corporate Structure", there has been no alteration in the share capital of the subsidiaries of our Company within two years immediately preceding the date of this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus that are or may be material:

(a) a series C+ equity transfer agreement (C+輪股權轉讓協議) dated July 8, 2020 entered into among Jiangsu Double Helix Biology Science and Technology Co., Ltd. (江蘇雙螺旋生物科技有限公司), Liang Bo (梁波), Suzhou Basecare Investment Management Enterprise (Limited Partnership) (蘇州貝康投資管理企業(有限合夥)), Guangzhou Darui Biotechnology Co., Ltd. (廣州市達瑞生物技術股份有限公司), 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)), 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)), HH SPR-XIV HK Holdings Limited, 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)) and ORBIMED PARTNERS MASTER FUND LIMITED;

(b) a series D financing agreement (D輪融資協議) dated July 23, 2020 entered into among Jiangsu Double Helix Biology Science and Technology Co., Ltd. (江蘇雙螺旋生物科技有限公司), Liang Bo (梁波), Guangzhou DaAn Gene Technology Co., Ltd (廣州市達安基因科技有限公司), Guangzhou Darui Biotechnology Co., Ltd. (廣州市達瑞生物技術股份有限公司), Suzhou Basecare Investment Management Enterprise (Limited Partnership) (蘇州貝康投資管理企業(有限合夥)), 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)), Zhejiang Shuangjing Investment Co., Ltd (浙江雙井投資有限公司), 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)), Beijing Zhongcheng Fangyuan Phase II Investment Center (Limited Partnership) (北京中誠方圓二期投資中心(有限合夥)), Guangzhou DaAn Jinghan Medical Health Industry Investment Enterprise (Limited Partnership) (廣州達安京漢醫療健康產業投資企業(有限合夥)), Zhangjiagang Broad Vision Investment Fund (Limited Partnership) (張家港博華創業投資合夥企業(有限合夥)), Suzhou MING Bioventures Fund I Venture Capital, L.P. (蘇州聚明中泓方仁創業投資合夥企業(有限合夥)), Yingtan Jinhu Jiayi Hongsheng Investment Management Limited Partnership Corporation (鷹潭金虎嘉怡弘晟投資管理有限合夥企業), HH SPR-XIV HK Holdings Limited; 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) and ORBIMED PARTNERS MASTER FUND LIMITED;

(c) a cornerstone investment agreement dated January 21, 2021 entered into among the Company, CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司), ORBIMED PARTNERS MASTER FUND LIMITED, THE BIOTECH GROWTH TRUST PLC, ORBIMED GENESIS MASTER FUND, L.P. and ORBIMED NEW HORIZONS MASTER FUND, L.P. pursuant to which ORBIMED PARTNERS MASTER FUND LIMITED, THE BIOTECH GROWTH TRUST PLC, ORBIMED GENESIS MASTER FUND, L.P. and ORBIMED NEW HORIZONS MASTER FUND, L.P. agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$20,000,000;

(d) a cornerstone investment agreement dated January 21, 2021 entered into among the Company, CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司) and Affin Hwang Asset Management Berhad pursuant to which Affin Hwang Asset Management Berhad agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$10,000,000;

(e) a cornerstone investment agreement dated January 21, 2021 entered into among the Company, CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司) and CRF INVESTMENT HOLDINGS COMPANY LIMITED pursuant to which CRF INVESTMENT HOLDINGS COMPANY LIMITED agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$20,000,000;

(f) a cornerstone investment agreement dated January 21, 2021 entered into among the Company, CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司), Foresight Orient Global Superior Choice SPC – Global Superior Choice Fund 1 SP and Foresight Orient Global Superior Choice SPC – Vision Fund 1 SP pursuant to which Foresight Orient Global Superior Choice SPC – Global Superior Choice Fund 1 SP and Foresight Orient Global Superior Choice SPC – Vision Fund 1 SP agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$5,000,000;

(g) a cornerstone investment agreement dated January 21, 2021 entered into among the Company, CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司) and LAKE BLEU PRIME HEALTHCARE MASTER FUND LIMITED pursuant to which LAKE BLEU PRIME HEALTHCARE MASTER FUND LIMITED agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$20,000,000;

(h) a cornerstone investment agreement dated January 21, 2021 entered into among the Company, CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司) and WinTwin Capital Limited pursuant to which WinTwin Capital Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$10,000,000;

(i) a cornerstone investment agreement dated January 21, 2021 entered into among the Company, CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司) and IvyRock Asset Management (HK) Limited (常春藤資產管理(香港)有限公司) (as discretionary investment manager or discretionary asset manager for and on behalf of Ivyrock China Focus Master Fund, IvyRock China Equity Master Fund and Asia Series 6) pursuant to which IvyRock Asset Management (HK) Limited (常春藤資產管理(香港)有限公司) (as discretionary investment manager or discretionary asset manager for and on behalf of Ivyrock China Focus Master Fund, IvyRock China Equity Master Fund and Asia Series 6) agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$5,000,000; and

(j) the Hong Kong Underwriting Agreement.

2. Our Intellectual Property Rights

(i) Trademarks

As of the Latest Practicable Date, our Group have registered the following trademarks which we considered to be or may be material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiration Date
1.	PGT-One	42	Basecare Medical Device	PRC	39457127A	June 13, 2030
2.	PGTONE	42	Basecare Medical Device	PRC	38160304A	March 6, 2030
3.	BaseonePGT	5	Basecare Medical Device	PRC	37566713	December 13, 2029
4.	BasePGT-SR	5	Basecare Medical Device	PRC	33909600	July 6, 2029
5.	BasePGT-M	5	Basecare Medical Device	PRC	33909598	July 6, 2029
6.	BasePGT-A	5	Basecare Medical Device	PRC	33909596	July 6, 2029
7.	BaseWES	5	Basecare Medical Device	PRC	31969915	March 20, 2029
8.	BasePGT	5	Basecare Medical Device	PRC	31969914	March 20, 2029
9.	BasePGH	5	Basecare Medical Device	PRC	31969913	March 20, 2029
10.	BaseNIPS	5	Basecare Medical Device	PRC	31969911	March 27, 2029
11.	OnePGT	42	Basecare Medical Device	PRC	31969906	April 20, 2029
12.	BaseGCS	42	Basecare Medical Device	PRC	27795792	November 20, 2028

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiration Date
13.	BaseMGD	5	Basecare Medical Device	PRC	31969910	March 27, 2029
14.	BaseAI	9	Basecare Medical Device	PRC	27795784	November 20, 2028
15.	BaseCNV	5	Basecare Medical Device	PRC	25254076	July 6, 2028
16.	BaseNGD	5	Basecare Medical Device	PRC	25083408	June 27, 2028
17.	BasePGD	5	Basecare Medical Device	PRC	25083407	September 6, 2028
18.	贝康基因	9, 10, 36, 41, 42 and 44	Basecare Medical Device	PRC	19791511	August 13, 2027
19.	贝康医疗	9, 10, 41, 42 and 44	Basecare Medical Device	PRC	19791508	August 27, 2027
20.	贝康制造	10	Basecare Medical Device	PRC	19791507	August 13, 2027
21.	贝康咨询	44	Basecare Medical Device	PRC	19791506	August 13, 2027
22.	贝康投资	36	Basecare Medical Device	PRC	19791505	August 13, 2027
23.	BaseLIMS	5	Basecare Medical Device	PRC	17432099	September 13, 2026
24.	BasePGS	5	Basecare Medical Device	PRC	17431480	September 13, 2026
25.	BaseNIPT	5	Basecare Medical Device	PRC	17431479	September 13, 2026
26.	BaseNGS	5	Basecare Medical Device	PRC	17431478	September 13, 2026

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiration Date
27.	BASECARE	5	Basecare Medical Device	PRC	17431477	September 27, 2027
28.	Basecare	42	Basecare Medical Device	PRC	44377132	November 13, 2030

As of the Latest Practicable Date, our Group has applied for the registration of the following trademark which we consider to be material to our business:

No.	Trademark	Class	Applicant	Place of Application	Application Number	Date of Application
1.	BASECARE 贝康医疗	10	Our Company	Hong Kong	305380083	September 4, 2020

(ii) Patents

As of the Latest Practicable Date, we had 18 registered patents and 48 pending patent applications:

No.	Patent	Patent Number	Type	Registered Owner	Place of Registration	Expiration Date
1.	A kind of cell culture fluid quality determining method based on raman spectroscopy measurement (一種基於拉曼光譜測量的細胞培養液品質檢測方法)	ZL201710227963.9	Invention	Basecare Medical Device	PRC	April 9, 2037
2.	A method of improving fetus dissociative DNA accounting in pregnant woman blood plasma dissociative DNA sequencing library (一種提高孕婦血漿遊離DNA測序文庫中胎兒遊離DNA佔比的方法)	ZL201610243399.5	Invention	Basecare Medical Device	PRC	April 18, 2036

No.	Patent	Patent Number	Type	Registered Owner	Place of Registration	Expiration Date
3.	Chromosome specific loci screening method and application thereof (一種染色體特異位點的篩選方法及應用)	ZL201310098346.5	Invention	Basecare Medical Device	PRC	March 25, 2033
4.	Determination method of fetal DNA content in maternal plasma, based on single-nucleotide polymorphic loci (一種基於單核苷酸多態性位點的孕婦血漿中胎兒DNA含量的測定方法)	ZL201310098730.5	Invention	Basecare Medical Device	PRC	March 25, 2033
5.	Cryopreservation disk (凍存盤)	ZL201921484202.2	Utility model	Basecare Medical Device	PRC	September 5, 2029
6.	Suction device (吸取裝置)	ZL201921484681.8	Utility model	Basecare Medical Device	PRC	September 5, 2029
7.	Clamping device (夾取裝置)	ZL201921484962.3	Utility model	Basecare Medical Device	PRC	September 5, 2029
8.	Raman spectrum detection system (拉曼光譜檢測收集系統)	ZL201820647127.6	Utility model	Basecare Medical Device	PRC	May 2, 2028
9.	Raman spectroscopy detection sample pool (拉曼光譜檢測樣品池)	ZL201820647592.X	Utility model	Basecare Medical Device	PRC	May 2, 2028
10.	Sample introduction device for Raman spectrum detection (拉曼光譜檢測進樣裝置)	ZL201820602710.5	Utility model	Basecare Medical Device	PRC	April 24, 2028
11.	Raman spectrum enhancing system for ultra-micro quantity of fluid (一種適用於極微量液體的拉曼光譜信號增強系統)	ZL201721494004.5	Utility model	Basecare Medical Device	PRC	November 9, 2027

No.	Patent	Patent Number	Type	Registered Owner	Place of Registration	Expiration Date
12.	Sampling box for hearing loss gene detection (一種耳聾基因檢測採樣盒)	ZL201621093135.8	Utility model	Basecare Medical Device	PRC	September 28, 2026
13.	Raman spectrometer (拉曼光譜儀)	ZL201730530754.2	Appearance design	Basecare Medical Device	PRC	October 31, 2027
14.	Sampling Box (China Deafness Genome Project) (採樣盒(中國聾病基因組計畫))	ZL201630488514.6	Appearance design	Basecare Medical Device	PRC	September 28, 2026
15.	Automated biological sample library (自動化生物樣本庫)	ZL201910948028.0	Invention	Basecare Medical Device	PRC	October 7, 2039
16.	Transfer container for biological samples (生物樣本中轉容器)	ZL202030193741.2	Appearance design	Basecare Medical Device	PRC	April 29, 2030
17.	Automatic storage equipment for biological samples (生物樣本自動化存儲設備)	ZL202030192790.4	Appearance design	Basecare Medical Device	PRC	April 29, 2030
18.	Biological sample storage tank (生物樣本儲存罐)	ZL202030231950.1	Appearance design	Basecare Medical Device	PRC	May 18, 2030

Our key patents that have been applied for registration are as follows:

No.	Patent	Application Number	Type	Applicant	Place of Application	Date of Application
1.	Method and device for constructing genotyping evaluation model for PGT-M detection (一種用於PGT-M檢測的基因分型評估模型的構建方法及裝置)	202010619134.7	Invention	Basecare Medical Device	PRC	July 1, 2020

No.	Patent	Application Number	Type	Applicant	Place of Application	Date of Application
2.	High-throughput sequencing-based reference material for detecting chromosome aneuploidy before embryo implantation and preparation method thereof (基於高通量測序的胚胎植入前染色體非整倍體檢測參考品及其製備方法)	202010060752.2	Invention	Basecare Medical Device	PRC	January 19, 2020
3.	Universal connector for multiple sequencing platforms, library construction method and kit suitable for multiple sequencing platforms (一種多測序平台通用接頭、適用於多測序平台的文庫構建方法及試劑盒)	201911424939.X	Invention	Basecare Medical Device	PRC	December 31, 2019
4.	Automated biological sample library (自動化生物樣本庫)	PCT/CN2019/121072	Invention	Basecare Medical Device	PRC	November 26, 2019
5.	Vitrification carrier (玻璃化冷凍載體)	PCT/CN2019/121073	Invention	Basecare Medical Device	PRC	November 26, 2019
6.	Automatic liquid nitrogen tank system (自動化液氮罐系統)	201910948044.X	Invention	Basecare Medical Device	PRC	October 8, 2019
7.	Temperature reduction and heat preservation device for realizing temperature partition (一種實現溫度分區的降溫保溫裝置)	201910948051.X	Invention	Basecare Medical Device	PRC	October 8, 2019
8.	Transfer container for biological samples (生物樣本中轉容器)	201910948053.9	Invention	Basecare Medical Device	PRC	October 8, 2019
9.	Vitrification carrier (玻璃化冷凍載體)	201910840190.0	Invention	Basecare Medical Device	PRC	September 6, 2019

No.	Patent	Application Number	Type	Applicant	Place of Application	Date of Application
10.	Primer composition, kit and application for genetic hearing loss gene detection before embryo implantation (胚胎植入前遺傳性耳聾基因檢測用引物組合物、試劑盒及應用)	201811060378.5	Invention	Basecare Medical Device	PRC	September 12, 2018
11.	Method for construct single cell high-throughput sequencing library and kit thereof (單細胞高通量測序文庫構建方法及其試劑盒)	201811150390.5	Invention	Basecare Medical Device	PRC	September 29, 2018
12.	Method, system, computer equipment and storage medium for managing biological sample library (生物樣本庫管理方法、系統、計算機設備和存儲介質)	201910806634.9	Invention	Basecare Medical Device	PRC	August 29, 2019
13.	Method for detecting quality of cell culture solution based on Raman spectrum measurement (一種基於拉曼光譜測量的細胞培養液品質檢測方法)	PCT/CN2018/072393	Invention	Basecare Medical Device	PRC	April 10, 2017
14.	Preimplantation chromosome abnormality detection kit (胚胎植入前染色體異常檢測試劑盒)	201710569713.3	Invention	Basecare Medical Device	PRC	July 13, 2017
15.	PCR primer set for reducing non-specific amplification and its application (用於減少非特異性擴增的PCR引物組及其應用)	202010929502.8	Invention	Basecare Medical Device	PRC	September 7, 2020
16.	A cryopreservation tube suction device for deep low temperature (一種用於深低溫的凍存管吸取裝置)	202010985920.9	Invention	Basecare Intelligent Manufacturing	PRC	September 18, 2020

No.	Patent	Application Number	Type	Applicant	Place of Application	Date of Application
17.	Method, device, computer equipment and storage medium for detecting medicinal properties of traditional Chinese medicine (檢測中藥藥性的方法、裝置、計算機設備和存儲介質)	202011001481.X	Invention	Basecare Medical Device; Obstetrics and Gynecology Hospital of Fudan University (復旦大學附屬婦產科醫院)	PRC	September 22, 2020
18.	An automated biological sample library for independently cooling (一種可獨立降溫的自動化生物樣本庫)	202011146618.0	Invention	Basecare Intelligent Manufacturing	PRC	October 23, 2020
19.	Temperature control method of automated biological sample library and automated biological sample library (自動化生物樣本庫的溫度控制方法和自動化生物樣本庫)	202011146615.7	Invention	Basecare Intelligent Manufacturing	PRC	October 23, 2020
20.	Liquid level sensor and liquid level detection system (液位傳感器及液位檢測系統)	202011170620.1	Invention	Basecare Intelligent Manufacturing	PRC	October 28, 2020
21.	A resistance type liquid level detection system (一種電阻式液位檢測系統)	202011173103.X	Invention	Basecare Intelligent Manufacturing	PRC	October 28, 2020
22.	Thermal insulation cabin and thermal insulation system convenient for manual intervention (一種便於人工干預的保溫艙及保溫艙系統)	202011245512.6	Invention	Basecare Intelligent Manufacturing	PRC	November 10, 2020
23.	A detachable liquid nitrogen tank rotating shaft structure (一種可拆卸的液氮罐轉軸結構)	202011319838.9	Invention	Basecare Intelligent Manufacturing	PRC	November 23, 2020

(iii) Software Copyrights

As of the Latest Practicable Date, we had registered the following software copyrights which we consider to be material to our business:

No.	Name	Copyright Owner	Registration Number	First Publication Date
1.	PGT-M intelligent classification evaluation system (PGT-M智能分型評估系統)	Basecare Medical Device	2020SR0502030	March 12, 2020
2.	IOS system of Xieyi 280 software (協醫280軟件IOS系統)	Basecare Medical Device	2019SR0074185	September 10, 2018
3.	Android system of Xieyi 280 software (協醫280軟體安卓系統)	Basecare Medical Device	2019SR0007449	September 10, 2018
4.	Haplotype linkage analysis system before embryo implantation (胚胎植入前單體型連鎖分析系統)	Basecare Medical Device	2018SR398365	February 10, 2018
5.	Genetic disease variation screening system (遺傳病變異篩選系統)	Basecare Medical Device	2018SR403452	February 10, 2018
6.	PGT-M data analysis and classification system (PGT-M數據分析及分型系統)	Basecare Medical Device	2020SR0521668	June 15, 2017
7.	Analysis and annotation system of copy number variation (CNV) data based on high-throughput sequencing (基於高通量測序的拷貝數變異數據分析及注釋系統)	Basecare Medical Device	2020SR0521444	June 15, 2016

No.	Name	Copyright Owner	Registration Number	First Publication Date
8.	Analysis and management system of chromosome aneuploidy detection data before embryo implantation (胚胎植入前染色體非整倍體檢測數據分析管理系統)	Basecare Medical Device	2018SR118913	February 1, 2016
9.	IOS system of Basecare 360 patient end software (貝康360患者端軟件IOS系統)	Basecare Medical Device	2020SR0786187	April 10, 2020
10.	Android system of Basecare 360 patient end software (貝康360患者端軟件安卓系統)	Basecare Medical Device	2020SR0787130	April 10, 2020
11.	Analysis and management system of chromosome aneuploidy detection data (染色體非整倍體檢測分析管理系統)	Our Company	2015SR045654	July 1, 2014
12.	Display software of DNA vector (DNA載體展示軟件)	Our Company	2012SR115177	April 5, 2012
13.	On-line design software of DNA vector (DNA載體在線設計軟件)	Our Company	2011SR059273	Not yet publicated
14.	Visualization software of DNA peak map (DNA峰圖可視化軟件)	Our Company	2011SR059272	Not yet publicated
15.	Chromosome abnormal Raman data intelligent analysis software based on embryo culture fluid (基於胚胎培養液的染色體異常拉曼數據智能分析軟件)	Basecare Medical Device	2018SR019968	September 17, 2017

No.	Name	Copyright Owner	Registration Number	First Publication Date
16.	Chromosome copy number variation recognition software based on chip data (基於芯片數據染色體拷貝數變異識別軟件)	Basecare Medical Device	2020SR1255877	June 12, 2020
17.	Genome copy number variant pathogenicity annotation software (基因組拷貝數變異致病性註釋軟件)	Basecare Medical Device	2020SR1255878	July 12, 2020
18.	Basecare ultra-low temperature storage system software (貝康超低溫存儲系統軟件)	Basecare Intelligent Manufacturing	2020SR1231212	July 30, 2020
19.	Deep cryogenic embryo automatic storage equipment control system (深低溫胚胎自動化存儲設備控制系統)	Basecare Intelligent Manufacturing	2020SR1236595	Not yet publicated

(iv) Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1.	biopgs.cn	Basecare Medical Device	May 3, 2016	May 3, 2023
2.	1000gene.com.cn	Basecare Medical Device	June 2, 2015	June 2, 2023
3.	1000gene.cn	Basecare Medical Device	June 2, 2015	June 2, 2023
4.	bioerp.com	Basecare Medical Device	January 10, 2013	January 10, 2023
5.	basecare.cn	Basecare Medical Device	December 19, 2012	December 19, 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors and Supervisors

(i) Disclosure of Interests – Interests and short positions of the Directors and the chief executive in the Shares, underlying Shares or debentures of our Company and our associated corporations

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests or short positions of our Directors and chief executives in the Shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Name	Position	Nature of interest	Number and class of Shares	Approximate percentage of interest in our Company	Approximate percentage of interest in the relevant class of Shares of our Company
Dr. Liang[(1)]	Executive Director and general manager	Beneficial owner Interest in controlled corporations	91,322,019 Domestic Shares	34.25%	47.42%
Mr. XU Wenbo (徐文博)[(2)]	Non-executive Director	Interest in a controlled corporation	22,196,511 Domestic Shares	8.32%	11.53%

Notes:

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

(2) As of the Latest Practicable Date, 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 (徐文博). 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.

(ii) Particulars of service agreements

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, our Company has entered into a service agreement with each of the Directors and Supervisors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration.

Each of the Directors and Supervisors has entered into a service agreement with our Company. The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following his/her respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, our Company has not entered, and do not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(iii) Directors' and Supervisors' remuneration

For details of the Directors' and Supervisors' remuneration, see "Directors, Supervisors and Senior Management—Remuneration of Directors, Supervisors and Five Highest Paid Individuals" of this prospectus and Note 8 to the Accountants' Report as set out in Appendix I to this prospectus.

2. Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of any other member of our Company, see "Substantial Shareholders" of this prospectus.

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of any member of our Group or had option in respect of such capital.

3. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or any of the parties listed in "—7. Qualification of Experts" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or

(ii) materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "—7. Qualification of Experts" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares to be converted from Unlisted Foreign Shares and the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

CLSA Capital Markets Limited, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor is entitled to a fee of USD500,000 for acting as our sponsor in connection with the Global Offering.

4. Compliance Advisor

Our Company have appointed Guotai Junan Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

6. Taxation of holder of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix III—Taxation and Foreign Exchange" to this prospectus.

7. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) of regulated activities under the SFO
KPMG	Certified public accountants, and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Tian Yuan Law Firm	PRC legal advisors and PRC IP counsel
Frost & Sullivan	Industry Consultant

8. Consent of Experts

Each of the experts whose names are set out in paragraph 7 above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

9. Promoters

The promoters of our Company are all of the 16 then shareholders of our Company as of August 27, 2020 before our conversion into a joint stock limited liability company:

No.	Name
1.	Dr. Liang
2.	Basecare Investment
3.	Guangzhou DaAn Gene Technology Co., Ltd (廣州市達安基因科技有限公司)
4.	Guangzhou Darui
5.	Oriza Seed
6.	Zhejiang Shuangjing Investment Co., Ltd (浙江雙井投資有限公司)
7.	Suzhou Sungent
8.	Zhongcheng Fangyuan Phase II
9.	Guangzhou DaAn Jinghan Medical Health Industry Investment Enterprise (Limited Partnership) (廣州達安京漢醫療健康產業投資企業(有限合夥))
10.	Broad Vision Investment

No.	Name
11.	MING Bioventures
12.	Yingtan Jinhu Jiayi Hongsheng Investment Management Limited Partnership Corporation (鷹潭金虎嘉怡弘晟投資管理有限合夥企業)
13.	Hillhouse HK
14.	Broad Vision Harmony
15.	OPM
16.	Ms. JI Dongmei (吉冬梅)

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering and the related transactions described in this prospectus.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in so far as applicable.

12. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2020 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

13. Miscellaneous

Save as disclosed in this prospectus:

(a) within the three years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(d) there is no arrangement under which future dividends are waived or agreed to be waived;

(e) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus;

(f) our Company has no outstanding convertible debt securities or debentures; and

(g) none of our equity and debt securities is presently listed on any stock exchange or traded on any trading system and no such listing or permission to list is being or is proposed to be sought.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the section headed "Statutory and General Information—D. Other Information—8. Consent of Experts" in Appendix VI to this prospectus; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at our Company's principal place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association of our Company;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of the companies comprising our Group for the two years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020;

(d) the report in relation to unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this prospectus;

(e) the letters from KPMG and Sole Sponsor relating to the loss estimate of our Group for the year ended December 31, 2020, the texts of which are set out in Appendix IIA to this prospectus;

(f) the legal opinion issued by Tian Yuan Law Firm, our PRC Legal Advisors, in respect of certain aspects of our Company;

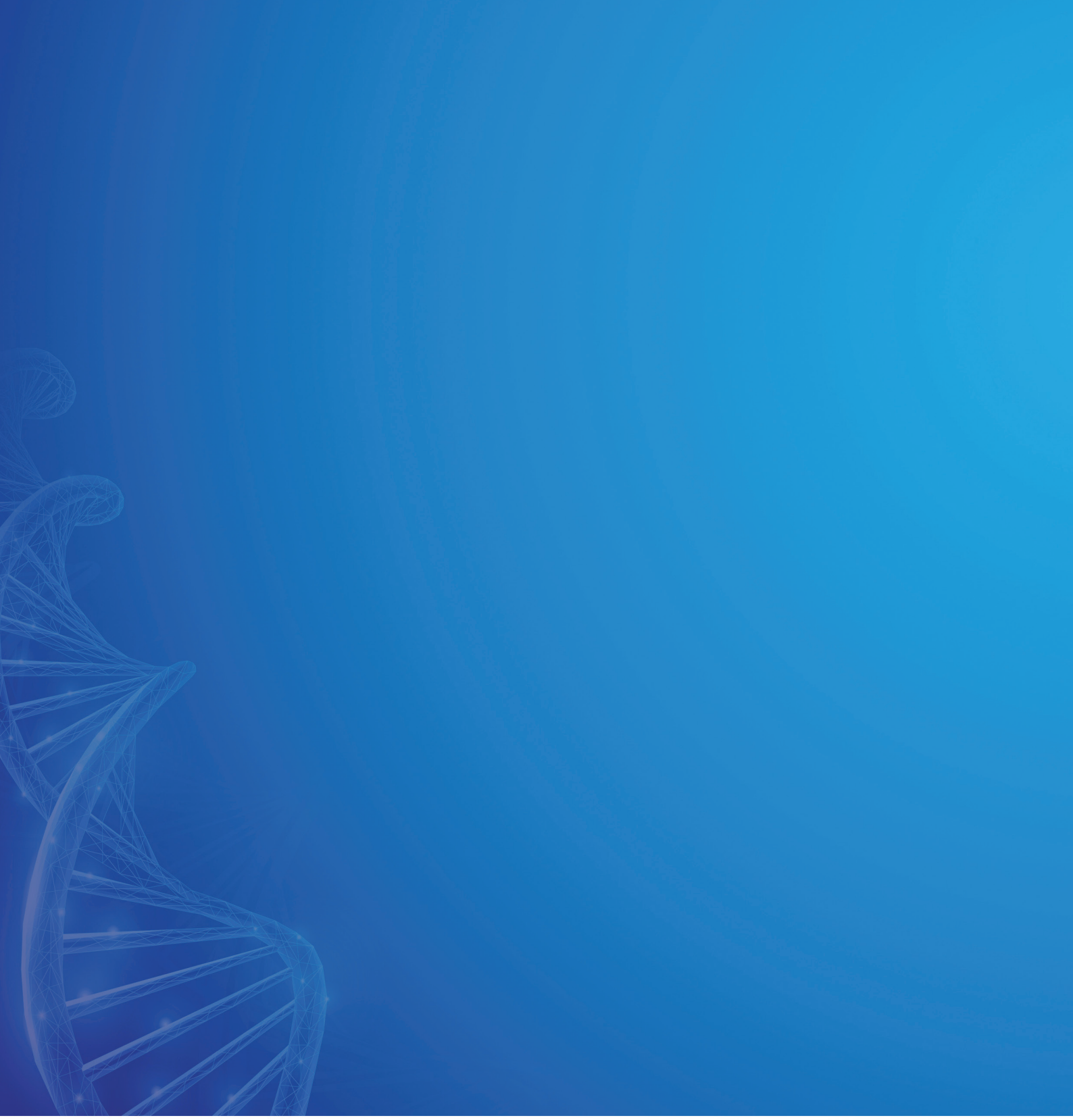
(g) the industry report prepared by Frost & Sullivan;

(h) the PRC Company Law, the PRC Securities Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations;

(i) the material contracts referred to in the section entitled "Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix VI to this prospectus;

(j) the written consents referred to in the section entitled "Statutory and General Information— D. Other Information—8. Consent of Experts" in Appendix VI to this prospectus; and

(k) the service contracts or letters of appointment referred to in the section headed "Statutory and General Information—C. Further Information about Our Directors, Supervisors and Substantial Shareholders—1. Directors and Supervisors—(ii) Particulars of service agreements" in Appendix VI to this prospectus.



BASECARE
贝康医疗

蘇州貝康醫療股份有限公司

SUZHOU BASECARE MEDICAL CORPORATION LIMITED