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

2023
ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LIANG Bo (梁波) *(Chairman and General Manager)*
Mr. KONG Lingyin (孔令印)
Ms. YANG Ying (楊瑩)

Non-executive Directors

Mr. XU Wenbo (徐文博)
Mr. WANG Weipeng (王偉鵬)
Mr. LING Yang (凌洋) *(appointed on August 10, 2023)*
Mr. ZHANG Jiecheng (張劼鋮) *(resigned on January 11, 2023)*

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)
Mr. LAM Siu Wing (林兆榮) *(appointed on July 13, 2023)*
Dr. YEUNG Shu Biu William (楊樹標)
(appointed on August 10, 2023)
Mr. CHAU Kwok Keung (鄒國強) *(resigned on June 14, 2023)*
Dr. HUANG Taosheng (黃濤生) *(resigned on August 10, 2023)*

AUDIT COMMITTEE

Mr. LAM Siu Wing *(Chairman) (appointed on July 13, 2023)*
Dr. KANG Xixiong
Mr. WANG Weipeng
Mr. CHAU Kwok Keung *(Chairman) (resigned on June 14, 2023)*

REMUNERATION AND APPRAISAL COMMITTEE

Dr. KANG Xixiong *(Chairman)*
Dr. LIANG Bo
Mr. LAM Siu Wing *(appointed on July 13, 2023)*
Mr. CHAU Kwok Keung *(resigned on June 14, 2023)*

NOMINATION COMMITTEE

Dr. LIANG Bo *(Chairman)*
Dr. KANG Xixiong
Mr. LAM Siu Wing *(appointed on July 13, 2023)*
Mr. CHAU Kwok Keung *(resigned on June 14, 2023)*

SUPERVISORS

Ms. SHI Lijuan (史麗娟) *(Chairwoman)*
(appointed on July 14, 2023)
Dr. LIN Yi (林藝)
Ms. ZONG Qiuping (宗秋平) *(appointed on July 14, 2023)*
Ms. HUANG Bing (黃冰) *(Chairwoman)*
(resigned on July 14, 2023)
Ms. ZHU Tingting (朱婷婷) *(resigned on July 14, 2023)*

AUTHORISED REPRESENTATIVES

Dr. LIANG Bo
Mr. CHUNG Ming Fai (鍾明輝)

JOINT COMPANY SECRETARIES

Mr. YIN Lejun (殷樂駿)
Mr. CHUNG Ming Fai (鍾明輝)

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

HONG KONG LEGAL ADVISER

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

PRC LEGAL ADVISER

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing, China

AUDITOR

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

LISTING RULES REGULAR ADVISER

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

STOCK CODE

2170

COMPANY WEBSITE

www.basecare.cn

PRINCIPAL BANK

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

Financial Summary

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

	Year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**207,976**	140,901	107,299	81,109	55,685
Cost of sales	**(116,625)**	(81,373)	(56,152)	(53,395)	(29,432)
Gross profit	**91,351**	59,528	51,147	27,714	26,253
Loss from operations	**(193,709)**	(126,118)	(124,486)	(53,468)	(8,730)
Loss before taxation	**(196,319)**	(126,614)	(125,746)	(881,518)	(530,570)
Loss for the year	**(193,349)**	(123,163)	(144,078)	(877,959)	(533,997)

	As of December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Position					
Non-current assets	**682,921**	252,262	98,195	39,905	36,187
Current assets	**1,215,166**	1,527,596	1,702,693	310,393	114,941
Non-current liabilities	**304,716**	73,774	25,517	781	1,044,863
Current liabilities	**195,265**	114,552	60,332	68,182	52,161
Net assets/(liabilities)	**1,398,106**	1,591,532	1,715,039	281,335	(945,896)
Total equity attributable to equity shareholders of the Company	**1,399,176**	1,592,802	1,715,466	281,335	(938,853)
Non-controlling interests	**(1,070)**	(1,270)	(427)	—	(7,043)

Chairman's Statement

Dear Shareholders,

The past year of 2023 was a fruitful, challenging and uncommon year for the Company. With the joint efforts of entire employees, we not only realised new breakthroughs in our performance, but also further expanded our business footprints in the global market, significantly enhancing brand awareness and influence. We have always insisted on a customer-centric concept, continuously improving our assisted reproduction multi-scenario solutions, and accelerating the localization process. The supports from our partners and Shareholders inspired us to constantly pursue excellence and provide higher-quality medical products for assisted reproduction institutions. We are committed to becoming the most trustworthy partner for Chinese assisted reproduction institutions and doctors.

In March 2023, the Company for the first time released the Automated Oocyte Cryopreservation System (AOCS) based on the Internet of Things, deepening the cryopreservation solution of assisted reproduction. In the same month, the Company unveiled the iARMS (Assisted Reproduction Full-cycle Health Management Platform) at the China Assisted Reproduction Summit Forum, marking the official commercialisation of ART smart decision-making platform built by the Company completely based on hardware.

In June 2023, the Company completed the acquisition of BMX, an internationally renowned embryo culture unicorn firm that owns more than 70 registration certificates whose products have been exported to more than 60 countries or regions. So far, the Company has completed the full supplementation to the pipeline products in five major scenarios, and achieved the dual-way connection of domestic and international sales channels for all pipeline products.

In June 2023, the Company together with BMX made a significant appearance at one of the largest and most influential international conferences in the field of reproductive medicine: the European Society of Human Reproduction and Embryology (ESHRE). Our five major scenario products were fully released in the international market, marking the official launch of the overseas commercialisation of our products.

In July 2023, the Company held a splendid embryo culture products releasing ceremony in Greater China region for BMX, introducing the world's only wettable incubator Geri and all-category GEMS embryo culture medium solemnly to China market. Meanwhile, the Company entered into a strategic cooperation agreement with Genea, one of the top ten assisted production medical groups in the world, pursuant to which the Company shall provide reproductive products to Genea, and Genea shall also provide a series of supports to the Group's product development process, including overseas clinical validation and regulatory approval. In the same month, the Company was listed among the 100 innovative private firms of Suzhou City in 2023, gaining recognition and support from the government for its R&D capabilities and innovative achievements in the field of assisted reproduction medical devices.

Chairman's Statement

In September 2023, the Company's GEMS all-category assisted reproduction culture medium passed the TGA certification, and so far, all the 12 patterns of GEMS culture media have obtained the TGA certification and CE certification, marking the worldwide recognition for safety and high quality of our products. In the same month, our DA500 high-throughput gene sequencer obtained Class III medical device registration certificate issued by the NMPA, completing a closed-loop of software, hardware and reagent product line with PGT kit and PGT testing software. In October 2023, the Company was granted the Certification of Jiangsu Province Assisted Reproduction Engineering Research Centre by the National Development and Reform Commission, which will drive the development of assisted reproduction industry based on the establishment of engineering research centre in the future.

The new year has begun, and we will encounter more opportunities and challenges. As the breakthroughs achieved in the commercialization and globalization process of the Company in the first half of this year, we will practise the new model of "M&A + cooperation", and make a large-scale layout of the entire industry chain ecosystem in the field of assisted reproduction. In the new year, the Company will focus on the high quality and large scale delivery of assisted reproduction medical devices, promote the large scale and full-category localized production, empower the construction and sound development of China's assisted reproduction industrial chain and ecosystem, and boost China's biomedical industry ecosystem to reach a world-class level!

Dr. Liang Bo
Chairman of the Board and General Manager

March 28, 2024

OVERVIEW

We are an innovative medical device provider for assisted reproduction in the PRC, and we are committed to facilitating medical institutions and patients to use automatic, standard and intelligent assisted reproduction products, and to access to stable and high-quality reproductive technologies. Our products are developed based on continuous innovation and clinical feedback, resulting in industry-leading clinical results and advancing reproduction science together with clinical studies. Our mission is to help more families to have healthy children. Our vision is to become the world's leading medical technology company.

With the aim of developing automatic, standard and intelligent assisted reproduction medical devices, we provide medical institutions with high-quality medical devices that meet clinical requirements, so as to improve both the success rate of assisted reproduction and its work efficiency. As assisted reproductive technology is undergoing rapid development and iteration, we focus on "Live", our core philosophy, to offer users with experience of dynamic, real-time and interactive data in the whole process of assisted reproduction. We view and analyze genetic testing data through "Live Browser" in the genetic laboratory, precisely detect the live sperm quality through "Live Morphology" in the andrology laboratory, achieve real-time assisted reproduction preservation and location tracking through "Live Storage" in the cryopreservation laboratory, observe the growth status of embryos in real time through "Live View" in embryology laboratory, and realise interconnection of data from various laboratories through "Live Intelligence", which creates an intelligent work environment for assisted reproduction centers to enhance its work efficiency, improve the safety of operations and ultimately increase pregnancy success rates.

Upon the Listing, we continued to enrich our product pipeline through independent research and development, as well as mergers and acquisitions. This approach has allowed us to establish a comprehensive range of product structure of reagents, consumables, instruments and equipment to serve the entire spectrum of the assisted reproduction industry, rendering us one of the few players providing full-industry products in the global market. Through our self-built production facilities, we will deliver products that meet global quality standards at a more affordable price, contributing to the field of human reproductive health.

We offer users with one-stop solutions based on our five laboratory scenarios: genetic laboratory ("**Live Browser**"), andrology laboratory ("**Live Morphology**"), embryology laboratory ("**Live View**"), cryopreservation laboratory ("**Live Storage**") and software laboratory ("**Live Intelligence**"). Specifically:

1. Genetic laboratory ("Live Browser")

The genetic laboratory is dedicated to conducting embryonic molecular genetic testing, which is equipped with high-throughput sequencers, automated workstations, PCR analyzers, PGT kits and other equipment and consumables. In the genetic laboratory, experts through Live Browser can view and analyse genetic testing data while dynamically browsing and filtering data to better understand and analyse specific regions or variants in the genome. PGT test can help patients screen chromosomally normal embryos for transfer. According to the data of large-scale clinical trials, PGT-A kits can increase the clinical pregnancy rate to 72% and reduce the miscarriage rate to 6.9%. In addition, PGT-M kits and PGT-SR kits can block the transmission of genetic diseases to the next generation, giving birth to healthy children and safeguarding the quality of the Chinese population. Our localised high-throughput sequencer, DA500, obtained the national Class III medical device registration certificate. In addition, our self-developed PGT-A kit obtained the first Class III medical device registration certificate as one of the medical devices of "National Special Approval for Innovative Medical Devices (國家創新醫療器械特別審批)", which filled the clinical gap of the third generation IVF genetic testing kit in China. We participated in the drafting of the industrial guidelines for the technical evaluation of quality control of PGT-A detection reagents, pioneering the commercialization of third generation IVF products.

2. Andrology laboratory ("Live Morphology")

The andrology laboratory, being an indispensable part of reproduction centre, is mainly for the detection and evaluation of sperms. It evaluates male fertility indicators, including sperm concentration, vitality, morphology, and DNA fragments. According to the Frost & Sullivan report, the sperm count of Chinese men has decreased by 75% over the past 40 years, and the infertility caused by male factors has been close to 40%. In China, the current practice of sperm test is mainly based on Computer Assisted Sperm Analysis (CASA), and sperms are counted through slide plates, which lacks reliability, repeatability and the ability to assess sperm morphology. To address these problems, our newly-developed intelligent sperm analyser has broken through the technical limitations through the innovation of hardware technology such as microfluidics enabled by Live Morphology and microscopic imaging, as well as the artificial intelligence big data model trained on more than 500,000 sperm data, which has realised the accurate detection of live sperm concentration, motility and morphology ("**Live Morphology**") for the first time globally, winning the outstanding award of the Disruptive Technology Innovation Competition (顛覆性技術創新大賽優秀項目) sponsored by the National Health Commission.

3. Embryology laboratory ("Live View")

The embryology laboratory is the most core laboratory for the growth and development of embryos *in vitro*, and is equipped with incubators, culture media, petri dishes and other equipment and consumables. The equipment and environment of the laboratory directly affect the survival rate of embryos. The equipment and consumables in the embryology laboratory require long R&D cycles and have high technical barriers. Our time-lapse incubator has six independent chambers, each equipped with independent heating, humidity supply, air supply devices and high-definition microscope camera system, which allows for stable cultivation and real-time monitoring of embryos without opening the lid and waiting. Users can observe the growth status of each embryo in real time ("**Live View**") to ensure that the embryos achieve the ideal conditions for growth.

4. Cryopreservation laboratory ("Live Storage")

The cryopreservation laboratory is the fertility preservation centre for gametes and embryos, and houses equipment and consumables such as ultra-low temperature storage instruments, liquid nitrogen tanks, transfer tanks, and cryopreservation tubes. According to the Measures for the Administration of Human Assisted Reproduction (《人類輔助生殖管理辦法》), cryopreserved embryos must be stored for at least five years. It is anticipated that there will be ten million new embryos to be cryopreserved in China each year, therefore the demand is extremely high. In current practices, reproduction centres need to select tubes manually, and the voluminous embryo information should be recorded manually. The absence of an information system hampers timely coordination and management, leading to potential mismatches in embryo information and resulting in medical accidents due to misimplantation of test tube babies. With the concept of real-time fertility preservation and location tracking ("**Live Storage**"), we developed the intelligent liquid nitrogen tank, which was the first certified ultra-low temperature storage product in China. We also developed the first automated ultra-low temperature embryo intelligent storage equipment that can store 30,000 to 50,000 gametes. Based on the idea of prompt positioning fertility storage, we layout in the fertility preservation market in China and globally, and provide leading hardware equipment for the fertility preservation industry.

5. **Software laboratory ("Live Intelligence")**

We build intelligent system for reproduction centres based on the concept of real-time data interconnection in the software laboratory ("**Live Intelligence**"). Our iARMS provides a new generation of "artificial intelligence + Internet of Things (IoT)" information solutions for the assisted reproduction sector based on the clinical pathway of reproduction, which establishes a multi-dimensional assisted reproduction electronic medical record system that runs through the reproduction cycle and covers patient medical records, medical diagnosis, treatment plans and etc. This system combines the genetic data of our genetic laboratory, the sperm test results of the andrology laboratory, the real-time growth monitoring of embryos in the embryology laboratory, and the sample information of the cryopreservation laboratory to realise the interconnection of data from various laboratories, create intelligent work environment for reproductive centers, improve the work efficiency of reproductive centers, to improve the safety of operations, ultimately improving the success rate of pregnancy. Leveraging the rapid development of artificial intelligence, iARMS integrates reproduction clinical information system with the concept of clinical auxiliary decision-making, thereby speeding up patient registration, examination, diagnosis and treatment, and breaking the isolated data islands in traditional information system. iARMs ensures the modularisation and interconnection of the laboratories, and installs the IoT sample verification system to ensure the information security of each sample. Each module of iARMS is developed independently, allowing for easy upgrade and maintenance. iARMS will significantly improve the operating efficiency and satisfaction of the reproduction centres, serving as the development vision of the reproduction centres for the next two decades.

Currently, our commercialization is in a stable and steady growing stage. The model of independent R&D and mergers and acquisitions has enabled us to accumulate a wide range of customers in China and the global market. With the penetration of our brand and the launches of our new products, we will be able to commercialise various advantageous products through our existing channels and teams, unleash our growth potential in China and the global market, and enable us to rapidly establish a dominant position in market share.

Management Discussion and Analysis

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

Product	Stage of Reproductive Cycle	Approved / Planned Indications	Research & Development Stage (Preclinical Studies: Design and Development*, Function Validation and Verification**; Registration Testing***; Clinical Trial****; Obtain Registration Certification)
Genetic Laboratory (Live Browser)			
PGT-A	Pre-implantation	Aneuploidy[1]	Class III medical device registration certificate obtained in February 2020
PGT-M	Pre-implantation	Monogenic defects[2]	Entered into clinical trials and expected to obtain Class III medical device registration certificate in 2024
PGT-SR	Pre-implantation	Chromosome structural rearrangement[3]	Expected to obtain registration certificate in 2025
Universal kits for sequencing effects (DA5000)	Universal	Sequencing	Completed filing in 2022
Sample preservation solution	Universal	DNA extraction	Completed filing in 2022
Universal kits for sequencing effects (DA500)	Universal	Sequencing	Completed filing in 2021
Universal kits for sequencing effects (DA8600)	Universal	Sequencing	Completed filing in 2020
Nucleic acid purification and DNA extraction kits	Universal	Sample preservation	Completed filing in 2021
Automated Workstation (BS1000)	Universal	Sample processing	Expected to obtain registration certificate in 2024
Gene sequencer (DA500)	Universal	Sequencing	Class III medical device registration certificate obtained in September 2023
Gene sequencer (DA5000)	Universal	Sequencing	Expected to obtain registration certificate in 2024
Embryo Laboratory (Live View)			
Geri® Time-lapse embryo incubator	Pre-implantation	Embryo sample	Obtained registration certificate in November 2020 (Passed CE/FDA/TGA certification)
Gavi® Automated vitrification instrument	Pre-implantation	Gamete and embryo	Expected to obtain registration certificate in 2026 (Passed CE certification)
Gems® Fertilisation medium	Pre-implantation	Gamete culture	Expected to obtain registration certificate in 2025 (Passed CE/FDA/TGA certification)
Gems® Cleavage medium	Pre-implantation	Embryo culture	Expected to obtain registration certificate in 2025 (Passed CE/FDA/TGA certification)
GEMS® Blastocyst medium	Pre-implantation	Embryo culture	Expected to obtain registration certificate in 2025 (Passed CE/FDA/TGA certification)
Gems® Follicle flushing medium	Pre-implantation	Egg washing	Expected to obtain registration certificate in 2025 (Passed CE/FDA/TGA certification)
Gems® Gradient sperm separation medium	Pre-implantation	Sperm processing	Expected to obtain registration certificate in 2025 (Passed CE/FDA/TGA certification)
Gems® Sperm medium	Pre-implantation	Sperm culture	Expected to obtain registration certificate in 2025 (Passed CE/TGA certification)
Gems® Sperm buffer medium	Pre-implantation	Sperm processing	Expected to obtain registration certificate in 2025 (Passed CE/TGA certification)
Gems® Freezing medium kit	Pre-implantation	Gamete and embryo	Expected to obtain registration certificate in 2025 (Passed CE/TGA certification)
Gems® De-freezing medium kit	Pre-implantation	Gamete and embryo	Expected to obtain registration certificate in 2025 (Passed CE/FDA/TGA certification)
Gems® Gamete buffer medium	Pre-implantation	Gamete	Expected to obtain registration certificate in 2025 (Passed CE/FDA/TGA certification)
Gems® Embryo medium	Pre-implantation	Embryo culture	Expected to obtain registration certificate in 2025 (Passed CE/FDA/TGA certification)
Geri® Dish	Pre-implantation	Embryo culture	Obtained registration certificate in September 2023 (Passed CE/FDA/TGA certification)
Andrology Laboratory (Live Morphology)			
Sperm quality analyser (BKA-210)	Pre-implantation	Assisted reproduction for men	Expected to obtain registration certificate in 2024
Home sperm testing device	Pre-implantation	Assisted reproduction for men	Expected to obtain registration certificate in 2024
Sperm DNA integrity assay kit	Pre-implantation	Assisted reproduction for men	Expected to obtain registration certificate in 2026
Sperm mitochondrial function test kit	Pre-implantation	Assisted reproduction for men	Expected to obtain registration certificate in 2026
Sperm reactive oxygen species test kit	Pre-implantation	Assisted reproduction for men	Expected to obtain registration certificate in 2026
Sperm viability test kit	Pre-implantation	Assisted reproduction for men	Expected to obtain registration certificate in 2026
Cryopreservation Laboratory (Live Storage)			
Liquid nitrogen storage dewar (BCT38C)	Universal	Gamete and embryo	Class II medical device registration certificate obtained in November 2022
Cryostorage System (BSG800A)	Universal	Gamete and embryo	Expected to obtain registration certificate in 2025
Vitrified cryovials	Universal	Gamete and embryo	Expected to obtain registration certificate in 2024
Vitrified carrier	Universal	Gamete and embryo	Expected to obtain registration certificate in 2026
Software Laboratory (Live Intelligence)			
Intelligent assisted reproduction management system (iARMS)	Full-cycle	Universal	Comprehensive commercialization commenced in 2023
PGT-A Software	Pre-implantation	Aneuploidy	Obtained registration certificate in 2022
PGT-M Software	Pre-implantation	Monogenic defects[2]	Completed registration testing and expected to obtain registration certificate in 2024
PGT-SR Software	Pre-implantation	Chromosome structural rearrangement[3]	Completed registration testing and expected to obtain registration certificate in 2025
Gidget full-process electronic management system	Pre-implantation	Embryo culture	Comprehensive commercialization commenced in 2023

Notes:

* 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.

BUSINESS REVIEW

Products Portfolio and Product Candidates Pipeline

As assisted reproductive technology is undergoing rapid development and iteration, with the aim of creating automatic, standard and intelligent assisted reproduction medical devices, we provide medical institutions with high-quality medical devices that meet clinical requirements, so as to improve both the success rate of assisted reproduction and work efficiency.

- **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 (CCS) capabilities, as compared with conventional technologies, which can only screen a portion of chromosomes at a time. We have developed a proprietary strand displacement whole genome amplification (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. For the year ended December 31, 2023, we recorded revenue of RMB39.66 million from sales of our PGT-A kits with gross profit margin of 67.7%.

- **PGT-M kit**

  Our PGT-M kit is a key project of the 14th Five-Year Plan for National Key Research and Development Program of China (十四五國家重點研發計劃重點專項), which is designed to detect single-gene, or monogenic, defects in pre-implantation embryos, with the potential to cover common genetic-related disorders, including thalassemia, deafness and hereditary cancers. By identifying and choosing to avoid embryos with certain monogenic defects, clinicians can not only help to 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 (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 that we have identified through extensive studies and adopts a cutting-edge multiplex PCR sequencing library by capture, or MSLCap, technology that can comprehensively detect the relevant SNPs in one test with improved sensitivity and specificity. Leveraging this technology, our PGT-M kit eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time from approximately two months to less than two weeks and reducing testing costs for patients by about 60%. To date, our PGT-M kit is the first and only product of its kind that has completed NMPA registration testing in China. We completed clinical trials in March 2024, and expect to obtain registration approval from the NMPA in 2024.

- **PGT-SR kit**

  Our PGT-SR kit is a key project of the 14th Five-Year Plan for National Key Research and Development Program of China (十四五國家重點研發計劃重點專項), and is designed to detect chromosome structural rearrangements, which are common causes of recurrent miscarriage. By identifying and choosing to avoid embryos with chromosomal structural re-arrangement, clinicians can, similar to the PGT-M scenario, not only help the patient avoid miscarriage and give birth successfully, but also stop this hereditary trait from running in the same family in future generations. However, there have been no effective clinical solutions for testing of this kind due to many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests, making mass clinical application difficult. Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. Our PGT-SR kit adopts a proprietary ReTSeq technology that utilizes target capture technologies to focus on sequencing key genomic regions and conduct a haplotype linkage analysis to determine the parent-of-origin of a chromosome and detect carriers of chromosomal translocations. Our PGT-SR kit has high mass market potential, offering one test with broad disease detectability and eliminating the need for patient specific pre-exam validation, which translates to faster result turnaround time, from several months to just two weeks, and significantly lower the testing cost. In February 2021, our self-developed patent relating to the PGT-SR kit, a nucleic acid library preparation method and its application in the analysis of pre-implantation embryonic chromosomal structure abnormalities, was registered with China National Intellectual Property Administration (中國國家知識產權局). We completed the NMPA registration test in April 2023 and are currently undergoing clinical trials, and expect to obtain NMPA approval in 2025.

- **High-throughput gene sequencer (DA500)**

  The DA500 high-throughput sequencer is a domestic-developed compact and versatile desktop platform with single-slide gene sequencing that provides users with flexible and efficient sequencing options. The sequencer uses advanced biochemical and optical systems and supports two different chip specifications. It is capable of generating 10GB to 150GB sequencing data in a single operation. At the same time, it has the advantages of stable high-intensity signal and low sequencing error rate, which can meet the requirements of customers in terms of sequencing throughput and efficiency under various scenarios. Accompanying with our PGT analysis software, DA500 has realised automated data analysis and complete monitoring solution for gene testing. In September 2023, we have obtained the Class III medical device registration certificate granted by the NMPA (Guo Xie Zhu Zhun 20233221281) and realised full commercialization.

- **Automated sample preparation system (BS1000C)**

  The BS1000C high-throughput automated sample preparation system is a high-throughput, feature-rich, and flexible desktop multi-function automated workstation that can automate most of the sample preparation process. This workstation is equipped with a 96-channel pipette, a built-in conventional high-throughput sequencing sample preparation process and a nucleic acid extraction process, as well as a fully automated operation design, so that it can achieve long-term unattended operation. It can also be customized according to customers' requirements, turning out to be an efficient and flexible automated sample preparation system for a wide range of applications.

- **PGT-A, PGT-M and PGT-SR analysis software**

  For the three PGT kits (PGT-A, PGT-M and PGT-SR), we have designed or are designing analysis software associated with sequencers and kits. We have obtained the registration certificate for our PGT-A analysis software from NMPA in 2022, and are expected to obtain the registration certificates for our PGT-M kits and PGT-SR kits from NMPA in 2024 and 2025, respectively. In the field of PGT, we have achieved a closed-loop marketing with kits, high-throughput sequencers and supporting software.

- **Time-lapse incubator (Geri®)**

  The core concept of our Geri® Time-Lapse Incubator is to provide safe and stable culture conditions for embryo culturing. The incubator includes six independent culturing chambers, and every chamber is exclusive for one patient, with independent air supply, humidity supply and heating, which is conducive to stability of embryo growth. Meanwhile, it is the world's first wet type time-lapse incubator, and can offer stable osmotic pressure environment for the development of embryos. Each chamber is equipped with a five-million-pixel high-definition camera component to capture images in 11 focal planes every five minutes, providing more dynamic developmental data for clinical decision-making. Each chamber is also independently equipped with a temperature sensor, a CO_2 sensor and a humidity warning system to monitor inside culturing environment in real time, and can generate real-time warnings for abnormal situations. Accompanying with intelligent analysis software, the incubator can automatically identify abnormal developmental patterns directly related to embryo implantation potential, helping embryologists select embryos with higher developmental potential and improving the utilisation rate of embryos for patients. Geri® Time-Lapse Incubator has obtained the registration certificates issued by NMPA (Guo Xie Zhu Jin 20202180490), CE, FDA and TGA.

- **Culture media (Gems)**

  Gems' full collection of culture media contains key ingredients that support embryo development and maintain stable cultivating environment (especially maintaining stable osmolality and pH value). The collection includes egg retrieval solution specified for gametes process, vitrified solution specified for vitrification, thawing solution and Gavi solution, IVF medium for embryo cultivation, IVM medium, blastocyst medium and full process solution. All of Gems' products contain gentamicin for preventing microorganism contamination and sodium bicarbonate buffer. Saved for egg retrieval solution, all products contain human serum albumin (HSA). Since its clinical use in 2013, Gems has entered the market successfully through massive clinical data validation. Up to now, there have been more than ten thousands of babies born globally with the help of Gems. Gems' full collection of culture media products have been on the market for nine years and registered and certified as medical devices by CE, FDA and TGA, and has occupied certain market shares in China through Original Equipment Manufacture (OEM) production and sales by other internationally renowned companies. We expected to complete registration and obtain approval of Gem as our own brand from NMPA in 2025.

- **Liquid nitrogen storage dewar (BCT38)**

  Based on the conventional liquid nitrogen tank, we have developed our liquid nitrogen storage dewar equipped with a digital management system, which is the first liquid nitrogen storage dewar product of the world to obtain the medical device registration certificate. It solved problems such as the frequent measurement of liquid gas level for embryo management, difficulty in permission management, and lack of operation logbook, etc. The device achieved real-time monitoring of tank temperature and alarm system, a double-verification lock, with permission level management, and an automatic operation logbook, ensuring the safety of embryo preservation and the scientificity of experiment management. The device received CE certificate in 2020 and obtained the Class II medical device registration certificate (Su Xie Zhu Zhun 20222221946) in November 2022.

- **Cryopreservation system (BSG800)**

  Our self-developed cryopreservation system (BSG800A) is the first innovative device with full-automatic ultra-low temperature storage designed for the field of biological sample storage, which solves problems such as a heavy workload in storage management, space occupied by the storage of liquid nitrogen tanks, and a lack of information-based management. This device achieved automation of embryo storage and liquid nitrogen supply, an intelligence of information entry and retrieval, as well as ultra-low temperature protection throughout the process of sample transfer and storage, which significantly enhances work efficiency, and ensures the safety of long-term biological sample storage at the same time. The device has received CE certificate in 2020, and is expected to complete registration and obtain approval from NMPA in 2025.

- **Sperm quality analyzer (BKA210)**

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

  Our self-developed sperm quality analyzer is the world's first analytical device for unstained active sperms, which performs both static and dynamic analyses by AI of the concentration, motility and morphology for unstained sperms, and maintains the original morphology of sperm in analysis at the same time. It also avoids the change of sperm morphology during the staining process, resulting to an efficient, fast and objective analysis. We completed the registration inspection of the NMPA in October 2023 and expect to obtain the registration certificate of the NMPA in 2024.

- **Automated vitrification instrument (Gavi)**

  Gavi is the first automated vitrification instrument in the world to be utilized in the process of freezing embryos and eggs in the IVF automated vitrification. By using the Gavi automated vitrification instrument to perform standardized refrigerating operations, the recovery rate of embryos after refrigerating can be improved while standardizing the operating procedures. At the same time, this equipment can also reduce the learning cost of new laboratory personnel and improve the overall management efficiency of the laboratory. The instrument has obtained CE certification approval and has been on the market for nearly seven years. The product is expected to be approved by the NMPA in 2026.

- **Intelligent assisted reproduction management system (iARMS)**

  iARMS (Intelligent Assisted Reproduction Management System) is based on the reproductive clinical path and provides the new generation of "artificial intelligence + Internet of Things" information solutions in the assisted reproduction field, thereby establishing a multi-dimensional assisted reproduction management system that runs through the reproductive cycle and covers patient medical records, medical diagnosis, and treatment plans, etc. Leveraging the rapid development of artificial intelligence, iARMS integrates reproduction clinical information system with the concept of clinical auxiliary decision-making, thereby speeding up patient registration, examination, diagnosis and treatment, and breaking the isolated data islands in traditional information system. iARMs ensures the modularisation and interconnection of the laboratories, and installs the IoT sample verification system to ensure the information security of each sample. Each module of iARMS is developed independently, allowing for easy upgrade and maintenance. iARMS will significantly improve the operating efficiency and satisfaction of the reproduction centres, serving as the development vision of the reproduction centres for the next two decades.

Business Update in respect of BMX

References are made to the announcements of the Company dated May 15, 2023, May 18, 2023 and June 21, 2023, respectively and the section headed "Significant Investments, Material Acquisitions and Disposals" in the 2023 interim report of the Company. The Company has completed the acquisition of the entire equity interest of BMX and BMX has become a wholly-owned subsidiary of the Company since then.

BMX is a leading provider of fertility products that automate and standardize laboratory workflow for IVF clinics, and it has a comprehensive product portfolio and extensive global sales network and experience which enrich and enhance those of the Company. BMX operates a world class business with extensive co-operations and partnerships across multiple countries and regions around the world. The products of BMX are sold directly to clinics in Europe, Asia and the Americas through the BMX's self-developed commercialization team and distributors.

BMX has maintained revenue growth over the years, and according to its unaudited management account, the total revenue of BMX amounted to approximately RMB103.6 million for the year ended December 31, 2023, representing an increase of approximately 12.3% as compared to the year ended December 31, 2022. The increase in revenue was mainly due to the higher sales revenue in Spain, Italy, Czech Republic and several Asian countries. BMX will continue to enhance and improve its product portfolio to achieve continuous innovation and improvement for existing products.

Management Discussion and Analysis

MANUFACTURING

We commenced the construction project of the Company's headquarters in September 2021. The planned gross floor area of the project is 71,628 sq.m., with 21,503 sq.m. for R&D office use and 50,125 sq.m. for production use. We intend to construct a manufacturing base with the R&D and production capacity of products in the entire industrial chain of assisted reproduction such as testing kits, consumables, instruments and equipment. We aim at building a manufacturing cluster covering the entire industrial chain of assisted reproduction, adhering to the industrial development of independent R&D and domestic substitution, and providing patients with testing kits, consumables, instruments and equipment that meet global quality standards and with more affordable price. We officially moved into the new headquarters in March 2024, fully realising the enhancement of our high quality and large-scale delivery capability.

Before the new headquarters commences operations, we manufacture and assemble all of our inhouse developed products in our 1,364 sq.m. manufacturing facility in Suzhou. Our manufacturing facility is designed in compliance with GMP requirements of China with an annual production capacity of 400,000 reactions. We are accredited in accordance with ISO13485:2016 quality standard, an international quality control standard for the medical device industry. We have two ISO Class 7 cleaning rooms that are in compliance with ISO14644–1 cleaning grades standard, an international cleaning grades classification standard. We combine highly automated production process, to ensure excellent performance and quality of products, and build lean productive workshops compliant with GMP system. We have obtained several product registration certificates in various areas, such as in vitro diagnostic reagent, active device and independent software, and will continue to adhere to technology innovation to realise high-quality and large-scale delivery of medical products, aiming to become a global leading medical technology company.

RESEARCH AND DEVELOPMENT

As joint author, we published an article titled "Multidimensional Morphological Analysis of Live Sperm Based on Multiple-target Tracking" online in the Computational and Structural Biotechnology Journal (IF:6.2). This study innovatively developed a new sperm quality detection method, and proposed a real-time tracking algorithm suitable for sperm multi-target interleaved movement scenarios. The algorithm combines sperm's movement distance, angular trajectory and other movement features to accurately track multiple sperm staggered moving targets, and completes morphological analysis of the sperm's head, middle section and main section, sperm motility and semen concentration analysis during the tracking process. This study result has enabled real-time multi-dimensional morphological analysis of living sperm without staining, and can obtain results of semen concentration, sperm motility and multi-dimensional morphology with just one click. This research will significantly improve the current testing level of semen quality and provide more efficient and accurate testing methods for andrology and assisted reproductive technology.

In June 2023, the Company completed the BMX Acquisition, which has accelerated the Group's deployment in the embryology laboratory and significantly enhanced our R&D capacities and expanded our product pipeline.

On September 5, 2023, the Company's DA500 high-throughput gene sequencer officially obtained the Class III medical device registration certificate approved by the NMPA (Guo Xie Zhu Zhun 20233221281). This gene sequencer is an advanced domestic high-throughput gene sequencer that uses rolling ring reproduction and amplification technology and is equipped with regular array slides to greatly improve sequencing accuracy. The Q30 data quality reaches an accuracy of over 85%. DA500 supports two different specifications of chips, and is able to produce 10Gb-150Gb data throughput. It can be clinically used at various stages of the full reproductive cycle such as pre-pregnancy, pre-natal, pre-implantation of embryo, genetic disease screening for new-born and other stages of the reproductive cycle.

In September 2023, our Geri® Dish embryo culture dish, a sterile and pyrogen-free specific culture dish for time-lapse incubator, obtained the Class II medical device registration certificate from NMPA.

INTELLECTUAL PROPERTY

As of December 31, 2023, we have registered 181 patents, 250 trademarks, 95 software copyrights and 30 domain names in China. We have also registered four trademarks in Hong Kong. As of the same date, we have submitted 128 patent applications in China.

COMMERCIALIZATION

Our sales model is currently transforming to distributors' sales. As of December 31, 2023, we have a total of 55 sales personnel (number of sales personnel as of December 31, 2022: 168. The change in quantity is mainly due to the change of internal statistical methodology of sales personnel and internal personnel change caused by the shift in the focus of the Company's sales model), and over 40 distributors, covering more than 300 assisted reproductive institutions in aggregate in the PRC. Meanwhile, BMX has 20 sales personnel and over 30 distributors, serving more than 600 overseas clinical institutions with the business and partners spanning across more than 20 countries and regions globally (apart from China).

As of December 31, 2023, we had covered 81 top hospitals with PGD/PGS technology, accounting for 76% of the total 106 third-generation entities. We had 300 assisted reproduction centers in the sinking market, with coverage rate exceeding 50%. The whole pipeline products cover 400,000 hospital cycles, increasing by 38% from the previous year.

In April 2023, under the facilitation of the Development and Reform Commission of Suzhou, we reached a strategic cooperation with China General Technology (Group) Holding Co Ltd ("**China General Technology**"), and become a model for central-local cooperation. The two parties would jointly build a pre-pregnancy, prenatal and newborn birth defects 3-level prevention network, and promote the sharing and synergy of medical resources.

In July 2023, we signed a strategic cooperation agreement with Genea (formerly known as Sydney IVF Center), one of the world's top ten assisted reproduction medical groups, under which we would provide testing kits, high-throughput gene sequencers, andrology semen detection and analysis products, liquid nitrogen storage systems and other instruments, consumables and kits covering the whole fertility cycle to the medical institutions under Genea. This strategic cooperation would help us improve our ability to cover the assisted reproduction industry, and promote our self-developed innovative products to the world through Genea's medical resources and extensive global sales network. In providing Genea with assisted reproduction products, Genea would also provide a series of support in the product development process, including overseas clinical validation and regulatory approval.

Meanwhile, leveraging our distribution advantages and competitive product pricing, we will adhere to a two-way business model to expand international commercialization and rapidly establish a strong presence in the global market. We will sell BMX embryo culture products through our sales channels in China, and meanwhile, through BMX's sales channels and brand to sell our own products such as in PGT products and andrology and cryopreservation products. In Japan, Thailand, the United States and other fast-growing markets around the world, we will establish our model laboratories to further expand the coverage of international top customers.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

FUTURE AND OUTLOOK

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

(i) We will accelerate the expansion of the entire industrial chain based on the strengths of PGT products in the industry. Meanwhile, we will empower other product businesses in the five scenarios, improve the stickiness of pipeline products, thereby increasing the business penetration rate of five laboratory scenarios of the Company;

(ii) We will expand the sales network to cover 500 assisted reproduction centers in China and expand our sales scale, and promote the progress of certification application of pipeline products in various scenarios and accelerate the commercialization process. Meanwhile, we will support the assisted reproduction center to complete the localization and upgrade deployment of the laboratory and further expand the market share;

(iii) We will strengthen the international strategic layout, establish a wide global sales network to expand overseas market, and promote the rapid sales of our self-developed products. Meanwhile, we will build a laboratory that meets international standards, Key Opinion Leader (KOL) and overseas sales team, and gradually promote PGT products, andrology and cryopreservation products to overseas markets;

(iv) We will continue to empower our business through mergers and acquisitions and external cooperation, strengthen R&D and transformation of scientific and technological achievements, and build the world's leading R&D system; and

(v) We will establish a global production facility covering the whole industry chain of assisted reproduction products by way of building our headquarters, realise high-quality and large-scale delivery ability, adhere to the industrialization development of independent R&D and domestic substitution, and provide safety guarantee for biological agents for the country and prepare for mass production of the market.

Cautionary statement required under Rule 18A.08(3) of the Listing Rules: We cannot guarantee that we will ultimately develop or market our Core Product and other products in our product portfolio successfully.

FINANCIAL REVIEW

Revenue

During the Reporting Period, we generated revenue from sales of various types of testing kits, testing and cryopreservation devices and instruments, embryo culture devices and embryo culture solution, consumables and other products.

Our revenue increased by approximately 48% from RMB140.9 million for the year ended December 31, 2022 to RMB208.0 million for the year ended December 31, 2023, which was primarily attributable to (i) a stable growth in sales of our PGT kits, (ii) an increase in sales of our cryopreservation system equipment and liquid nitrogen storage dewar, and (iii) an increase in revenue from the sale of consumables such as embryo incubators and culture media.

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, primarily including depreciation of property, plant and equipment and right-of-use assets; and (iv) others, primarily including utility fees, property rental expenses, logistics expenses and equipment maintenance expenses.

Our cost of sales increased by approximately 43% from RMB81.4 million for the year ended December 31, 2022 to RMB116.6 million for the year ended December 31, 2023, mainly due to the new sales cost after the merger of BMX. The percentage of increase in our cost of sales was lower than that of our revenue growth.

Gross Profit and Gross Profit Margin

As a result of the expanding sales of new products, the gross profit of the Group increased by approximately 53% from RMB59.5 million for the year ended December 31, 2022 to RMB91.4 million for the year ended December 31, 2023 and the overall gross profit margin of the Group was 43.9% for the year ended December 31, 2023, which was substantially the same as that of 42.2% for the year ended December 31, 2022.

Other Net Income

Our other net income decreased by approximately 44% from RMB96.7 million for the year ended December 31, 2022 to RMB54.2 million for the year ended December 31, 2023, primarily due to a decrease in exchange gains arising from exchange rate fluctuations.

Selling and Distribution Costs

Our selling and distribution costs increased by approximately 30% from RMB80.1 million for the year ended December 31, 2022 to RMB103.9 million for the year ended December 31, 2023, primarily due to the increase in the sale expenses incorporated upon the completion of the BMX Acquisition and increased marketing activities for the full deployment of new products.

Administrative Expenses

Our administrative expenses increased by approximately 30% from RMB81.4 million for the year ended December 31, 2022 to RMB105.4 million for the year ended December 31, 2023, primarily due to the expenses incurred by the Company for professional services used in connection with the BMX Acquisition.

Research and Development Expenses

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

	For the year ended December 31,			
	2023		2022	
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue
Staff costs	**58,825**	**28.3%**	42,780	30.4%
Clinical trial expenses	**42,128**	**20.3%**	49,761	35.3%
Consumables expenses	**18,920**	**9.1%**	22,034	15.6%
Depreciation expenses	**5,612**	**2.7%**	2,890	2.1%
Others	**4,081**	**2.0%**	2,308	1.6%
Total	**129,566**	**62.3%**	119,773	85.0%

Our research and development expenses increased by approximately 8% from RMB119.8 million for the year ended December 31, 2022 to RMB129.6 million for the year ended December 31, 2023, primarily due to the increase in costs for clinical trials and related consumables relating to the advancement in product development progress, as well as the consolidation of related R&D expenses incurred by BMX upon completion of the BMX Acquisition.

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 RMB0.5 million and RMB2.6 million for the years ended December 31, 2022 and 2023, respectively. The increase in finance costs for the year ended December 31, 2023 was primarily due to interest on new bank loans.

Income Tax

We recorded income tax expenses of RMB6.0 million for the year ended December 31, 2022, and income tax credit of RMB3.0 million for the year ended December 31, 2023. The decrease in income tax expenses was primarily due to tax filing differences in prior year and movements in deferred tax liabilities in 2023.

Inventories

Our inventories primarily consist of raw materials, finished goods and devices and instruments. We generally purchase raw materials for our in-house products based on the orders received. We maintain various types of testing kits, testing and cryostorage devices, and instruments embryo culture devices and embryo culture media and consumables.

Our inventories increased by approximately 96% from RMB48.1 million as of December 31, 2022 to RMB94.1 million as of December 31, 2023, primarily due to the consolidation of inventories of BMX.

Trade and Other Receivables

Our trade and other receivables increased by approximately 19% from RMB145.7 million as of December 31, 2022 to RMB174.0 million as of December 31, 2023, primarily due to the consolidation of trade and other receivables of BMX.

Foreign Exchange Risk

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

Trade and Other Payables

Our trade and other payables increased by approximately 69% from RMB106.3 million as of December 31, 2022 to RMB179.7 million as of December 31, 2023, primarily due to an increase in payables for the construction costs of our headquarters and the consolidation of trade and other payables of BMX upon completion of the BMX Acquisition.

Financial Resources, Liquidity, Treasury Policies and Capital Structure

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

Our current assets significantly decreased by approximately 28% from RMB1,527.6 million as of December 31, 2022 to RMB1,215.2 million as of December 31, 2023, primarily due to cash paid for the BMX Acquisition and the expansion of the business operations of the Group.

As of December 31, 2023, we had unsecured bank loans of RMB130.0 million with a floating interest rate of 3.6% per annum (as determined by LPR). As of the same date, we had secured bank loans of RMB140.1 million with floating interest rates of 3.9%–4.0% per annum, which is determined based on LPR. The secured bank loans were pledged by the Group's land use right and buildings under construction. Our unsecured and secured bank loans were all denominated in RMB.

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

Due to the Global Offering, we have received net proceeds of approximately HK$1,898.7 million (after deduction of underwriting fees, commissions and relevant expenses). We intend to apply such net proceeds in accordance with the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and further revised and disclosed in the circulars of the Company dated November 16, 2021 and April 7, 2022 under the sections headed "Ordinary Resolution — Proposed Change in Use of Proceeds".

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

Significant Investments, Material Acquisitions and Disposals

In June 2023, we have completed BMX Acquisition. BMX is a leading global provider of fertility products that automate and standardize laboratory workflow for IVF clinics, and has a comprehensive product portfolio and extensive global sales network and experience that can enrich and enhance those of the Company. Upon the completion of the BMX Acquisition, BMX has become a wholly-owned subsidiary of the Company and the financial results of BMX have been consolidated into the financial statements of the Group. Pursuant to the share sale agreement in relation to the BMX Acquisition (the "**Share Sale Agreement**"), (i) the Company acquired the entire equity interest in the BMX at the consideration of US$40,000,000, and (ii) the final consideration of the BMX Acquisition may be further adjusted by specific price adjustment mechanisms (the "**Price Adjustment Mechanisms**") with reference to the cash of BMX as prescribed in the Share Sale Agreement, which could be increased by no more than US$500,000 based on the movements of cash of BMX for the two years ended December 31, 2022. In accordance with the Price Adjustment Mechanisms, the final consideration of the BMX Acquisition is US$40,469,728. For further details on the acquisition, please refer to the announcements of the Company dated May 15, 2023, May 18, 2023 and June 21, 2023, respectively.

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

Future Plans for Material Investments or Capital Assets

Save as disclosed in the sections headed "Capital Commitments" and "Use of Proceeds from the Global Offering" in this annual report, the Group had no material capital expenditure plan nor other plans for material investments or capital assets as of the date of this annual report.

Contingent Liabilities

As of December 31, 2023, we did not have any contingent liabilities.

Capital Commitments

Capital commitments outstanding as of December 31, 2022 and December 31, 2023 not provided for in the consolidated financial statements were as follows:

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Authorised and contracted for		
— Property, plants, and equipment	**10,236**	64,725
— Subscription of limited partnership interest in the fund	**6,648**	8,004
Total	**16,884**	72,729

Charge on Assets

Save for the secured bank loans of RMB140.1 million pledged by the Group's land use right and buildings under construction, there was no charge on assets of the Group as of December 31, 2023.

Gearing Ratio

Gearing ratio is calculated by using interest-bearing borrowings and lease liabilities less cash and cash equivalents, divided by total equity and multiplied by 100%. As of December 31, 2023, the Company was in a net cash position and thus, gearing ratio is not applicable.

Employees and Remuneration

As of December 31, 2023, the Group had 586 employees (as of December 31, 2022: 479). The number of employees employed by the Group varies depending on our business requirement. The remuneration package of our employees includes salary, bonus and equity-settled share-based payment, which are generally determined by their qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds for its employees in Mainland China as required by the PRC laws and regulations, and makes contributions to relevant employee benefits for employees outside Mainland China as required by the relevant requirements of other regions in the PRC and other countries.

The total remuneration cost incurred by the Group for the year ended December 31, 2023 was approximately RMB153.9 million, as compared to approximately RMB115.1 million for the year ended December 31, 2022, and the increase was primarily attributable to headcount expansion resulting from the BMX Acquisition.

In 2023, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

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

We recruit our personnel primarily through different methods, such as recruiting websites, recruiters and job fairs. All of our new employees are required to attend orientation and training programs so as to enable them to better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their compliance awareness.

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

The employees of the Group's Australian subsidiaries are members of a state-managed retirement scheme in Australia. The Group's Australian subsidiaries are required to contribute a certain percentage of staff payroll costs to the retirement scheme to fund the benefits, which is the only obligation of the Group with respect to the retirement benefit scheme.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Dr. LIANG Bo (梁波), aged 43, the founder and general manager of our Group, was appointed as the chairman of our Board on December 14, 2015. Dr. Liang is primarily responsible for the overall management of our Group, including business strategy, R&D and sustainable development. Dr. Liang also serves as the executive director of both Basecare Medical Device and Basecare Intelligent Manufacturing.

Dr. Liang has over ten years of experience in bioinformatics and reproductive health industry, and has led the development of PGT and high-throughput sequencing, for which the first "Special Approval for Innovative Medical Devices (創新醫療器械特別審批)" was granted and the first registration certificate of medical devices for third-generation IVF technological products was obtained. Dr. Liang is the director of Jiangsu Reproductive Genetic Engineering Technology Research Center, the president of Suzhou Youth Science and Technology Talents Commission, the secretary general of China Expert Committee on Genetic Counseling Capacity Building, an associate professor of School of Pharmacy, Soochow University and a part-time researcher at the National Research Center for Assisted Reproduction and Eugenics. Dr. Liang also received an award of Leading Talents in Science and Technology from Suzhou Industrial Park Working Committee of CPC Suzhou Industrial Park Management Committee (中共蘇州工業園區工作委員會蘇州工業園區管理委員會) in December 2015. Dr. Liang has published more than 25 papers in international academic journals. He has also made 126 patent applications and 34 copyright applications for bioinformatics software.

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

Mr. KONG Lingyin (孔令印), aged 44, 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 currently serves as the director of research and development department and is primarily responsible for the research and development and regulatory filing activities of our Group. Mr. Kong also serves as the technical director of Basecare Medical Device.

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

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

Ms. YANG Ying (楊瑩), aged 42, joined our Company in September 2018 and has been serving as our chief quality officer since then. She was appointed as our executive Director with effect from April 30, 2022. She is primarily responsible for establishing and maintaining our quality management system and leading quality control department of our Group.

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

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

NON-EXECUTIVE DIRECTORS

Mr. XU Wenbo (徐文博), aged 39, was appointed as a non-executive Director on November 5, 2018. Mr. Xu is primarily responsible for supervising and providing independent advice to our Board. Mr. Xu has also been serving as the chairman and founding partner at Broad Vision Funds (博華資本) since September 2017. He served as an independent director at BlueFocus Communication Group Co., Ltd (北京藍色光標數據科技股份有限公司), a public relations consulting and advertising company listed on the Shenzhen Stock Exchange (Stock Code: 300058) from May 2020 to December 2021. Mr. Xu received his bachelor's degree in law from Peking University (北京大學) in the PRC in July 2007 and his master's degree in law from University of California, Berkeley in the U.S. in May 2010.

Mr. WANG Weipeng (王偉鵬), aged 35, 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.

Mr. LING Yang (凌洋) aged 35, was appointed as a non-executive Director on August 10, 2023. Mr. Ling is primarily responsible for supervising and providing independent advice to our Board. He has been acting as an executive director of CDG Capital Company Limited (晨嶺資本有限公司) ("**CDG Capital**") since January 2022. From April 2021 to December 2021, he served as the director of legal affairs and compliance department of CDG Capital. From January 2019 to March 2021, he served as the deputy director of legal affairs and compliance department of China National Oil and Gas Exploration and Development Corporation (中國石油國際勘探開發有限公司) ("**China National Oil and Gas**"). From January 2016 to December 2018, he served as the director of commercial & trading department of CNPC International (Canada) Ltd. in Calgary, Canada. From January 2015 to December 2015, he served as a senior commercial advisor of LNG Canada, a joint venture among Shell, PETRONAS, PetroChina, Mitsubishi and KOGAS, in Calgary/Vancouver, Canada. From January 2013 to December 2014, he served as a legal manager of legal affairs and compliance department of China National Oil and Gas. Mr. Ling obtained his bachelor's degree in law from Renmin University (中國人民大學) in the PRC in July 2011. He obtained his master's degree in law from Northwestern University in the United States in August 2012.

Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. KANG Xixiong (康熙雄), aged 71, was appointed as an independent non-executive Director on January 16, 2021. Dr. Kang is primarily responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group.

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

Dr. Kang has been a director of Shanghai Baiao Technology Co., Ltd (上海百傲科技股份有限公司), a company listed on the National Equities Exchange and Quotations (Stock Code: 430353), since May 2019, an independent director of Guangzhou Yangpu Medical Technology Co., Ltd. (廣州陽普醫療科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300030), since May 2017, and an independent director at Sannuo Bio-sensing Co., Ltd (三諾生物傳感股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300298), since December 2019. From September 2019 to December 2021, Dr. Kang served as an independent director of Boai Xinkaiyuan Medical Science and Technology Group Co., Ltd (博愛新開源醫療科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300109).

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

Mr. LAM Siu Wing (林兆榮), aged 63, was appointed as an independent non-executive Director on July 13, 2023. He has extensive experience in accounting, auditing and business consulting. From 2004 to 2020, Mr. Lam was a partner of both PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in Hong Kong (collectively "**PricewaterhouseCoopers**"). He has served as (i) an independent non-executive director of Greatpower Nickel And Cobalt Materials Co., Ltd. (上海格派鎳鈷材料股份有限公司) since June 2022, and (ii) an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司), whose shares are listed on the Stock Exchange (stock code: 1349), since May 2023. Mr. Lam graduated from Macquarie University in Australia with a bachelor degree of economics major in accounting in March 1985. In October 1989, he graduated from The University of New South Wales in Australia with his master degree of Commerce major in Finance. He is a fellow member of both Hong Kong Institute of Certified Public Accountants (HKICPA) and Chartered Accountants Australia and New Zealand (CAANZ, formerly known as the Institute of Chartered Accountants of Australia (ICAA)).

Mr. Lam has over 30 years of working experience in PricewaterhouseCoopers and has been a partner for 16 years. He has extensive experience in financial and audit practice. He has served many private and state-owned pharmaceutical companies in their IPOs in Hong Kong and annual report audits, as well as many large pharmaceutical multinationals.

Dr. YEUNG Shu Biu William (楊樹標), aged 67, was appointed as an independent non-executive Director on August 10, 2023. Dr. Yeung is primarily responsible for addressing conflicts and giving strategic advice and guidance to the business and operation of our Group. He is a renowned scholar in the field of reproductive medicine. Dr. Yeung joined the University of Hong Kong in 1989 and is currently a professor of the Department of Obstetrics and Gynaecology, School of Clinical Medicine of the University of Hong Kong. He has also been the assisted reproduction laboratory-in-charge of the Reproductive Medicine and Prenatal Diagnosis Center at the University of Hong Kong-Shenzhen Hospital, and the laboratory head of the Centre of Assisted Reproduction and Embryology at the University of Hong Kong, Queen Mary Hospital, and the person responsible of the University of Hong Kong-Family Planning Association Andrology Laboratory.

Dr. Yeung obtained his Doctor of Philosophy in Reproductive Endocrinology from the University of Hong Kong in 1985. From 1985 to 1987, he served as postdoctoral researcher in Department of Anatomy, University of Bristol in the United Kingdom. He was elected as an Honorary Fellow of the Hong Kong College of Obstetricians and Gynaecologists in 2017.

SUPERVISORS

Ms. SHI Lijuan (史麗娟), aged 35, is currently the administrative manager of the Group, and was appointed as a Supervisor and the chairwoman of the board of Supervisors on July 14, 2023. Prior to joining us, from March 2017 to June 2021, she served as a deputy director of administration of Suzhou Quanyi Jiankang Pharmacy Chain Co., Ltd. (蘇州全億健康藥房連鎖有限公司). From March 2010 to November 2016, she served as an administration manager of Liudao Wanhe (Suzhou) Hot Runner System Co., Ltd. (柳道萬和(蘇州)熱流道系統有限公司). From August 2009 to March 2010, she served as a business assistant of Suzhou Rizheng Xingye Trade Co, Ltd. (蘇州日正興業貿易有限公司).

Ms. Shi obtained her bachelor's degree in computer science and technology from Ludong University (魯東大學) in the PRC in June 2009. She obtained her another bachelor's degree in computer science and technology from Wonkwang University in South Korea in June 2009. She obtained her master degree in business administration from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in the PRC in November 2016.

Ms. ZONG Qiuping (宗秋平), aged 35, was appointed as a Supervisor on July 14, 2023. She successively served as an accountant, and the financial head of our Group. She is currently a financial manager of our Group. Prior to joining us, she served as an accountant in Jiangsu Haoye Law Firm (江蘇昊業律師事務所) from December 2009 to December 2010. Ms. Zong received her bachelor's degree in accounting from YanCheng Teachers University (鹽城師範學院) in June 2010. She obtained the Intermediate Qualification Level in Accounting (會計中級資格) and the Securities Qualification Certificate (證券從業資格合格證) in the PRC in September 2020 and April 2021, respectively.

Dr. LIN Yi (林藝), aged 54, 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.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Dr. LIANG Bo (梁波), aged 43, has been serving as our general manager since our establishment. Dr. Liang is responsible for the overall management of the business strategy, corporate development and research and development of our Group. Please see "— Executive Directors — Dr. LIANG Bo" above for details of his biography.

Mr. KONG Lingyin (孔令印), aged 44, was appointed as our chief technical officer on May 1, 2014. Mr. Kong is responsible for the research and development and regulatory filling activities of our Group. Please see "— Executive Directors — Mr. KONG Lingyin" above for details of his biography.

Ms. YANG Ying (楊瑩), aged 42, was appointed as our chief quality officer in September 2018. Ms. Yang is primarily responsible for establishing and maintaining our quality management system and leading quality control department of our Group. Please see "— Executive Directors — Ms. YANG Ying" above for details of her biography.

Mr. YIN Lejun (殷樂駿), aged 38, was appointed as our chief financial officer with effect from November 28, 2022. Mr. Yin is primarily responsible for the finance, budgeting and internal controls of our Group.

Prior to joining our Group, he served in PricewaterhouseCoopers Zhong Tian LLP from July 2008 to November 2022 with his last position as a senior manager of the audit department of Shanghai office. Mr. Yin has more than 15 years of experience in auditing, accounting, financial management, knowledge in listing rules and relevant compliance. Mr. Yin received his bachelor's degree in shipping management from Shanghai Maritime University (上海海事大學) in China in 2008. Mr. Yin is a member of the Chinese Institute of Certified Public Accountants.

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

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

JOINT COMPANY SECRETARIES

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

Mr. Chung Ming Fai (鍾明輝) was appointed as our joint company secretary with effect from August 29, 2022. Mr. Chung is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 19 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Mr. Chung is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in Australia in December 2003.

The Board is pleased to present this corporate report in the Group's annual report for the year ended December 31, 2023.

CORPORATE MISSION, CULTURE AND VALUES

Letting More Families Have Healthy Children

The Company is an innovative medical device provider for assisted reproduction in the PRC, and is committed to facilitating medical institutions and patients to use automatic, standard and intelligent assisted reproduction products, and to access to stable and high-quality reproductive technologies. The Company's products are developed based on continuous innovation and clinical feedback, resulting in industry-leading clinical results and advancing reproduction science together with clinical studies. The Company's mission is to help more families to have healthy children. The Company's vision is to become the world's leading medical technology company.

Upon the Listing, the Company continued to enrich the product pipeline through independent research and development, as well as mergers and acquisitions. This approach has allowed the Company to establish a comprehensive range of product structure of reagents, consumables, instruments and equipment to serve the entire spectrum of the assisted reproduction industry, rendering the Group one of the few players providing full-industry products in the global market. Through the Group's self-built production facilities, the Group will deliver products that meet global quality standards at a more affordable price, contributing to the field of human reproductive health.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company has adopted the CG Code as its own code of corporate governance since the Listing Date. The Company has complied with all applicable code provisions as set out in the CG Code for the year ended December 31, 2023, except for a deviation from the code provision C.2.1 of part 2 of the CG Code, the roles of chairman of the Board and general manager of the Company are not separate and are both performed by Dr. Liang.

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

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' and Supervisors' securities transactions since the Listing Date. Having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code during the Reporting Period.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code was noted by the Company during the Reporting Period.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, save as disclosed in the section headed "Company's Compliance with Relevant Laws and Regulations" in the Directors' Report, the Board met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS AND SUPERVISORS

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

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

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

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board. The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

RESPONSIBILITIES OF THE BOARD

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

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

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

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

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

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

BOARD DIVERSITY POLICY

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

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

2. at least one Director is female; and

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

During the year ended December 31, 2023, all the measurable objectives have been fulfilled.

Going forward, we will continue to enhance gender diversity of our Board. Our Board will use its best endeavors to appoint female Directors to our Board (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles of Association) and our Nomination Committee will use its best endeavors and on suitable basis to identify and recommend Director candidates to our Board for its consideration on appointment of a new Director when needed. Among the 586 employees of our Group as of December 31, 2023, 259 are males (44.2%) and 327 are females (55.8%), which is fairly balanced in terms of gender diversity. The Board and the Nomination Committee is of the view that our gender diversity at Board level and across workforce is appropriate.

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

Our Directors range from 35 years old to 71 years old. Our Board is responsible for reviewing the diversity of our Board. Our Board has reviewed the implementation and effectiveness of the Company's Board Diversity Policy for the year ended December 31, 2023.

Our Board will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

DIRECTORS', SUPERVISORS' AND OFFICERS' LIABILITIES INSURANCE

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

Since the Listing Date of our Company, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All the Directors are encouraged to attend relevant training courses at the Company's expenses.

The attendance record of professional training received by the Directors for the year ended December 31, 2023, related to the duties of directors and on-going obligations of listed companies and anti-corruption, is as follows:

Name of Director	Nature of continuous professional development programs
Dr. LIANG Bo	A and B
Mr. KONG Lingyin	A and B
Ms. YANG Ying	A and B
Mr. XU Wenbo	A and B
Mr. WANG Weipeng	A and B
Mr. LING Yang *(appointed on August 10, 2023)*	A and B
Mr. ZHANG Jiecheng *(resigned on January 11, 2023)*	A and B
Dr. KANG Xixiong	A and B
Mr. LAM Siu Wing *(appointed on July 13, 2023)*	A and B
Dr. YEUNG Shu Biu William *(appointed on August 10, 2023)*	A and B
Dr. HUANG Taosheng *(resigned on August 10, 2023)*	A and B
Mr. CHAU Kwok Keung *(resigned on June 14, 2023)*	A and B

Notes:

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

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

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee currently consists of two independent non-executive Directors and one non-executive Director, namely Mr. LAM Siu Wing, Dr. KANG Xixiong and Mr. WANG Weipeng. Mr. LAM Siu Wing, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Pursuant to Rule 3.21 of the Listing Rules, the Audit Committee must comprise at least three members. On June 14, 2023, Mr. CHAU Kwok Keung resigned as an independent non-executive Director. Upon the resignation of Mr. CHAU Kwok Keung, he also ceased to be the chairman of the Audit Committee. As a result, the Company temporarily failed to comply with the requirements as set out in Rule 3.21 of the Listing Rules. The Company had used its best endeavors to identify a suitable candidate for the replacement and on July 13, 2023, Mr. LAM Siu Wing has been appointed as an independent non-executive Director and the chairman of the Audit Committee. Following the appointment of Mr. Lam, the Company has re-complied with the requirement of Rule 3.21 of the Listing Rules on the composition and membership of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

During the Reporting Period, the Audit Committee has mainly performed the following duties:

- reviewed the Group's audited annual results for the year ended December 31, 2022, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;
- reviewed the Group's unaudited interim results for the six months ended June 30, 2023;
- reviewed internal audit function and its effectiveness;
- reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditor; and
- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the Reporting Period, two meetings have been held by the Audit Committee. The attendance record of each member of the Audit Committee at the meeting of the Audit Committee is set out below:

Name of Director	**Attendance/ Number of Audit Committee meeting held during a Director's tenure**
Mr. LAM Siu Wing *(appointed on July 13, 2023)*	1/1
Dr. KANG Xixiong	2/2
Mr. CHAU Kwok Keung *(resigned on June 14, 2023)*	1/1
Mr. WANG Weipeng	2/2

Remuneration and Appraisal Committee

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

During the Reporting Period, the Remuneration and Appraisal Committee has mainly performed the following duties:

- reviewed the Group's remuneration policy; and

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

During the Reporting Period, two meetings have has been held by the Remuneration and Appraisal Committee. The attendance record of each member of the Remuneration and Appraisal Committee at the meeting of the Remuneration and Appraisal Committee is set out below:

Name of Director	Attendance/ Number of Remuneration and Appraisal Committee meeting held during a Director's tenure
Dr. KANG Xixiong	2/2
Dr. LIANG Bo	2/2
Mr. LAM Siu Wing *(appointed on July 13, 2023)*	1/1
Mr. CHAU Kwok Keung *(resigned on June 14, 2023)*	1/1

Details of the remuneration of each of the Directors, Supervisors and the five highest paid employees for the year ended December 31, 2023 are set out in note 8 and note 9 to the consolidated financial statements. Details of the remuneration by band of the members of the senior management (other than the Directors and Supervisors) of the Company for the year ended December 31, 2023 are set out below:

Remuneration to the senior management by bands (RMB)	Number of senior management
HKD0 — HKD500,000	0
HKD500,001 — HKD1,000,000	2
HKD1,000,001 — HKD1,500,000	1
HKD2,500,001 — HKD3,000,000	1

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee currently consists of one executive Director, namely Dr. Liang and two independent non-executive Directors, namely Dr. KANG Xixiong and Mr. LAM Siu Wing. Dr. Liang is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company and to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board.

During the Reporting Period, the Nomination Committee has mainly performed the following duties:

- reviewed the annual confirmations of independence submitted by the independent non-executive Directors and assessed their independence; and
- reviewed the structure, size and composition of the Board and whether the composition of the Board complied with the requirements of the Board Diversity Policy.

During the Reporting Period, two meetings have been held by the Nomination Committee. The attendance record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	**Attendance/ Number of Nomination Committee meeting held during a Director's tenure**
Dr. LIANG Bo	2/2
Dr. KANG Xixiong	2/2
Mr. LAM Siu Wing *(appointed on July 13, 2023)*	1/1
Mr. CHAU Kwok Keung *(resigned on June 14, 2023)*	1/1

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee discusses and agrees on measurable objectives for achieving diversity on the Board, where necessary, and recommends them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee considers the candidate's character, qualifications, experience, independence (for appointment of Independent Non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board.

Corporate Governance Function

The Board is responsible for performing the corporate governance functions set out in code provision A.2.1 of the CG Code and such duties have been delegated to the Audit Committee.

During the Reporting Period, the Board reviewed the Company's corporate governance policies and practices, reviewed and monitored training and continuous professional development of the Directors, Supervisors and senior management, reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, and reviewed the Company's compliance with the CG Code and disclosure in its corporate governance report.

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

Board Composition

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

Executive Directors

Dr. LIANG Bo (梁波) *(Chairman and General Manager)*
Mr. KONG Lingyin (孔令印)
Ms. YANG Ying (楊瑩)

Non-executive Directors

Mr. XU Wenbo (徐文博)
Mr. WANG Weipeng (王偉鵬)
Mr. LING Yang (淩洋) *(appointed on August 10, 2023)*
Mr. ZHANG Jiecheng (張劼鋮) *(resigned on January 11, 2023)*

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)
Mr. LAM Siu Wing (林兆榮) *(appointed on July 13, 2023)*
Dr. YEUNG Shu Biu William (楊樹標) *(appointed on August 10, 2023)*
Mr. CHAU Kwok Keung (鄒國強) *(resigned on June 14, 2023)*
Dr. HUANG Taosheng (黃濤生) *(resigned on August 10, 2023)*

None of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors, Supervisors and the general manager.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year and at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of the Directors. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

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

Nine Board meetings and three general meetings were held during the Reporting Period. The attendance records of each Director at the Board meetings and general meetings of the Company are set out below:

Name of Director	**Attendance/ Number of Board meetings held during a Director's tenure**	**Attendance/ Number of general meetings held during a Director's tenure**
Dr. LIANG Bo	9/9	3/3
Mr. KONG Lingyin	9/9	3/3
Ms. YANG Ying	9/9	3/3
Mr. XU Wenbo	9/9	3/3
Mr. WANG Weipeng	9/9	3/3
Mr. LING Yang *(appointed on August 10, 2023)*	2/2	1/1
Mr. ZHANG Jiecheng *(resigned on January 11, 2023)*	0/0	0/0
Dr. KANG Xixiong	9/9	3/3
Dr. LAM Siu Wing *(appointed on July 13, 2023)*	3/3	2/2
Dr. YEUNG Shu Biu William *(appointed on August 10, 2023)*	2/2	1/1
Mr. CHAU Kwok Keung *(resigned on June 14, 2023)*	6/6	1/1
Dr. HUANG Taosheng *(resigned on August 10, 2023)*	7/7	2/2

MECHANISM FOR THE BOARD TO OBTAIN INDEPENDENT VIEWS AND OPINIONS

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

ANTI-CORRUPTION POLICY

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided treatment plans, monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems on an annual basis. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems during the Reporting Period.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023, which gives a true and fair view of the affairs of the Group and the Company and of the Group's financial results and cash flows.

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

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

AUDITOR'S REMUNERATION

The Company appointed KPMG as the external auditor for the year ended December 31, 2023. A statement by KPMG about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 93 to 99.

For the year ended December 31, 2023, the fees for audit services and non-audit services rendered by external auditor were as follows:

	RMB'000
Audit services	3,305
Non-audit services *(interim review)*	1,249
Total	**4,554**

JOINT COMPANY SECRETARIES

Mr. YIN Lejun, who is also the chief financial officer of the Company, was appointed as the joint company secretary with effect from November 28, 2022. For Mr. Yin's biography, please see in the section headed "Directors, Supervisors and Senior Management" of this annual report.

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

During the year ended December 31, 2023, Mr. YIN Lejun and Mr. CHUNG Ming Fai undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Rights to Convene Extraordinary General Meeting

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

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

Shareholders may put forward proposals for consideration at general meetings of the Company in accordance with the Articles of Association. Pursuant to the Articles of Association, extraordinary general meetings shall be convened on the requisition of Shareholders holding, at the date of written requisition, 10% or more of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board via email at the email address of the Company at ir@basecare.cn for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The Board of Directors shall give a written reply on agreeing or disagreeing to convene an extraordinary general meeting of Shareholders within 10 days upon receipt of the request in accordance with the laws, administrative regulations, the Listing Rules and the Articles of Association.

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

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

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

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

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

Subject to the Articles of Association and the PRC Company Law, the Directors shall be elected by the general meeting.

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

Right to Put Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS

The Company has established a shareholders communication policy with a range of communication channels between itself and its Shareholders, investors and other stakeholders so as to actively engage and promote regular, effective and fair communication with its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchange views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's H share registrar in Hong Kong serving the Shareholders in respect of all share registration matters. The Board has reviewed the shareholders communication policy during the year ended December 31, 2023 and confirmed its effectiveness.

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

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

Changes in Constitutional Documents

For the year ended December 31, 2023, no change had been made to the constitutional documents of the Company.

On February 17, 2023, the State Council of the PRC and the CSRC issued the "Decision of the State Council to Repeal Certain Administrative Regulations and Documents" and the "Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies", respectively, and related guidelines (collectively, the "**New PRC Regulations**"), which came into effect on March 31, 2023. On the same date as the New PRC Regulations took effect, the "Mandatory Provisions for the Articles of Association of Companies Listed Overseas" and the "Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies" were repealed. The Stock Exchange has made certain consequential amendments to the Listing Rules, which came into effect on August 1, 2023. In light of the above, among other matters, holders of domestic shares and H shares of a PRC-established company are no longer deemed as different class of shareholders, and the class meeting requirement applicable to holders of domestic shares and H shares is no longer necessary under the New PRC Regulations.

At the Board meeting held on March 28, 2024, the Board resolved to amend the Articles of Association for the purposes of (i) reflecting the updates in the New PRC Regulations and the Listing Rules, and (ii) making other appropriate and housekeeping amendments. The proposed amendments to the Articles of Association are subject to the approval of the Shareholder by way of special resolution at each of the AGM, the class meeting for holders of H Shares and the class meeting for holders of domestic Shares to be held on Thursday, June 6, 2024.

A circular containing further information of the resolutions for the Shareholders' consideration and approval, together with the respective notices of the AGM and the relevant class meetings and proxy forms, will be despatched (if requested) to the Shareholders in accordance with the Listing Rules and the Articles of Association.

DIVIDEND POLICY

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code, such details have also been set out in its Articles of Association and summarized as follows:

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

(1) cash;

(2) shares.

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

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

REPORT OF THE SUPERVISORS

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

The work of the Board of Supervisors in 2023 and the work plan for 2024 are hereby reported as follows:

WORK OF THE BOARD OF SUPERVISORS

In 2023, the Board of Supervisors convened and held four meetings of the Board of Supervisors pursuant to the laws. The notice, convening and voting procedures for the meetings were in compliance with the requirements of the PRC Company Law and other laws and regulations as well as the Articles of Association and the Rules of Procedures for the Board of Supervisors. The work of the Board of Supervisors mainly included:

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

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

3. reviewing the financial reports of the Company and the audit reports submitted by the Company's auditors.

OPINIONS ON THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

(i) Compliance of the Operation

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

(ii) Financial Position of the Company

The Board of Supervisors reviewed and agreed with the audited consolidated financial statements for the year ended December 31, 2023, and believed that the financial statements of the Company have given an objective and true view of the financial position and the operating results of the Company and is free of false representations, misleading statements and material omissions.

(iii) Internal Control

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

(iv) Integrity and Self-discipline

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

WORK PLAN FOR 2024

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

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

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

(3) to further reinforce the supervision and inspection of the financial position of the Company; and

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

The Board of Supervisors
Suzhou Basecare Medical Corporation Limited
March 28, 2024

The Board is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2023.

GENERAL INFORMATION

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND RESULTS

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

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

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2023. (2022: nil).

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No other important events affecting the Company occurred since the Reporting Period and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

Risks Relating to Sales and Distribution of Our Products:

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

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

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

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

Risks Relating to Our Financial Position and Prospects:

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

Risks Relating to Government Regulations:

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

Risks Relating to the Research and Development of Our Products:

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

Risks Relating to Manufacture and Supply of Our Products:

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

Risks Relating to Our Intellectual Property Rights:

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

Risks Relating to Our Operations:

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

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period,

(i) the Group's largest supplier accounted for 13.5% (2022: 16.9%) of its total purchases, and the five largest suppliers accounted for 40.5% of its total purchases (2022: 49.6%); and

(ii) the Group's largest customer accounted for 13.7% (2022: 17.1%) of its total sales, and the five largest customers accounted for 38.1% of its total sales (2022: 44.8%).

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own no less than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARY

Details of the subsidiaries of the Company as of December 31, 2023 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company did not have any distributable reserves.

CHARITABLE DONATIONS

The Group made charitable donations of approximately RMB0.22 million during the Reporting Period.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as of December 31, 2023 are set out in note 24 to the consolidated financial statements.

SHARE INCENTIVES

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

In order to recognize the contributions of our employees and advisors and to incentivize them to further promote our development, Basecare Investment was established on May 23, 2016, through which, certain employees and advisors of our Group were indirectly beneficially interested in the equity interests in our Company. During the Reporting Period, we did not have any equity-settled share-based payment expenses (2022: nil).

EQUITY-LINKED AGREEMENTS

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

DIRECTORS AND SUPERVISORS

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

Executive Directors

Dr. LIANG Bo (梁波) *(Chairman and General Manager)*
Mr. KONG Lingyin (孔令印)
Ms. YANG Ying (楊瑩)

Non-executive Directors

Mr. XU Wenbo (徐文博)
Mr. WANG Weipeng (王偉鵬)
Mr. LING Yang (凌洋) *(appointed on August 10, 2023)*
Mr. ZHANG Jiecheng (張劼鋮) *(resigned on January 11, 2023)*

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)
Mr. LAM Siu Wing (林兆榮) *(appointed on July 13, 2023)*
Dr. YEUNG Shu Biu William (楊樹標) *(appointed on August 10, 2023)*
Mr. CHAU Kwok Keung (鄒國強) *(resigned on June 14, 2023)*
Dr. HUANG Taosheng (黃濤生) *(resigned on August 10, 2023)*

Supervisors

Ms. SHI Lijuan (史麗娟) *(Chairwoman) (appointed on July 14, 2023)*
Dr. LIN Yi (林藝)
Ms. ZONG Qiuping (宗秋平) *(appointed on July 14, 2023)*
Ms. HUANG Bing (黃冰) *(Chairwoman) (resigned on July 14, 2023)*
Ms. ZHU Tingting (朱婷婷) *(resigned on July 14, 2023)*

DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

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

CHANGES OF THE BOARD, DIRECTORS AND SUPERVISORS

On January 11, 2023, Mr. ZHANG Jiecheng resigned as a non-executive Director of the Company in order to devote more time to other business priorities. Mr. Zhang has confirmed that he has no disagreement with the Board and there is no matter relating to his resignment that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

On June 14, 2023, Mr. CHAU Kwok Keung resigned as an independent non-executive Director of the Company and accordingly ceased to be the chairman of the Audit Committee, a member of the Remuneration and Appraisal Committee and a member of the Nomination Committee in order to focus on his other personal commitments. Mr. Chau has confirmed that he has no disagreement with the Board and there is no matter relating to his resignment that needs to be brought to the attention of the Shareholders or the Stock Exchange.

On July 13, 2023, Mr. LAM Siu Wing was appointed as an independent non-executive Director of the Company, the chairman of the Audit Committee, the member of the Remuneration and Appraisal Committee and the member of the Nomination Committee. Prior to his appointment becoming effective, Mr. Lam confirmed that (i) he fully understood the obligations, duties and responsibilities of an independent director of a company listed on the Stock Exchange; and (ii) he had read the directors' training materials prepared by the Hong Kong legal adviser of our Company. He also undertook to comply with such obligations, duties and responsibilities under the Listing Rules, and other applicable laws and provisions relating to securities as a Director.

On July 14, 2023, Ms. HUANG Bing resigned as the chairwoman of the Board of Supervisors and Ms. ZHU Tingting resigned as a Supervisor at the Company's employee representatives meeting resulting from the normal rotation of the Board of Supervisors, while Ms. SHI Lijuan was appointed as the chairwoman of the Board of Supervisors and Ms. ZONG Qiuping was appointed as a Supervisor at the Company's employee representatives meeting on the same date. Each of Ms. Huang and Ms. Zhu has confirmed that they have no disagreement with the Board of Directors and the Board of Supervisors.

On the Company's 2023 second extraordinary general meeting dated August 10, 2023 (the "**EGM**"), the resolutions regarding the proposed re-election and appointment of Directors for the second session of the Board and the Shareholder Supervisor for the second session of the Board of Supervisors were duly passed, among which, (i) the re-election of Dr. LIANG Bo, Mr. KONG Lingyin and Ms. YANG Ying as executive Directors; (ii) the re-election of Mr. XU Wenbo and Mr. WANG Weipeng as non-executive Directors and the appointment of Mr. LING Yang as a non-executive Director; (iii) the re-election of Dr. KANG Xixiong and Mr. LAM Siu Wing as independent non-executive Directors and the appointment of Dr. YEUNG Shu Biu William as an independent non-executive Director; and (iv) the re-election of Dr. LIN Yi as a Shareholder Supervisor were approved. On the same date, Dr. HUANG Taosheng retired as an independent non-executive Director of the Company resulting from the Board's normal rotation. Dr. Huang has confirmed that he has no disagreement with the Board and there is no matter relating to his retirement that needs to be brought to the attention of the Shareholders or the Stock Exchange. Prior to their respective appointment becoming effective, each of Dr. Yeung and Mr. Ling confirmed that (i) he fully understood the obligations, duties and responsibilities of an independent director of a company listed on the Stock Exchange; and (ii) he had read the directors' training materials prepared by the Hong Kong legal adviser of our Company. He also undertook to comply with such obligations, duties and responsibilities under the Listing Rules, and other applicable laws and provisions relating to securities as a Director.

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

None of the Directors or Supervisors nor any entity connected with the Directors or Supervisors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2023.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

COMPETING INTEREST AND OTHER INTEREST

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

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

We have received annual written confirmations from the Controlling Shareholders of the compliance with the provisions of the Non-competition Undertaking by such Controlling Shareholders and their close associates. The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking for the year ended December 31, 2023 based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that our Controlling Shareholders have duly complied with the Non-competition Undertaking.

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

MANAGEMENT CONTRACTS

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

REMUNERATION POLICY

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2023, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations.

The Environment, Social and Governance Report of the Company prepared in accordance with Appendix C2 to the Listing Rules is set out on pages 60 to 92 of this annual report.

RELATIONSHIPS WITH EMPLOYEES

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

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We had established a broad customer base, including hospitals and reproductive clinics. To a lesser extent, we also sold our genetic test kits to distributors, who in turn sold our products to hospitals and reproductive clinics. We maintain an outstanding marketing team with a focus on serving key customers, such as third-generation IVF licensed hospitals and reproductive clinics, which are a major component of our customer base. Our in-house sales and marketing team is also responsible for the promotion of our products to hospitals and reproductive clinics through academic marketing activities, to interact with KOLs as well as other industry professionals. As of December 31, 2023, we entered into cooperation agreements with 109 hospitals.

We procure raw materials from suppliers to manufacture our product and support our R&D activities. As of December 31, 2023, we had a total of 311 suppliers of different raw materials. In 2023, we maintained sound relationships with our suppliers such that we could meet business challenges and comply with regulatory requirements, thereby deriving cost effectiveness and reaping long term business benefits.

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

As of December 31, 2023, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Position in the Shares of the Company

Name of Director	Position	Nature of interest	Number and class of Shares	Approximate percentage of interest in our Company[3]	Approximate percentage of interest in the relevant class of Shares of our Company[4]
Dr. Liang[1]	Executive Director and general manager	Beneficial owner	55,231,640 Domestic Shares	20.19%	28.95%
		Interest in a controlled corporation	36,090,379 Domestic Shares	13.19%	18.91%
Mr. XU Wenbo[2]	Non-executive Director	Interest in a controlled corporation	22,196,511 Domestic Shares	8.11%	11.63%

Notes:

(1) As of December 31, 2023, Basecare Investment was held as to approximately 58.31% by Dr. Liang (as the sole general partner). Therefore, Dr. Liang was deemed to be interested in the Shares in which Basecare Investment was interested under the SFO.

(2) As of December 31, 2023, Zhangjiagang Broad Vision Glory investment Partnership (Limited Partnership) ("**Broad Vision Glory**", 張家港博華耀世投資合夥企業(有限合夥)) was the general partner of Broad Vision Investment. The general partner of Broad Vision Harmony was Zhangjiagang Broad Vision Evergreen investment Partnership (Limited Partnership) ("**Broad Vision Evergreen**", 張家港博華常青投資合夥企業(有限合夥)). Both Broad Vision Glory and Broad Vision Evergreen were ultimately controlled by Mr. XU Wenbo. Therefore, Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Investment and Broad Vision Harmony were interested under the SFO.

(3) Calculated based on the number of the total issued share capital of the Company as of December 31, 2023, being 273,526,000.

(4) Calculated based on the aggregate number of the Domestic Shares and the Unlisted Foreign Shares of the Company as of December 31, 2023, being 190,812,165.

As of December 31, 2023, to the best knowledge of the Directors, Supervisors or chief executive of the Company, save as disclosed above, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of December 31, 2023, so far as it was known to the Directors, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Long Position in the Shares of the Company

Name of Substantial Shareholders	Nature of interest	Number and class of Shares	Approximate percentage of interest in our Company[8]	Approximate percentage of interest in the relevant class of Shares of our Company[9]
Hillhouse HK[1]	Beneficial owner	6,006,010 H Shares;	2,20%	7.26%
		7,630,348 Unlisted Foreign Shares	2.79%	4.00%
OrbiMed Capital LLC[2]	Investment Manager	8,116,500 H Shares	2.97%	9.81%
Basecare Investment[3]	Beneficial Owner	36,090,379 Domestic Shares	13.19%	18.91%
Zhongcheng Fangyuan Phase II[4]	Beneficial Owner	15,189,172 Domestic Shares	5.55%	7.96%
Sino-Rock Investment Management Company Limited	Beneficial Owner	12,299,422 Domestic Shares	4.50%	6.45%
Hangzhou Hanshi Investment Management Service Co., Ltd.	Beneficial Owner	12,299,422 Domestic Shares	4.50%	6.45%
Broad Vision Investment[5]	Beneficial Owner	11,969,242 Domestic Shares	4.38%	6.27%
Suzhou Sungent[6]	Beneficial Owner	11,418,525 Domestic Shares	4.17%	5.98%
Broad Vision Harmony[7]	Beneficial Owner	10,227,269 Domestic Shares	3.74%	5.36%

Notes:

(1) As of December 31, 2023, Hillhouse HK was wholly owned by HH SPR-XIV CY Holdings Limited ("**HH CY**"). HH SPR-XIV CY Holdings Limited was wholly owned by HH SPR-XIV Holdings L.P. ("**HH Holdings**"). Hillhouse Capital Management, Ltd. acts as the sole management company of Hillhouse Fund IV, L.P., the sole limited partner of HH Holdings. Mr. ZHANG Lei may be deemed to have controlling power over Hillhouse Capital Management, Ltd. Mr. ZHANG Lei disclaims beneficial ownership of all of the shares held by Hillhouse Fund IV, L.P., except to the extent of his pecuniary interest therein. Hillhouse Investment Management, Ltd. is the investment manager for these shares.

(2) As of December 31, 2023, OrbiMed Capital LLC is the investment manager of (i) The Biotech Growth Trust Plc which holds 2,204,900 H Shares; (ii) OrbiMed Genesis Master Fund, L.P. which holds 980,000 H Shares; (iii) OrbiMed New Horizons Master Fund, L.P. which holds 514,500 H Shares; and (iv) OPM which holds 4,417,100 H Shares. Therefore, OrbiMed Capital LLC was deemed to be interested in the Shares in which The Biotech Growth Trust Plc, OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P., OPM were interested under the SFO.

(3) As of December 31, 2023, 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.

(4) As of December 31, 2023, 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.

(5) As of December 31, 2023, Zhangjiagang Broad Vision Glory Investment Partnership (Limited Partnership) ("**Broad Vision Glory**", 張家港博華耀世投資合夥企業(有限合夥)) was the general partner of Broad Vision Investment. Broad Vision Glory was ultimately controlled by Mr. XU Wenbo, our non-executive Director, directly and indirectly through Beijing Broad Vision Funds Co., Ltd. ("**Broad Vision Funds**", 北京博華資本有限公司). Therefore, each of Broad Vision Glory, Broad Vision Funds and Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Investment was interested under the SFO.

(6) As of December 31, 2023, 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 December 31, 2023, 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% by Suzhou YuanXiang Enterprise Consulting Partnership (Limited Partnership)("**Suzhou Yuan Xiang**", 蘇州元響企業咨詢合夥企業（有限合夥）) and 35.00% by Sungent Holding. Suzhou Industrial Park Zhinuo Business Information Consulting Co., Ltd. ("**Zhinuo Business**", 蘇州工業園區智諾商務信息咨詢有限公司) is a general partner of Suzhou Yuan Xiang. Zhinuo Business was held as to 99.00% by Mr. CHEN Jie.

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

(7) As of December 31, 2023, Broad Vision Harmony was held as to approximately 55.63% by Mr. NA Qinfu. The general partner of Broad Vision Harmony was Zhangjiagang Broad Vision Evergreen Investment Partnership (Limited Partnership) ("**Broad Vision Evergreen**", 張家港博華常青投資合夥企業(有限合夥)), which is ultimately controlled by Mr. XU Wenbo, our non-executive Director, through Broad Vision Funds. Therefore, Mr. NA Qinfu, Broad Vision Evergreen, Broad Vision Funds and Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Harmony was interested under the SFO.

(8) Calculated based on the number of the total issued share capital of the Company as of December 31, 2023, being 273,526,000.

(9) Calculated based on the number of the H Shares of the Company as of December 31, 2023, being 82,713,835, or the aggregate number of the Domestic Shares and the number of the Unlisted Foreign Shares of the Company as of December 31, 2023, being 190,812,165.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received by the Company from its initial global offering (including the partial exercise of the over-allotment option) amounted to HK$$1,898.7 million (equivalent to RMB1,584.1 million) (after deducting the underwriting commissions and relevant expenses).

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

Use of Proceeds	Planned applications HK$ in million	Percentage of total Proceeds	Actual amount of proceeds utilized as of January 1, 2023 HK$ in million	Actual amount of proceeds unutilized as of December 31, 2023 HK$ in million	Actual amount of proceeds utilized as of December 31, 2023 HK$ in million	Percentage of proceeds from the Global Offering expected to be used in 2024	Expected timeframe for fully utilization of unutilized net proceeds
Core Product – PGT-A kit	**379.7**	**20%**	**156.3**	**144.5**	**235.2**	**3.76%**	**Within the next one to three years**
Ongoing sales and marketing activities of our PGT-A kit and planned commercialization in China, in order to expand our sales channels, continue market coverage expansion, conduct patient education and clinical knowledge of physicians and increase the penetration rate of our PGT-A kit	151.9	8%	123.5	26.9	125.0	0.08%	
Optimizing the production process of our PDT-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, and optimizing and upgrading our and PGT-A kits	227.8	12%	32.8	117.6	110.2	3.68%	
Clinical trial, registration filing and commercialization of our PGT-M kit	**189.9**	**10%**	**46.5**	**84.6**	**105.3**	**3.04%**	**Within the next one to three years**
Clinical trial and registration filing of our PGT-M kit (including the relevant labor and consumables costs)	132.9	7%	28.2	46.8	86.1	2.08%	
Commercialization, sales and marketing activities of our PGT-M kit	57.0	3%	18.3	37.8	19.2	0.96%	
Development, clinical trials, registration filings and commercialization of our other products	**569.6**	**30%**	**179.9**	**192.3**	**377.3**	**5.52%**	**Within the next one to three years**
Development, clinical trials, registration filings and commercialization of our other genetic test kit products	227.8	12%	84.3	49.3	178.5	1.55%	
Research, development, manufacturing and commercialization of our genetic testing devices and instruments	341.8	18%	95.6	143.0	198.8	3.97%	

Use of Proceeds	Planned applications HK$ in million	Percentage of total Proceeds	Actual amount of proceeds utilized as of January 1, 2023 HK$ in million	Actual amount of proceeds unutilized as of December 31, 2023 HK$ in million	Actual amount of proceeds utilized as of December 31, 2023 HK$ in million	Percentage of proceeds from the Global Offering expected to be used in 2024	Expected timeframe for fully utilization of unutilized net proceeds
Improving our research and development capabilities and enhancing our technologies, including (i) introducing and acquiring new technologies in businesses upstream and downstream of genetic testing, to expand our product portfolio; (ii) recruiting talent in genetic testing, particularly senior R&D personnel with a high level of influence in the industry and with extensive international R&D and product development experience; (iii) funding our collaborations with academic and research institutions on joint research projects	284.8	15%	77.5	87.5	197.3	1.58%	Within the next one to three years
Constructing and decorating of our R&D center and expanding the manufacturing plant for our test kit products, testing devices and instruments	189.9	10%	38.9	119.5	70.4	4.90%	Within the next one to three years
Working capital and general corporate purposes	284.8	15%	198.5	38.7	246.1	2.00%	Within the next one to three years
Total	1,898.7	100%	697.6	667.1	1,231.6	20.80%	

The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation. The net proceeds have applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus and further revised and disclosed in the circulars of the Company dated November 16, 2021 and April 7, 2022 under the sections headed "Ordinary Resolution — Proposed Change in Use of Proceeds".

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

During the Reporting Period, there was no issue of Shares by the Company, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any other listed securities of the Company (2022: nil).

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Among the material related party transactions disclosed in note 32 to the consolidated financial statements, no transaction constitutes a connected transaction or continuing connected transaction for the Company under Rule 14A.31 of the Listing Rules and is required to be disclosed in this annual report.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period and up to the date of this annual report, the Group had complied with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance, except for the temporary failure to meet the requirements for a short period of time of Rules 3.10, 3.10A, 3.21, 3.25, 3.27A and 19A.18(1) of the Listing Rules as set out below.

On June 14, 2023, Mr. CHAU Kwok Keung resigned as an independent non-executive Director and accordingly ceased to be the chairman of the Audit Committee, a member of the Remuneration and Appraisal Committee and a member of the Nomination Committee. As a result, the Company temporarily failed to comply with the requirements as set out in Rules 3.10, 3.10A, 3.21, 3.25, 3.27A and 19A.18(1) of the Listing Rules.

On July 13, 2023, Mr. LAM Siu Wing was appointed as the independent non-executive Director, the chairman of the Audit Committee, the member of the Remuneration and Appraisal Committee and the member of the Nomination Committee. Following with the appointment of Mr. LAM Siu Wing, the Company restored to comply with the requirements of (i) Rule 3.10 of the Listing Rules, which stipulates that the board of directors of a listed issuer must include at least three independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; (ii) Rule 3.10A of the Listing Rules, which stipulates that an issuer must appoint independent non-executive directors representing at least one-third of the board; (iii) Rule 3.21 of the Listing Rules, which stipulates that the audit committee must comprise a minimum of three members, at least one of whom must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director; (iv) Rule 3.25 of the Listing Rules, which stipulates that a remuneration committee shall comprise a majority of independent non-executive director; (v) Rule 3.27A of the Listing Rules, which stipulates that a nomination committee shall comprise a majority of independent non-executive directors; and (vi) Rule 19A.18(1) of the Listing Rules, which stipulates that at least one of the independent non-executive directors of a PRC issuer must be ordinarily resident in Hong Kong.

During the Reporting Period and up to the date of this annual report, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS

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

SHARE OPTION SCHEME

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

PERMITTED INDEMNITY PROVISION

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

PUBLIC FLOAT

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

FINANCIAL SUMMARY

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

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Company and the annual results for the year ended December 31, 2023.

AUDITOR

The financial statements for the year ended or as of December 31, 2023 have been audited by KPMG who shall retire at AGM and, being eligible, will offer themselves for reappointment. A resolution for the re-appointment of KPMG as auditors will be proposed at the AGM. The auditor has not changed in the past three financial years.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

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

Hong Kong, March 28, 2024

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This report is the fourth environmental, social and governance ("**ESG**") report issued by the Company and its subsidiaries. The report outlines the Group's efforts in implementing the principle of sustainable development and performing its corporate social responsibilities.

1.1 Reporting Standard

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") contained in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). This report has complied with the mandatory disclosure requirements and all the "comply or explain" provisions in the Guide, and its contents are in line with the reporting principles of "materiality", "quantitative", "balance" and "consistency" in the Guide. Readers may refer to "Appendix II: Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange" in this Report for quick reference.

Materiality: This report has identified and disclosed material ESG factors and the criteria for their selection. We have also identified and disclosed stakeholders' engagement process and the results in the ESG report. The management has confirmed the suitability of the materiality assessment.

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

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

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

1.2 Reporting Scope

This report describes the overall ESG-related performance of the business directly controlled by the Group from January 1, 2023 to December 31, 2023 (the "**Year**" or "**Reporting Period**"). The environmental data disclosed in this report is collected from the Group's headquarters office and production base in Suzhou. For detailed information on the corporate governance of the Group, please refer to the section headed "Corporate Governance Report" in this annual report or visit the official website of the Group.

1.3 Report Approval

This report has been internally reviewed by the Group and approved by the Board on March 28, 2024.

1.4 Feedback on the Report

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

2 ABOUT US

2.1 Group Overview

We are a supplier of assisted reproduction innovative medical devices in China. Our mission is to help more families give birth to healthy babies. Our vision is to become a world leading medical technology company.

This year, by virtue of our innovative experience and pipeline advantage accumulated in the field of Preimplantation Genetic Testing ("**PGT**"), we have become a full scenario solution provider in the field of assisted reproduction through independent R&D and industrial M&A. We insist on independent R&D and localization, and through "software+ hardware" industrial innovation mode, create PGT laboratory, andrology laboratory, cryostorage laboratory, embryo laboratory and software laboratory multi-scenario solutions, help the laboratory localization deployment of assisted reproduction organizations, and realize standardized, automated and intelligentized soft/hardware upgrading. In the future, with our advantage and customer base established on our sales pipeline, we will sell various advantageous products, release our growth potentials in China and global markets, and establish our advantageous position in market shares rapidly.

2.2 Prizes and Honors

Honor	Issuer
Second Prize of Suzhou Excellent Patent Award (蘇州市優秀專利獎二等獎)	Suzhou Municipal People's Government
Suzhou Top 100 Private Innovative Enterprises in 2023 (2023蘇州民營企業創新100強)	Suzhou Federation of Industry and Commerce
Jiangsu Provincial Engineering Research Center for Assisted Reproduction (Jiangsu Engineering Research Center) (江蘇省輔助生殖工程研究中心(江蘇省工程研究中心))	Jiangsu Provincial Development and Reform Commission
Suzhou Assisted Reproductive Technology Innovation Consortium (Suzhou Innovation Consortium) (蘇州市輔助生殖技術創新聯合體(蘇州市創新聯合體))	Suzhou Municipal Administration of Science and Technology
High-tech Enterprises (高新技術企業)	Jiangsu Provincial Department of Science and Technology/ Jiangsu Provincial Department of Finance/Jiangsu Provincial State Taxation Administration/Jiangsu Provincial Local Taxation Administration
Suzhou Science and Technology Plan Project: KEY CLINICAL TECHNOLOGY PROJECT OF MEDICAL APPLICATION BASIC RESEARCH "EXPLORATION ON THE APPLICATION OF GENE PROMOTER ANALYSIS IN LOW-DEPTH SEQUENCING DATA OF CELL-FREE DNA FOR EARLY AND ACCURATE PREDICTION OF PREECLAMPSIA" (蘇州市科技計劃項目醫學應用基礎研究重點臨床技術研究專項「游離DNA低深度測序數據中基因啓動子分析用於早期精准預測子癇前期的應用探索」項目)	Suzhou Municipal Administration of Science and Technology
2023 Suzhou Science and Technology Achievement Transformation (Biomedicine) Project (2023年度蘇州市科技成果轉化(生物醫藥)項目)	Suzhou Municipal Administration of Science and Technology

3 ESG GOVERNANCE

We are fully aware that ESG governance is the cornerstone of corporate sustainability. This philosophy guides us to include ESG consideration into our ordinary operation and long-term planning, to ensure the Company will undertake social responsibility and environmental responsibility while pursuing economic benefits.

3.1 Statement of the Board of Directors

The Group is deeply aware that the leadership and involvement of the Board are critical to its sustainable development, and is committed to integrating ESG concepts into our business operations. We have established an ESG governance structure, to strengthen our management of sustainable development. The Board, at the highest level of decision-making, is responsible for the Group's ESG strategy and reporting. The Board is also responsible for monitoring and reviewing the performance and progress in ESG efforts, and reviewing and approving ESG management policies and strategies, including key ESG issues, risks and opportunities. The Board has approved the establishment of an ESG working group and authorized it to monitor and promote initiatives on ESG issues, to effectively perform the ESG management efforts.

During the Year, the Group has reviewed its ESG management policies, strategies, material issues and progress towards environmental goals. It undertook to continue monitoring the progress in fulfilling such goals, and formulate corresponding measures when needed. These efforts embody our firm commitment to fulfilling the sustainability goals.

3.2 ESG GOVERNANCE FRAMEWORK

The Group is committed to the highest standards of business conduct and practices and raising awareness of corporate social responsibility among our employees. We have established an ESG governance framework that reflects a focus on environmental and social issues as well as business growth.

The Board, ESG working group and various departments have the following duties to oversee and evaluate ESG-related issues from top to bottom and see that every level will efficiently perform the ESG-related issues. The Board is finally held accountable for ESG strategy and reporting, to ensure the Group's strategic objectives of sustainability is in pace with our business development. We will further drive the Group to realize sustainable development.

ESG governance framework is in three levels: decision-making level, organization level and executive level, with duties at each level as below:

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

3.3 Stakeholder Engagement

The Group is deeply aware of the importance of communicating with its stakeholders, and is committed to building a regular communication mechanism, in order to proactively understand the expectations and demands of stakeholders and uphold their interest. Our stakeholders include shareholders/investors, customers, employees, business partners/peers, suppliers, regulatory agencies, and community/non-governmental organizations.

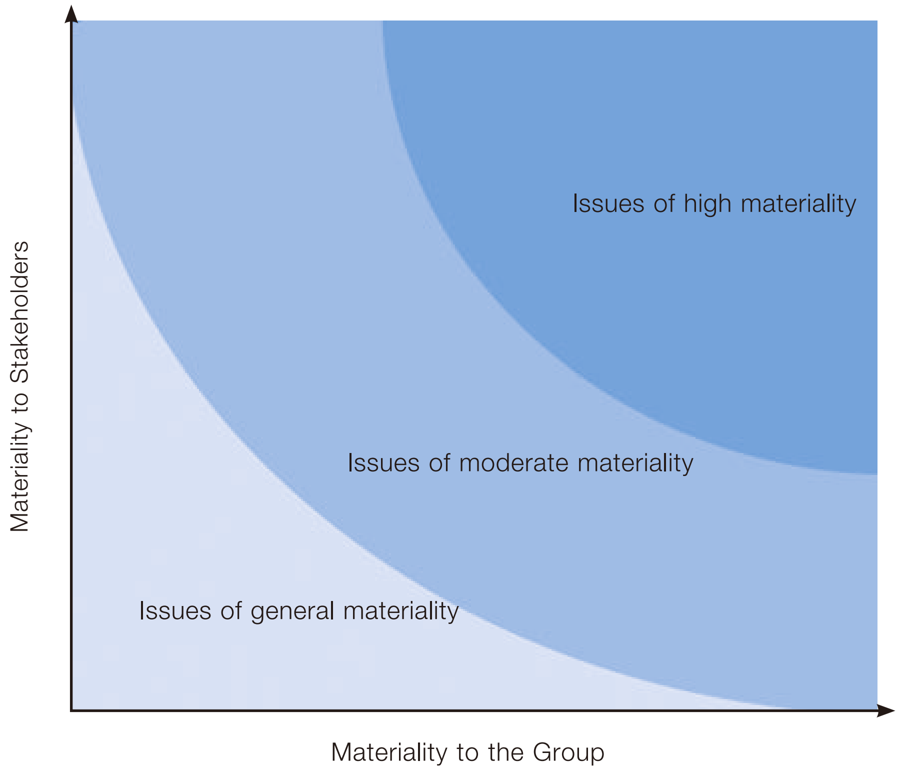
In order to effectively communicate with these stakeholders, we have maintained close communication with our stakeholders through multiple avenues. Such in-depth communication not only helps us understand and respond to the demands of stakeholders, but also enables their opinions and suggestions to be included into our ESG development planning. By optimizing our ESG management and decision making, we are committed to realizing sustainable development, which is not only successful in economic respect, but also playing an active role in social responsibility and environment protection.

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

3.4 Materiality Assessment

With reference to the ESG Reporting Guide of the Stock Exchange and the Materiality Map of the Sustainability Accounting Standards Board (SASB), and based on its own business conditions, the Group confirmed with the ESG working group and the management that the results of materiality assessment in 2022 are still applicable to the Year, since (i) there are no material changes in the business and operation environment during the Reporting Period; and (ii) the results of the materiality assessment can still address the expectations of stakeholders for the Group. According to stakeholders' analysis on the results of materiality assessment, the Group identified 23 areas relating to ESG, including nine of high materiality, eight of moderate materiality and six of general materiality.

Materiality Matrix



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

4. COMPLIANT OPERATION AND DEVELOPMENT

We are convinced that responsible operation is essential to corporate sustainable development, so we require better quality control and security of products. To this end, we strengthen quality control and security of products to ensure that our products would be in compliance with industrial standard and regulations. In addition, we are committed to exercising our responsible operation philosophy in multiple levels, in particular safeguarding customer information and privacy. While protecting trade secrets, we also insist on transparent information disclosure to increase corporate transparency and credibility.

We are working tirelessly to build a responsible, credible corporate image and bring more value and innovation for the industry. With these initiatives, we wish to bring higher quality products and services to customers, shareholders and social communities, while driving the sound and sustainable development of the entire industry.

4.1 Product Quality Assurance

The Group always prioritizes the safety and health of customers, committed to improving the quality and safety of our products through tireless effort, so as to provide better products and services for customers. We ensure that all products would comply with the quality standards, laws and regulations. All of our in-house developed products manufactured and assembled in our Suzhou manufacturing facility adopt the good production guidelines, standards and regulations in compliance with the Drug Administration Law of the People's Republic of China. In addition, our manufacturing facilities 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, to ensure the high standard of production conditions and high quality of products. Such measures and certifications embody our firm commitments to product quality and customer safety, as well as our professional level in medical device industry.

The Group regards product safety and security as one of the core missions of our business. In order to implement this principle, we have established an independent and comprehensive quality control system to implement strict quality control measures right from the R&D phase. Our quality control team is responsible for the test, inspection and review of all our products and raw materials, to ensure their compliance with quality standards and regulations. For reagents and other materials used in studies and trials, we have established strict quality control standards, to ensure that only compliant products could reach the next procedure.

Our quality management complies with the Quality Control Procedures, the Facilities and Equipment Control Procedures, the Monitoring and Measuring Equipment Control Procedures, the Labeling and Traceability Control Procedures, the Product Release Control Procedures, the Product Recall Control Procedures and the Disqualified Product Control Procedures, among a series of strict control measures, to ensure the quality of raw materials, intermediates and final products is effectively identified, labeled, and controlled. In addition, we conduct regular internal audits on the quality management system in compliance with the Internal Audit Control Procedures, while also updating and conducting training on a regular basis to ensure that our operation would meet the requirements.

We will continue to improve our quality management system and increase product and service quality, to meet customers' demands and expectations and provide better quality experience to customers.

Raw Material Inspection

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

Intermediate Inspection

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

Finished Product Inspection

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

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

4.2 Customer Service Optimization

The Group is always working hard to bring high-quality service experience to customers. We directly sell test kits to hospitals, reproductive clinics and third-party medical laboratories, and meanwhile we also sell genetic test kits through distributors network to hospitals and reproductive clinics. To provide more comprehensive services, we station our experts on site at key hospitals and reproductive clinics to provide necessary guidance and advice on setting up laboratories, and meanwhile provide the requisite equipment, technology and protocol. By the end of 2023, we helped a number of reproductive centers establish a total of 65 local laboratories. In addition, we also provide genetic test-related training to enhance clinicians and relevant staff's professional knowledge and skills. We are continuously committed to providing high-quality products and services to customers while improving our technology and capability, in order to meet the demands and expectations of our customers.

To effectively manage distributors and ensure business compliance, the Group has formulated the Administrative Measures for Clients and the Anti-Commercial Bribery Agreement. These provisions cover distributor selection, investigation, pricing, agreement, authorization, consignment, logistics, reconciliation, fund transfer, fund collection, incentive policy, returns or exchanges of products and regulating corruption and bribery among other critical issues. The Sales and Marketing Department monitors the activities of our distributors to ensure that they strictly comply with our guidelines, policies and procedures. We conduct annual reviews of our distributors on their financial performance, business performance and regulatory compliance, and duly adjust their credit terms and other commercial terms based on the review results, thus assuring customers could enjoy high standard service quality. In addition, we rely on third-party promoters to provide non-technical pre-sale and after-sale assistance to our customers. Such cooperation mode enables us to more focus on core business, and meanwhile ensure customers get sufficient supports and assistance in the process of purchase and use. Through these integrated management measures, we are committed to creating an efficient, transparent and compliant sales network, to provide excellent service experience for customers.

To further secure efficient and timely communication and feedback mechanisms, we have formulated the Customer Feedback Control Process which regulates the process and regulation for handling product complaints and recalls. This process helps us timely understand the shortcomings of our products, and take corresponding improvement measures. After receiving complaints, the Marketing Department will fill out the Customer Feedback Process Form and deliver said form together with the sample product in question (if any) to the Quality Department. After confirming the establishment of the complaint, the Quality Department will coordinate with relevant departments to form a customer complaint investigation group to deeply analyze the reason for such complaints and assist the responsible department in formulating corresponding rectification and preventive measures. After completing these steps, the Quality Department will track such measures and relay the improvement to customers in a timely manner. Such process ensures that we can effectively copy with every customer feedback, which not only increases customer satisfaction, but also enhances our product and service quality. We are committed to continuously increasing customer experience, and ensuring the continuing improvement of our products and services through these ways.

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

4.3 Innovation and Cooperation Development

The Group pays high attention to sci-tech innovation and cooperation for win-win, which is not only our core competence, but also the core driver of our continuing development. To realize this objective, we research and develop new technologies, new products, and establish stable strategic relationship with various partners, realize resource sharing and mutual benefits and promote the continuing development of the Group.

On July 4, 2023, the Group and Genea (a world leading fertility group) jointly held a strategic cooperation signing ceremony, where domestic and international top experts made in-depth discussions on the status quo of assisted reproduction field, and looked forward to the future development. The Group will provide medical entities under Genea Group with a series of full birth cycle instrument and devices, consumables and test kits, including detection kits, high-throughput gene sequencers, andrology semen detection and analysis products, and liquid nitrogen storage systems. These products will provide overall supports for medical entities, and help them make greater breakthroughs in the field of assisted reproduction.

Meanwhile, Genea will also provide valuable assistance in our product R&D process. They will participate in overseas clinical validation, provide a series of support for regulatory approval, and jointly promote our self-developed innovative products to the global market. This strategic cooperation is of great significance to the Group. Through close cooperation with Genea, the Group will further improve our coverage in assisted reproduction industry, and by virtue of Genea's wealth of medical resources and global marketing network, will realize our global profile of independently developed innovative products, which will not only promote our rapid business development, but also bring more innovations and breakthroughs in the field of assisted reproduction.

The Company signed strategic cooperation agreement with Genea

In April 2023, the Group reached strategic cooperation with China Medical Device Technical Service Co., Ltd. (中國醫療器械技術服務有限公司), a subsidiary of China General Technology Group (中國通用技術集團), giving birth to Suzhou's first "central-local" cooperation case in biomedical field. This cooperation involves ten hospitals working closely with the Group to jointly focus on full birth cycle solutions in birth health field, committed to improving industrialization level, and enhancing the market competitiveness of localized products. The two parties will by virtue of their respective technical advantages and market resources drive the R&D, production and application of relevant products, to satisfy the growing birth health requirements.

The Group signed the contract with China Medical Device Technical Service Co., Ltd., a subsidiary of China General Technology Group

This year, Suzhou Municipal Administration of Science and Technology approved and initiated the project of Suzhou Assisted Reproductive Technology Innovation Consortium that was led by the Group, and jointly sponsored by Suzhou University, Dushu Lake Hospital, Vazyme, VDOBIOTECH, Qitan Technology, Bio-X Institute, BDS BIOTECH, Ming Bioventures. We will conduct technical research, clinical validation and scientific outcomes translation in the fields of key common technologies in the assisted reproductive genetic testing industry and the localization and substitution of upstream products in the industrial chain, and practically drive the benign loop and development of this innovation consortium.

4.4 Information Security

The Group puts a high premium on information security and privacy protection of our customers. The Group strictly complies with the Law of the People's Republic of China on Guarding State Secrets, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Regulations for Safety Protection of Computer Information Systems and other laws and regulations in relation to information safety, to protect the completeness of business information. To this end, we develops the Policy on the Management of Corporate Information Safety, the Policy on the Management of Software Legalization, and the Control Procedures for Emergency Response to Software and Network Security, to effectively manage the identified information security issues and take corresponding preventive measures. We have strict regulations on the access to specific data and information, network security and intranet security. Meanwhile, we also set detailed safety standards for the use and management of software, hardware and network. We use professional firewall and anti-virus software to prevent any malicious intrusion. In addition, we have set up an emergency response team for software network security, which is responsible for the network security protection and on-site emergency response of the Group's software. We provide information security-related training and education to our employees on a regular basis, and manage the business operation records and information through practices, to strengthen the employees' awareness of security and "rule of law" and improve their professional ethics and information application. Through these measures, we are committed to maintaining a safe, reliable information environment, to protect the data security of customers and the Company.

We insist on the principles of truthfulness, objectivity and accuracy in terms of business information disclosure. We strictly comply with the Advertising Law of the People's Republic of China, to regulate the process and standard for information disclosure and ensure timely and accurate information disclosure, and firmly prevent any false and misleading description of goods. To further improve the consistency and influence of our brand, we have also formulated the Policy on Brand Publicity Management, which outlines the logo and meaning of our brand, to improve our brand marketing system. By regulating and unifying our corporate brand image, we work to raise our brand recognition and market competitiveness, to continuously enhance our brand value. These measures not only ensure the quality and transparency of information disclosure, but also help us establish and maintain a positive, credible corporate image, to provide true, reliable information reference for customers, partners and the public. We aim to build a good reputation and professional standards in the industry through such measures.

4.5 Intellectual Property Protection

The Group attaches high importance to intellectual property rights management, and is well aware of its importance to the core competitiveness of a company. The Group strictly complies with the Patent Law of the People's Republic of China, the Detailed Rules for the Implementation of the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Copyright Law of the People's Republic of China among other relevant laws and regulations, firmly committed to the development and protection of our intellectual property rights. In order to effectively protect our innovative outcomes, the Group seeks patent protection for its products and strategically protects its intellectual properties by a variety of means, including patent application, copyright protection, proprietary know-how maintenance and trade secrets security, to ensure our intellectual property rights are free from infringement. In addition, we also established a management system in compliance with the national standard GBT 29490–2013: Enterprise Intellectual Property Management, to facilitate the management and protection of our intellectual properties. Through such measures, we ensure our core technologies and innovative outcomes are effectively protected, to maintain and enhance our core competitiveness and market position. These efforts reflect our commitment to long-term development and our recognition on the importance of intellectual property rights.

As of December 31, 2023, the Group had a total of 181 registered patents, 250 trademarks, and 95 software copyrights and 30 domain names. In addition, we have also registered 4 trademarks in Hong Kong. Besides, we submitted 128 patent applications in China. Among them, "A kind of nucleic acid library construction method and its application in the analysis of chromosomal abnormalities in pre-implantation embryos" won the second prize of Suzhou Excellent Patent Award.

苏州市优秀专利奖证书

苏州贝康医疗器械有限公司：

你单位专利：一种核酸文库构建方法及其在植入前胚胎染色体结构异常分析中的应用（专利号：ZL202011094180.6），荣获2022年度苏州市优秀专利奖二等奖。

特发此证，以资鼓励。

苏州市人民政府

To ensure the safety of trade secrets and sensitive information, we take strict confidentiality measures, for example, we have entered into confidentiality agreements with all employees, in particular we have entered into non-competition agreements with our senior management, key members of our R&D team and other employees who have access to trade secrets or confidential information about our business, to further secure the Company's interest and benefits. Our standard employment contract contains a special confidentiality clause, which clearly stipulates that we retain the ownership of all innovations, technical know-how and trade secrets developed by employees during their employment. These measures ensure our trade secrets and critical technologies will not be misused or disclosed, and meanwhile provide solid legal security for the long-term development of the Company and the maintenance of our core competitiveness. We are committed to creating a safe, reliable working environment, in the mutual interests of the Company and our employees through such measures.

4.6 Anti-corruption and Transparency Construction

The Group is deeply aware of the importance of business ethics, and always upholding the operating principles of integrity, fairness and transparency. We fully comply with the Supervision Law of the People's Republic of China, the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Notice of Further Strengthening the Investigation and Punishment on the Unfair Competition Cases in Medical Field, the Plan for Special Rectification in the Field of Medical Supplies and other relevant laws and regulations, committed to maintaining a transparent, compliant operating environment. We understand that the compliance of such laws and regulations and the maintenance of business ethics at high standard are crucial to the long-term corporate development. Therefore, we strictly perform these principles in ordinary operations, and always consider the regulatory requirements and ethic standards in decision-making process. In such manner, we ensure the Company keeps high transparency and accountability in all business activities.

The Employee Handbook sets forth the code of conduct and ethics, emphasizing that all business activities be conducted with a high degree of integrity and sincerity. In addition, we have entered into the Anti-commercial Bribery Agreement with all authorized distributors to avoid any violation of laws and disciplinary regulations for the purpose of ensuring the legitimacy and morality of all market behaviors. To further improve anti-corruption and integrity management, we formulated the Whistleblowing Management System to encourage employees and other parties with business relationship with the Group to report any suspected misconducts, frauds, and illegal or unethical behaviors via phone, e-mail, letter or other channels. The purpose of this system is to timely identify and rectify such misconducts. We will try our best to timely address all reports carefully, and make necessary rectifications. Meanwhile, we will also protect the legal rights of whistleblowers, to ensure that they will not suffer any unfavorable effect during the reporting process.

To effectively strengthen the compliance training for major risks, the Company organizes regular compliance training programs for all employees. These training programs cover the publicity and implementation of relevant laws, regulations, case studies and corporate policies. During the Reporting Period, we launched the Anti-commercial Bribery Themed Training for entire employees, to analyze relevant cases of medical industry, explain the legal liabilities in commercial bribery and provide them with compliance advice, so as to increase their recognition and understanding of laws and regulations against commercial bribery. In addition, we conducted "Anti-commercial Bribery Compliance Training" specifically for commercial marketing staff. Through such special training programs, we wish to enhance employees' compliance awareness, ensure that they could comply laws, regulations and corporate policies during all business activities, and thus protect the Company's lawful interests and benefits and good reputation. These efforts reflect our commitment to creating a high standard compliance culture.

During the Reporting Period, we provide anti-corruption training programs for all Directors and employees to improve the anti-corruption and integrity education.

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

4.7 Supply Chain Management

The Group is firmly committed to establishing close cooperation relationship with suppliers to jointly enhance their sustainability performance in the industry. The Group strictly complies with the Bidding Law of the People's Republic of China, the Regulation on the Implementation of the Bidding Law of the People's Republic of China and other laws and regulations, and has mapped out detailed internal rules. These rules cover procurement process, supplier evaluation, audit, and approval processes, in order to ensure we can obtain excellent supply quality and service. Through such strict processes and standards, we ensure the legality, validity and reliability of supply chain, and meanwhile strengthen the cooperative relationship between suppliers and us. These measures not only increase the overall quality of supply chain, but also lay a solid foundation for us to realize the long-term objective of sustainable development. We will continue working closely with suppliers, optimizing supply chain management and jointly promoting the healthy development of the industry.

We evaluate suppliers based on a series of strict standards, to ensure the quality and reputation of partners. These standards include qualifications, business reputation, production capacity, technological strengths, quality management capability, after-sales service capability and product price among other key aspects. In addition, we emphasize ESG risk management of our suppliers, involving whether suppliers comply with all applicable laws, prohibition of corruption, respect for basic human rights of employees, responsibility for health and safety of employees, and whether they comply with statutory and international standards related to environmental protection. In selecting suppliers, if there are two similar products, we give priority to local products, in particular those with less packaging and higher energy efficiency. This is not only conducive to the reduction of greenhouse gas emissions generated during production and transportation, but also part of our active response to green procurement policy. Through such comprehensive yet strict suppliers evaluation system, we ensure the efficiency and accountability of procurement, and meanwhile drive the sustainable development of entire supply chain.

The Procurement Department has important responsibilities for developing procurement plans, placing orders with suppliers and managing suppliers relationship. We usually make and enter into one-year agreements with our suppliers which will be evaluated and renewed from year to year. In order to ensure the quality of raw materials and the reliability of supply, we maintain a list of qualified raw material suppliers. This list will be reviewed and updated on an annual basis in consideration of the suppliers' production facilities, production quality, prices, business scale, market share and reputation among other key factors. Meanwhile, we have maintained long-term business relationships with suppliers who consistently provide raw materials in sufficient volumes and with high quality. Such long-term cooperation not only helps secure our production stability and product quality, but also helps deepen the mutual trust and cooperation between suppliers and us, and thus brings greater business value and stable supply chain for both parties. Through such strict management processes and standards, we ensure the efficiency of procurement and the overall quality of supply chain.

We have established a complete set of procedures and guidelines, covering raw material procurement, quality control checks, warehousing, testing and storage among other processes, to ensure the quality of our supply chain. In procuring raw materials, our Research and Development Department will develop specific quality requirements, to ensure the raw materials acquired from suppliers comply with our quality standards. Meanwhile, the Quality Control Department is responsible for supervising and managing the quality of consumables, to ensure the quality is controllable in production process. We request some of our key suppliers to sign quality assurance agreements and be responsible for any substandard raw materials or any raw material directly causing quality defects. Under our standard supplier contract, we have the right to return or exchange products if quality issues are discovered during inspection or use of the products. We require our suppliers to provide complete inspection reports on raw materials at the time of delivery. Our quality control staff will select samples from each batch of raw materials upon delivery and inspect them against our quality standards. We will temporarily store the raw materials that fail to meet our quality standards in a separate area, and then return them timely to suppliers. Through this set of quality management system, we ensure the high standard of our raw materials, and ensure our products could fulfill customers' expectations and market demands. This process not only improves our product quality, but also enhances our market competitiveness.

Our major suppliers are primarily those who supply raw materials and machinery and equipment. During the Reporting Period, the Group had a total of 84 suppliers located in the below regions, who are involved in our business operations and exercising relevant practices:

Type	Region	Number of Suppliers
Raw materials	Jiangsu Province	23
	Shanghai	15
	Guangdong Province	11
	Beijing	1
	Hunan Province	1
	Tianjin	1
Equipment	Jiangsu Province	15
	Shanghai	11
	Guangdong Province	5
	Zhejiang Province	1

5. HUMAN RESOURCE MANAGEMENT

Employees are at the core of our business operations and product development and are also our most valuable assets. Therefore, we attach great importance to talent management and strive to achieve the effective allocation of human resources to build an efficient and collaborative team. Through the optimization of our talent management strategies, we are not only able to attract and retain the outstanding talents in the industry, but also ensure that the skills and potential of our employees are maximised, thereby driving the business development and product innovation of the Group. We believe that by providing them with growth and promotion opportunities, we can jointly create greater business value and social impact. As at December 31, 2023, the Group had 586 employees in total.

5.1 Equal Employment

The Group is in strict compliance with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Regulations on Prohibition of the Use of Child Labor and other laws and regulations related to labor and employment. In order to ensure the effective implementation of these regulations, we have developed a series of internal management systems, including the Human Resources Control Procedures, the Recruitment Management Policy, the Labor Contract Management Policy, the Employee Handbook, the Performance Management Policy and the Internal Employee Appointment and Reassignment Policy, so as to create a fair, equitable, inclusive and diverse working environment and also fully protect the interests and benefits of our employees. We believe that by providing employees with a good working environment and reasonable career development opportunities, it can enhance employees' satisfaction and loyalty, thereby improving the operational efficiency and business performance of the Group. We will continue to be committed to protecting and respecting the rights and interests of our employees and constantly improving our human resource management level.

We uphold the equal employment, and recruit employees in the principles of "openness, equality, competition and merit" by considering the candidates' academic qualifications, work experience and skills, to ensure they meet the job requirements. In addition, the Human Resources Department is required to submit annual recruitment plans to support the strategic development of the Company. In the recruitment process, our Human Resources Department and the head of the department will conduct a dual assessment to ensure that there is no discrimination against candidates in relation to gender, age, nationality, religion, family status and race as well as other factors protected by the law. We will also verify the backgrounds of candidates, including but not limited to identity, academic information, adverse records, credit information, litigation records, work history and job evaluation, to prevent child labor and other forms of illegal labor. We enter into employment contracts with employees to specify their wages, benefits, dismissal and other terms, and strictly adhere to the standard working hours policy to avoid any form of forced labor and labor exploitation. The Group will deal with any violations in accordance with the law to protect the legitimate rights and interests of employees, while maintaining a fair, transparent and efficient recruitment system.

We have developed the Employee Handbook to regulate all aspects of human resources management, such as recruitment, promotion, dismissal, remuneration, working hours and holidays. The Company is committed to cultivating and developing talents and prioritizes internal promotion of employees with good performance and potential when there are any vacancies within the Company To optimize our human resources management, we have implemented the exit interview procedure to understand the reasons for employees' departure through the interview and make corresponding records. This practice helps us better understand the needs of our employees and continuously improve our management strategies and working environment. In terms of dismissal procedures, we strictly comply with the relevant provisions of the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China to avoid unfair or unreasonable dismissals. Through these measures, we are committed to creating a fair, respectful and progressive environment for our employees.

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

5.2 Employee Remuneration and Benefits

The Group is committed to establishing a business objective-oriented compensation system that is closely linked to employees' performance, so as to ensure fair and reasonable compensation distribution. We provide competitive remuneration and benefits for employees, in order to attract and retain outstanding talents. Our remuneration structure is based on employees' attendance records and performance evaluation, which ensures fair remuneration for employees. To keep our compensation system in line with the market and competitive, we evaluate market conditions on a regular basis and adjust remuneration level based on the market changes. In addition, we have adopted a share incentive scheme to reward our employees for their long-term services and contributions to the Group, which will inspire employees to demonstrate their proactivity and creativity. Through these measures, we not only ensure the motivation and loyalty of our employees, but also improve our talent attraction and employee satisfaction, helping to build a productive and motivated working environment.

The Group maintains pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund for eligible employees in accordance with national policies, to ensure that employees receive comprehensive social security. The Group also provides employees with commercial supplementary medical insurance. In addition to statutory festivals and holidays, the Group provides employees with leave for personal affairs, sick leave, annual leave, compensatory leave, marriage leave, bereavement leave, maternity leave, prenatal check-up leave, breastfeeding leave and paternity leave, to maintain work-life balance for employees. Work meal allowances, business trip allowances, accommodation allowances for employee dormitory, holiday gifts, childbirth gifts, and condolence gifts due to sickness and hospitalization will be offered to our employees, as appropriate. Besides, we have established the "EAP Employee Caring Scheme" to provide our employees with long-term support and welfare, covering aspects such as disease care, psychological counseling and legal aid. Such scheme provides guidance, trainings and consultation to its employees by professionals to help them cope with difficulties in life and work, improve their work and life quality, and promote mental well-being development. All of these measures reflect our deep care for our employees and our ongoing commitment to improving their well-being.

5.3 Employee Health and Safety

The Group is committed to providing a safe and healthy working environment for employees. We stringently comply with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Production Safety, the Law of the People' Republic of China on Fire Protection, the Regulations Governing the Supervision of Occupational Health at Workplaces, the Work Injury Insurance Regulations and other laws and regulations. Through these measures, we ensure that the health and safety standards of the working environment are effectively maintained, thereby safeguarding the physical and mental health and safety of our employees. We believe that providing a safe and healthy workplace for our employees is not only a legal obligation, but also an important part of our corporate responsibility and corporate culture. By doing so, we are committed to fostering a positive and healthy working environment that promotes the overall well-being of our employees and sustainable growth of our business.

We have formulated a series of policies and procedures related to measures to reduce exposure to occupational hazards, including the Policy Governing Occupational Health and Safety, the Policy Governing Safety Warning Signs and Safety Protection and Accident Contingency Plan, to define the responsibilities of each unit for the management of production safety. Our management covers production safety, special equipment and staff operation, high-risk production activities, hazardous materials disposal, fire safety, safety risk detection and management as well as inspection of on-site safety risks, so as to provide a sound and safe working environment for employees. To enhance employee awareness and knowledge of safety, we require employees with specific responsibilities (such as equipment operators) to possess necessary qualifications, and also provide regular and annual safety training to all employees. These are designed to improve employees' understanding of safety procedures and their ability to prevent and respond to incidents. In addition, we also provide three-level safety education training for new comers to comprehensively enhance their safety knowledge and awareness. We are committed to creating a safe working environment and protecting the health and safety of our employees through these measures.

In order to ensure the safety of the production site, we conduct hazard factor inspections on a regular basis to assess and ensure the safety of equipment and production plants. Thus we work with professional occupational health service agencies to carry out occupational health exams for our employees of relevant positions based on the test items and cycles specified in the Report on Testing Hazardous Factors in Occupational Diseases. We have also established the occupational health monitoring archives to record and provide feedback on employees' health information in a timely manner, so as to prevent occupational hazards and protect the health of employees. By doing this, we not only comply with the relevant regulations, but also demonstrate a high level of responsibility for the health of our employees. Regular hazard factor checks and occupational health screenings help identify and address potential safety and health risks, thereby providing a safer and healthier working environment for employees. All of above also demonstrate our commitment to improving workplace safety and promoting employee health.

The Group attaches great importance to the mental health of its employees and recognizes its importance in maintaining a good working environment and enhancing work efficiency. To this end, we actively organize various activities, aiming to enhance the cohesion between the team, enrich the leisure life of employees, and enhance the overall happiness of employees. We aim to create a positive and supportive working environment, thereby enhancing the overall productivity and our corporate culture through these initiatives.

During the Reporting Period, each department organized its own team building activities every quarter to enhance the emotion among employees, during which a total of 586 employees participated in 2023.

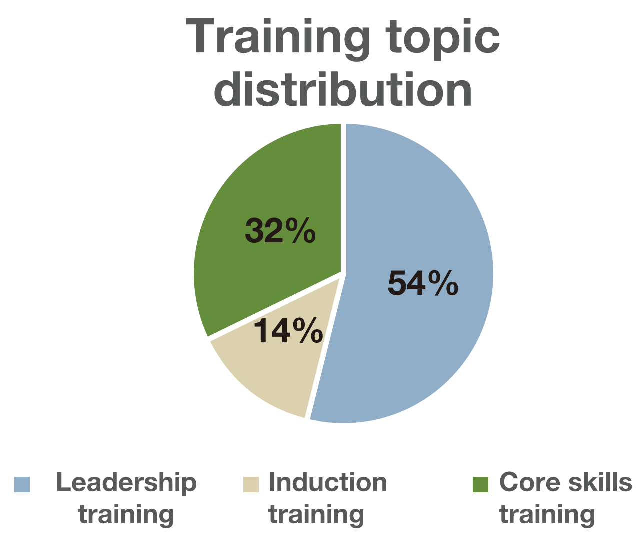
During the Reporting Period, the Group did not have any breach of relevant laws and regulations related to the provision of a safe working environment and the protection of employees from occupational hazards, nor had any accidents occurred involving work injuries. In the past three years (including the Reporting Period), the Group had not recorded any work-related fatalities.

5.4 Employee Training and Development

We deeply recognize that employee development is critical to the sustainable growth of the Group. To this end, we constantly improve our employee training system and carry out a variety of training activities, aimed at enabling employees to acquire knowledge and skills in line with the Group's development, as well as promoting their personal growth and occupational development.

During the Year, the Group was committed to comprehensively improving the management capabilities of managers and employees in all departments, integrating new forces, focusing on marketing empowerment, and deepening their understanding and integration into the corporate culture. In terms of training, we aimed to enhance the internal professional ability while strengthening the external support and communication, and conducted training from the four dimensions of management capacity, professional skills, induction training and universal ability. This all-round capability enhancement was not only essential for building a high-performing team and talent pool, but also laid a solid foundation for improving professional clinical service capabilities and comprehensively expanding the business. We aimed to maximize the potential of our human resources to achieve the strategic objectives of the Company.

During the Reporting Period, by combining offline training and seminars with trainings on the online Basecare Academy platform through the construction of a job training system and customized key talent development projects, the Group has initially formed a training and learning atmosphere within the Company. Details of the various types of training during the Year are as follows:



We adopt a variety of assessments methods to ensure the effectiveness of employee training, including raising questions on the spot, holding theoretical examinations or actual operations, so as to comprehensively assess the knowledge and skills acquired by employees during the training process. Moreover, the Human Resources Department will circulate a Training Questionnaire after training to collect feedback and suggestions from the trainees, including an evaluation of the trainers, the training contents and the overall training program. Employees' feedback is an important reference for us to improve and optimize the training programs, and helps us to continuously improve the quality and effectiveness of training. Through these comprehensive evaluation and feedback mechanisms, we strive to improve the effectiveness of training, ensuring that each training meets the needs of employees and promotes their career development, while also supporting the achievement of the Company's strategic objectives.

6. ENVIRONMENTAL PROTECTION

The Group is firmly committed to pursuing green operations and incorporating environmental protection concept into its daily operations. In strict accordance with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on Control and Prevention of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes and other laws and regulations, we constantly optimize our resources consumption structure and promote energy conservation and emission reduction, so as to minimize the impact of our business operations on the environment. Through these unremitting efforts, we aim to maintain a more environmentally friendly and sustainable development, and make our own contributions to the environmental protection of the earth.

During the Reporting Period, the Group did not have any breach of environmental protection laws or major accidents affecting the environment and natural resources, nor did it receive any notice of penalties or litigation involving environmental issues.

We will maintain the energy consumption, water consumption, greenhouse gas (GHG) emission and waste generation intensity based on the data in the previous year. We will continuously monitor the progress for fulfilling the target and implement energy saving and emission reduction measures. During the Year, the intensity of purchased electricity consumption increased compared to last year, the intensity of water consumption decreased, and the intensity of GHG emissions and non-hazardous waste generation remained unchanged.

6.1 GHG Management

The Group is committed to taking measures to mitigate the risks of global warming in response to the national strategic objectives of "carbon neutrality and carbon peak". We have carried out GHG emission inspection with reference to the GHG Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 set by the International Organization for Standardization. We strive to continuously reduce GHG emissions in our operations and promote the development of low-carbon businesses. Through these measures, we aim to contribute to the achievement of global environmental protection objectives and to promote the Group's progress on the path of sustainable development.

We have developed the Policy on the Management of Energy Conservation and Emission Reduction and established a dedicated leading group of energy conservation and emission reduction to reasonably optimize energy efficiency and reduce resource waste. Through optimizing the energy structure, monitoring energy consumption data and improving management methods, we aim to build an efficient energy management mechanism. Moreover, we are also committed to integrating the core concepts of low-carbon and energy-saving into our operation and management and the entire life cycle of product R&D and production, so as to mitigate the impact of our business activities on the environment. These initiatives not only help us improve the energy efficiency and sustainability, but also help to promote our environmental goals, ensuring that we are pursuing economic benefits while also actively protecting the environment.

Based on the inspection results, the GHG emissions from the Group's headquarters office and production base in Suzhou during the Reporting Period are as follows:

GHG emission[1]		Unit	2023
Scope 1:	Direct GHG emissions	tCO_2e	19.02
Scope 2:	Direct GHG emissions	tCO_2e	625.10
Total GHG emissions		tCO_2e	644.12
Intensity of GHG emissions		tCO_2e/m^2	0.08

We recognize that vehicles are our main direct source of air pollution and that carbon emissions are primarily from the use of electricity. In order to protect natural resources and minimize our impact on the environment, we have taken a number of measures to reduce vehicle emissions, implement various energy-saving measures in the office area, and encourage employees to raise their awareness of energy conservation. Specific measures are set out below:

Directions	Measures
Reduce the use of vehicles to reduce air pollutants and carbon emissions	Arrange regular inspection and maintenance for vehicles
	Monitor the fuel consumption of vehicles
	Encourage employees to elect public transport
	Promote the use of video conference
Reduce electricity consumption to reduce carbon emissions	Set up separate zones with controllable lighting switch systems
	Select lamps with high energy efficiency
	Regularly maintain the lighting and air conditioning systems
	Control the temperature of the air-conditioning systems in office area based on actual demand
	Turn off unnecessary electronic devices in a timely manner

6.2 Water Resource Management

The Group recognizes the importance of water resources for the sustainable development of an enterprise. To this end, we monitor and analyze water consumption in business operations on an ongoing basis, and implement a series of measures to promote the concept and habit of water saving among our employees, so as to optimize our water management and ensure the efficient and economical use of water resources. Specific measures are as follows:

- Pure water system is strictly controlled and can only be turned on with the permission of the Production Department or during regular drainage or waterway inspection to minimise unnecessary water consumption;

- Water saving reminder signs are posted in a prominent place in the restrooms, employees are encouraged to turn off the taps after use and effectively use the dual-flush toilets, so as to further enhance the awareness of water conservation;

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

- Water pipe leakage testing is conducted on a regular basis, and if water leakage is found, the meter reading and leakage detection will be arranged immediately. Once water leakage is discovered, qualified personnel will be assigned to carry out maintenance to avoid unnecessary waste of water resources.

During the Year, our water density decreased due to the implementation of various management systems for inspection, repair and maintenance of water facilities, the promotion of water conservation awareness at the morning meeting and the strengthening of water consumption supervision through regular meter reading, so as to detect and solve water problems in a timely manner.

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

6.3 Waste Management

To effectively manage the waste disposal and reduce the negative impact of waste on the environment, we formulated and implemented the Waste Treatment Procedures to systematically manage the waste we generated, including the storage and disposal of waste, and keeping disposal records of waste. The waste we generated mainly includes hazardous waste and non-hazardous waste as set out in our waste management strategy. Hazardous waste includes medical waste and chemical reagents, and non-hazardous waste includes general domestic waste and recyclables. Besides, the Group proactively cooperated with professional third-party environmental protection institutions on the disposal of waste, in order to minimize the environmental pollution of the waste and avoid any adverse impact on human health.

In terms of the disposal of non-hazardous waste, we use dedicated separation bins or other suitable facilities to collect paper, metal and plastic for recycling or environmental processing. For the management of hazardous waste, we adopt more stringent measures, including the use of special yellow medical waste disposal bins for isolated storage. For special hazardous waste, we also put it into a special sterilization container, and dispose it through autoclaving treatment to effectively avoid its potential threats to the environment and public health. Based on the actual amount and nature of waste, we will regularly cooperate with and appoint a third-party environmental protection institution with a Hazardous Waste Business License to recycle and treat hazardous waste to ensure effective pollution control. The Group is committed to continuously reducing its impact on the environment through these measures.

Furthermore, the Group has proactively taken measures to reduce the generation of waste at source. To achieve that goal, we have adopted an electronic office system (ERP system) to fundamentally reduce documents printed and paper consumption. In cases where it is unavoidable to print documents, we encourage employees to use double-sided printing to conserve paper. Meanwhile, we encourage employees to transmit information with modern electronic communication methods such as e-mail and instant messaging to reduce the use of paper letter. In terms of material procurement, we avoid excessive procurement by assessing the actual demand for materials, thereby reducing unnecessary waste generation. We also encourage employees to reuse stationeries such as envelopes and binders. We are committed to achieving the goals of waste reduction and resources recycle through these measures.

6.4 Climate Change Management

Global climate change has a profound impact on human living environment and the sustainable growth of enterprises. In the face of such challenge, it has become a global consensus to take actions to deal with climate changes. As a leading enterprise within the pharmaceutical industry, we are fully aware of the potential impact of climate change on our business operations. We have initiated climate risk assessment to identify and evaluate the potential risks associated with our business operations and develop appropriate risk mitigation strategies accordingly. Through these efforts, we aim to contribute to the mitigation of global climate change trends while ensuring the sustainable development of our business.

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

Physical Risk

In the face of climate warming and frequent extreme weather events caused by global climate change, such as typhoons and heavy rains, the Group may be exposed to the risk of damage to facilities such as offices, production sites and laboratories. These weather events may threaten the safety of employees, and lead to production interruption, which may in turn affect the Company's stable operations and cause property damage. Furthermore, the use of more cooling devices in office areas due to rising temperatures may increase energy consumption and economic costs.

To address these potential risks, the Group has actively developed contingency plans to minimize the impact of extreme weather events on our operations. Meanwhile, we will continue to promote energy-saving and emission reduction to lower energy consumption and emission, and adopt sustainable operation approaches to mitigate the adverse impact on the environment. We aim to achieve the sustainable development of the Company and make a positive contribution to environmental protection through these measures.

Transition Risk

With the growing concern for sustainable development from all sectors, the government is expected to introduce more stringent environmental policies and emission reduction measures. However, if we cannot adapt to these environmental changes in time, we may face a series of challenges such as increased costs and fines for violations. To ensure future compliance, we may turn to more efficient equipment and technologies, which will incur higher costs. Moreover, we shall also pay close attention to the impact of climate change on market demand, and if we fail to respond effectively to such changes, we may suffer damaged reputation, loss of market competitiveness, and even loss of property.

Therefore, the Group will keep a close eye on environment-related laws, regulations and policy developments and take appropriate adaptation measures in a timely manner. We will strive to actively respond to environmental requirements by improving energy efficiency.

7. ASSUMING SOCIAL RESPONSIBILITY

The Group recognizes the importance of establishing a stable and effective communication mechanism with the community in the process of growing business. We adhere to seeking for development while actively serving and giving back to the society, so as to practise our corporate social responsibility. Moreover, we also strive to build a mutually beneficial relationship with the community, and enhance the awareness and enthusiasm of all employees for social participation while facilitating the development of the community. During the Year, by taking into account our business characteristics and technological advantages, we focused on community activities related to the medical profession, and sought to promote the sustainable development of the community in an all-round way through such activities.

On December 15, 2023, the “Ai Wu Que (愛無缺)” Yunnan Red Cross Basecare Public Welfare Fund Pre-pregnancy Genetic Disease Carrier Screening Program (雲南省紅十字貝康公益基金孕前遺傳病携帶者篩查公益計劃) was officially launched in Kunming. With the scientific and technical support provided by the Group and the specific screening work implemented by the Yunnan Red Cross, the program will help 1,000 couples in Yunnan Province to complete the pre-pregnancy screening items, help them understand the situation of carrying genes for genetic diseases, and will also apply for three generations of IVF assistance for families with genetic disease risk, so as to effectively reduce the burden of family and society, and avoid the occurrence of birth defects. We will vigorously support and cooperate with the specific development and implementation of the program, and actively promote the implementation of more related disease screening public welfare programs, benefiting people’s dream for birth health!

APPENDIX I: SUSTAINABILITY DATA HIGHLIGHT

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

	Unit	2023
Emission[1]		
Nitrogen oxides	kg	76.05
Sulphur oxides	kg	0.10
Suspended particles	kg	7.29
Greenhouse gas emission		
Direct greenhouse gas emission (Scope 1)	tCO_2e	19.02
Indirect greenhouse gas emission (Scope 2)	tCO_2e	625.10
Total greenhouse gas emissions	tCO_2e	644.12
Greenhouse gas emission intensity	tCO_2e/m^2	0.08
Energy consumption		
Gasoline consumption	L	7,132.52
Purchased electricity consumption	kWh	1,096,091.00
Purchased electricity consumption intensity	kWh/m^2	143.56
Water consumption		
Total water consumption	m^3	2,924.00
Water consumption intensity	m^3/m^2	0.38
Waste production		
Total non-hazardous waste produce	tonnes	26.92
Intensity of non-hazardous waste produced	$tonnes/m^2$	0.004
Total hazardous waste produced tonnes	tonnes	2.96
Intensity of hazardous waste produced	$tonnes/m^2$	0.0004
Packaging materials		
Carton	kg	756.00
Paper	kg	84.00

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

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

	Unit	2023
Total number of employees	Person	586
Employees by gender		
Female	Person	327
Male	Person	259
Employees by employment type		
Junior employee	Person	519
Middle management	Person	46
Senior management	Person	21
Employees by age group		
Below 30	Person	359
30–50	Person	222
Above 50	Person	5
Employees by geographical region		
Eastern China	Person	413
Central China	Person	21
Southern Chin	Person	55
Northwestern	Person	21
Northern China	Person	6
Northeastern China	Person	6
Total Others (including Hong Kong, Macao and Taiwan)	Person	64

	Unit	2023
Total employee turnover rate[2]	%	20.84
Employee turnover rate by gender[2]		
Female	%	9.18
Male	%	11.66
Employee turnover rate by age group[2]		
Below 30	%	11.47
30–50	%	9.37
Above 50	%	0.00
Employee turnover rate by geographical region[2]		
Eastern China	%	15.68
Central China	%	0.57
Southern China	%	3.25
Northwestern China	%	0.96
Northern China	%	0.19
Northeastern China	%	0.19
Total Others (including Hong Kong, Macao and Taiwan)	%	4.86

	Unit	2023
Development and training		
Percentage of employees trained by gender[3]		
Female	%	55.80
Male	%	44.20
Percentage of employees trained by employee category[3]		
Junior employee	%	88.57
Middle management	%	7.85
Senior management	%	3.58
Average training hours completed per employee by gender[4]		
Female	Hour	58.85
Male	Hour	58.85
Average training hours completed per employee by employee category[4]		
Junior employee	Hour	32.55
Middle management	Hour	52.84
Senior management	Hour	61.64

3 Percentage of employees trained = number of employees trained in this category ÷ total number of employees x 100%

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

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

			Relevant Section
A. Environmental			
A1: Emission	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6 Environmental Protection — 6.1 GHG Management; 6.3 Waste Management
	A1.1	The types of emissions and respective emissions data.	Appendix I: Sustainability Data Highlight
	A1.2	Direct (scope 1) and indirect energy (scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6 Environmental Protection — 6.1 GHG Management; Appendix I: Sustainability Data Highlight
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Highlight
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Highlight
	A1.5	Description of emissions targets and the steps taken to achieve such targets.	6 Environmental Protection — 6.1 GHG Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6 Environmental Protection — 6.3 Waste Management;

			Relevant Section
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6 Environmental Protection — 6.1 GHG Management; 6.2 Water Resource Management
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Highlight
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I: Sustainability Data Highlight
	A2.3	Description of energy use efficiency initiatives and results achieved.	6 Environmental Protection — 6.1 GHG Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	6 Environmental Protection — 6.2 Water Resource Management
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix I: Sustainability Data Highlight
A3: Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	6 Environmental Protection
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6 Environmental Protection
A4: Climate Change	General Disclosure	Identification of policies on the significant climate-related issues which have impacted, and those which may impact, the issuer.	6 Environmental Protection — 6.4 Climate Change Management
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them.	6 Environmental Protection — 6.4 Climate Change Management

			Relevant Section
B. Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	5 Human Resource Management — 5.1 Equal Employment; 5.2 Employee Remuneration and Benefits
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Sustainability Data Highlight
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Highlight
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5 Human Resource Management — 5.3 Employee Health And Safety
	B2.1	Number and rate of work-related fatalities in each of the past three years (including the reporting year).	5 Human Resource Management — 5.3 Employee Health And Safety
	B2.2	Lost days due to work injury.	5 Human Resource Management — 5.3 Employee Health And Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5 Human Resource Management — 5.3 Employee Health And Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5 Human Resource Management — 5.4 Employee Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Sustainability Data Highlight
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Sustainability Data Highlight

			Relevant Section
B4: Labor Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5 Human Resource Management — 5.1 Equal Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	5 Human Resource Management — 5.1 Equal Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	5 Human Resource Management — 5.1 Equal Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	4 Compliance Operation and Development — 4.7 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	4 Compliance Operation and Development — 4.7 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4 Compliance Operation and Development — 4.7 Supply Chain Management
	B5.3	Description of practices relating to identifying environmental and social risks at each link of the supply chain where the practices are being implemented, how they are implemented and monitored.	4 Compliance Operation and Development — 4.7 Supply Chain Management
	B5.4	Description of practices relating to selecting suppliers to promote the use of green products and services where the practices are being implemented, how they are implemented and monitored.	4 Compliance Operation and Development — 4.7 Supply Chain Management

			Relevant Section
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4 Compliance Operation and Development — 4.1 Product Quality Assurance; 4.2 Customer Service Optimization; 4.4 Information Security
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4 Compliance Operation and Development — 4.1 Product Quality Assurance
	B6.2	Number of products and service related complaints received and how they are dealt with.	4 Compliance Operation and Development — 4.2 Customer Service Optimization
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4 Compliance Operation and Development — 4.5 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	4 Compliance Operation and Development — 4.1 Product Quality Assurance
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4 Compliance Operation and Development — 4.4 Information Security
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4 Compliance Operation and Development — 4.6 Anti-corruption and Transparency Construction
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4 Compliance Operation and Development — 4.6 Anti-corruption and Transparency Construction
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4 Compliance Operation and Development — 4.6 Anti-corruption and Transparency Construction
	B7.3	Description of anti-corruption trainings provided to directors and employees.	4 Compliance Operation and Development — 4.6 Anti-corruption and Transparency Construction

			Relevant Section
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7 Assuming Social Responsibility
	B8.1	Focus areas of contribution.	7 Assuming Social Responsibility
	B8.2	Resources contributed to the focus area.	7 Assuming Social Responsibility

KPMG

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

OPINION

We have audited the consolidated financial statements of Suzhou Basecare Medical Corporation Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 100 to 170, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Revenue Recognition	
Refer to Note 4 to the consolidated financial statements and the accounting policies on page 119.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's revenue is primary derived from sales of testing kits, testing devices, instruments and consumables. The Group recognises revenue at the point in time when control of the goods is transferred to the customers. Depending on the terms of the contracts, this point in time is determined by when goods leave the Group's warehouse, loaded on board, or delivered to the customer's premises or a location designated by the customer. We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and is, therefore, subject to possible manipulation through the timing of revenue recognition to meet targets or expectations and also because the impact of any errors in the recognition of revenue could be material to the consolidated financial statements.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition; • inspecting, on a sample basis, sales contracts with key customers to identify terms and conditions relating to the transfer of control and assessing the Group's policies in respect of the recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year-end date with shipping documents or goods acceptance notes, as applicable under the different sales contracts, invoices and sales contracts ("**underlying documentation**"), to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts; • comparing revenue transactions recorded during the current year, on a sample basis, with underlying documentation to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies; • obtaining confirmations , on a sample basis, from customers of the Group to confirm the sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation; and • inspecting manual journal entries relating to revenue recognition during the year which were considered to meet specific risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

KEY AUDIT MATTERS *(Continued)*

Expected credit loss allowances for trade receivables	
Refer to Note 19 to the consolidated financial statements and the accounting policies on page 112.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2023, the Group's gross carrying amount of trade receivables amounted to RMB196.1 million, against which an allowance of RMB43.1 million for expected credit losses (ECLs) was recorded. Management measures the ECL allowance for the trade receivables at an amount equal to lifetime ECLs. The ECL allowance is estimated using a provision matrix. The estimated loss rates take into account the ageing of trade receivable balances and the repayment history of the Group's customers. We identified the ECL allowance for trade receivables as a key audit matter because determining the level of the ECL allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the ECL allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the ECL allowance; • evaluating the Group's policy and method for estimating ECLs with reference to the requirements of the applicable accounting standard; • assessing whether items in the trade receivables ageing report were categorised in the appropriate time-band by comparing individual items therein with sales invoices and other underlying documentation, on a sample basis, and testing the accuracy of the historical credit loss data; • re-performing the calculation of the ECL allowance as at 31 December 2023 based on the Group's ECL policy and method.

KEY AUDIT MATTERS *(Continued)*

<table>
<tr><th colspan="2">Assessing potential impairment of goodwill</th></tr>
<tr><td colspan="2">Refer to Note 15 to the consolidated financial statements and the accounting policies on page 115.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2023, the carrying amount of goodwill amounted to RMB147,990,000, which arose from the acquisition of BMX Holdco Pte. Ltd. and its subsidiaries (collectively referred to as the “BMX Group”) in June 2023.

Management performs annual impairment assessment of the goodwill by comparing the carrying value of the cash-generating unit (“CGU”) to which goodwill was allocated to the recoverable amount estimated based on discounted cash flow forecast to determine if any impairment loss should be recognised. The Group engaged an external valuer to assist in goodwill impairment assessment.

The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in assessing future revenue growth rate, future gross margins, and discount rates.

We identified the assessment of potential impairment of goodwill as a key audit matter because the goodwill impairment assessment involves a significant degree of management judgement, which can be inherently uncertain and could subject to management bias.</td><td>Our audit procedures to assess impairment of goodwill included the following:

• assessing management's identification of the CGU and the allocation of assets and liabilities to the identified CGU with reference to the requirements of the prevailing accounting standards;

• evaluating the external valuers' competence and capabilities and considering their objectivity and independence;

• evaluating and challenging the key assumptions adopted in the preparation of the discounted cash flow forecasts by comparing the forecasted revenue and forecasted gross margins with reference to our understanding of the business, historical trends and available industry information and available market data;

• engaging our internal valuation specialists to assist us in evaluating management's valuation methodology adopted in the impairment assessment with reference to the requirements of the prevailing accounting standards and the discount rate applied in the discounted cash flow forecast by benchmarking against those of comparable companies and external market data if available;

• performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts, including future revenue growth rate, forecast profit margins and discount rate, and considering the resulting impact on management's conclusion in respect of the impairment assessment and whether there were any indicators of management bias; and

• considering the disclosures in the consolidated financial statements in respect of management's impairment assessments of goodwill with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

KPMG
Certified Public Accountants

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

28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	**2023 RMB'000**	2022 RMB'000
Continuing Operations			
Revenue	4	**207,976**	140,901
Cost of sales		**(116,625)**	(81,373)
Gross profit		**91,351**	59,528
Other net income	5	**54,243**	96,686
Selling and distribution costs		**(103,876)**	(80,099)
Administrative expenses		**(105,425)**	(81,396)
Research and development expenses		**(129,566)**	(119,773)
Other operating expenses		**(436)**	(1,064)
Loss from operations		**(193,709)**	(126,118)
Finance costs	6(a)	**(2,610)**	(496)
Loss before taxation	6	**(196,319)**	(126,614)
Income tax	7	**2,970**	(6,013)
Loss for the year from continuing operations		**(193,349)**	(132,627)
Discontinued operations			
Profit for the year from discontinued operations	28	**–**	9,464
Loss for the year		**(193,349)**	(123,163)
Attributable to:			
Equity shareholders of the Company		**(191,685)**	(122,664)
Non-controlling interests		**(1,664)**	(499)
Loss for the year		**(193,349)**	(123,163)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	2023 RMB'000	2022 RMB'000
(Loss)/Profit for the year attributable to equity shareholders of the Company:			
— from continuing operations		**(191,685)**	(131,784)
— from discontinued operations		**—**	9,120
(Loss)/Profit for the year attributable to equity shareholders of the Company		**(191,685)**	(122,664)
Loss for the year attributable to non-controlling interests:			
— from continuing operations		**(1,664)**	(843)
— from discontinued operations		**—**	344
Loss for the year attributable to non-controlling interests		**(1,664)**	(499)
Loss for the year		**(193,349)**	(123,163)
Loss per share	10		
Basic and diluted			
— from continuing operations (RMB)		**(0.7)**	(0.5)
— from discontinued operations (RMB)		**N/A**	—*

* This represents an amount less than RMB0.05.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	2023 RMB'000	2022 RMB'000
Loss for the year		**(193,349)**	(123,163)
Other comprehensive income for the year, net of nil tax			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(1,941)**	—
Other comprehensive income		**(1,941)**	—
Total comprehensive income for the year		**(195,290)**	(123,163)
Attributable to:			
Equity shareholders of the Company		**(193,626)**	(122,664)
Non-controlling interests		**(1,664)**	(499)
Total comprehensive income for the year		**(195,290)**	(123,163)

The notes on pages 107 to 170 form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	11	**346,665**	207,113
Right-of-use assets	12	**19,938**	9,739
Intangible assets	13	**118,301**	51
Goodwill	15	**147,990**	—
Financial assets measured at fair value through profit or loss ("FVPL")	16	**33,573**	35,359
Other non-current assets	17	**16,035**	—
Deferred tax assets	26(b)	**419**	—
		682,921	252,262
Current assets			
Inventories	18	**94,109**	48,124
Trade and other receivables	19	**173,966**	145,716
Other current assets	20	**2,882**	1,610
Restricted cash	21	**993**	—
Cash and cash equivalents	21	**943,216**	1,332,146
		1,215,166	1,527,596
Current liabilities			
Trade and other payables	22	**179,727**	106,291
Contract liabilities	23	**47**	1,617
Bank loans	24	**10,500**	—
Lease liabilities	25	**4,686**	2,146
Income tax payable	26(a)	**305**	4,498
		195,265	114,552
Net current assets		**1,019,901**	1,413,044
Total assets less current liabilities		**1,702,822**	1,665,306
Non-current liabilities			
Bank loans	24	**259,632**	73,394
Lease liabilities	25	**7,099**	—
Deferred tax liabilities	26(b)	**35,465**	—
Other non-current liabilities		**2,520**	380
		304,716	73,774
NET ASSETS		**1,398,106**	1,591,532

Consolidated Statement of Financial Position

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
CAPITAL AND RESERVES	27		
Share capital		**273,526**	273,526
Reserves		**1,125,650**	1,319,276
Total equity attributable to equity shareholders of the Company		**1,399,176**	1,592,802
Non-controlling interests		**(1,070)**	(1,270)
TOTAL EQUITY		**1,398,106**	1,591,532

Approved and authorised for issue by the board of directors on 28 March 2024.

Liang Bo
Director

Kong Lingyin
Director

The notes on pages 107 to 170 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Exchange 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
Balance at 1 January 2022		273,526	1,677,279	–	7,905	(243,244)	1,715,466	(427)	1,715,039
Changes in equity for 2022:									
Loss for the year		–	–	–	–	(122,664)	(122,664)	(499)	(123,163)
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	(122,664)	(122,664)	(499)	(123,163)
Acquisition of a subsidiary with non-controlling interests		–	–	–	–	–	–	13,672	13,672
Disposal of a subsidiary	28	–	–	–	–	–	–	(14,016)	(14,016)
Balance at 31 December 2022		**273,526**	**1,677,279**	**–**	**7,905**	**(365,908)**	**1,592,802**	**(1,270)**	**1,591,532**
Changes in equity for 2023:									
Loss for the year		**–**	**–**	**–**	**–**	**(191,685)**	**(191,685)**	**(1,664)**	**(193,349)**
Other comprehensive income		**–**	**–**	**(1,941)**	**–**	**–**	**(1,941)**	**–**	**(1,941)**
Total comprehensive income for the year		**–**	**–**	**(1,941)**	**–**	**(191,685)**	**(193,626)**	**(1,664)**	**(195,290)**
Capital injection from non-controlling shareholders	14	**–**	**–**	**–**	**–**	**–**	**–**	**5,100**	**5,100**
Disposal of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**(3,236)**	**(3,236)**
Balance at 31 December 2023		**273,526**	**1,677,279**	**(1,941)**	**7,905**	**(557,593)**	**1,399,176**	**(1,070)**	**1,398,106**

The notes on pages 107 to 170 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	**2023 RMB'000**	2022 RMB'000
Operating activities			
Cash used in operations	21(b)	**(263,973)**	(188,769)
Income tax paid		**(3,261)**	—
Net cash used in operating activities		**(267,234)**	(188,769)
Investing activities			
Payment for purchase of property, plant and equipment		**(104,208)**	(128,452)
Proceeds from disposal of property, plant and equipment		**880**	77
Payment for acquisition of right-of-use assets		**—**	(243)
Payment for purchase of intangible assets		**—**	(56)
Payment for purchase of financial assets measured at FVPL		**(1,572)**	(77,425)
Proceeds from sale of financial assets measured at FVPL		**—**	75,414
Interest received from bank deposits		**41,207**	20,899
Acquisition of subsidiary, net of cash acquired	30	**(257,885)**	(32,512)
Net cash inflow on disposal of a subsidiary		**(3,236)**	53,600
Net cash used in investing activities		**(324,814)**	(88,698)
Financing activities			
Proceeds from bank loans	21(c)	**196,738**	49,749
Repayment of bank loans	21(c)	**—**	(20,000)
Capital injection from non-controlling interests		**5,100**	—
Bank borrowing cost paid	21(c)	**(6,264)**	(2,895)
Payment for capital element of lease liabilities	21(c)	**(4,785)**	(3,150)
Payment for interest element of lease liabilities	21(c)	**(238)**	(190)
Net cash generated from financing activities		**190,551**	23,514
Net decrease in cash and cash equivalents		**(401,497)**	(253,953)
Cash and cash equivalents at the beginning of the year	21(a)	**1,332,146**	1,523,194
Effect of foreign exchange rate changes		**12,567**	62,905
Cash and cash equivalents at the end of the year	21(a)	**943,216**	1,332,146

The notes on pages 107 to 170 form part of these financial statements.

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in sales of genetic testing kits and sales of genetic testing devices, instruments and consumables.

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

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of Compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

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

- IFRS 17, Insurance contracts
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss, 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 NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) or (p), depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(k)(ii)).

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group 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 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 29(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments 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. Expected credit losses, interest income calculated using the effective interest method (see note 2(t)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— 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. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

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

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Other investments in securities *(Continued)*

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. 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. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 (see note 2(t)(ii)(b)).

(g) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases over leasehold properties, plants and equipment (see Note 2(j)), are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

The cost of self-constructed items of property, plant and equipment comprises its purchase price, the direct costs of construction, capitalised borrowing costs (see Note 2(v)) and any other costs directly attributable of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group or the Company. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(k)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives are for the current and comparative periods are as follows:

— Software	5 – 10 years
— Trademark	20 years
— Contractual rights and customer relationships	10 years
— Patent and patent applications	10 years

Amortisation methods, useful lives and residual values are reviewed.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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.

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 leases that have a short lease term of 12 months or less and leases of low-value assets items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised 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 are charged to profit or loss as incurred.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

As a lessee *(Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h) and Note 2(k)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(f)(i) and 2(k)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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 lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECL**"s) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables that are held for the collection of contractual cash flows which represent solely payments).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, are not subject to the ECL assessment.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect 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.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date(or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument(including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is 90 days past due.

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 recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group 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 being more than 90 days past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it probable that the debtor will enter into bankruptcy or other financial reorganisation; 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 or lease receivable is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting,* in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(k)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other financial institutions, property pre-sale proceeds held by solicitors that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see note 2(k)(i)).

(o) Trade and other payables and contract liabilities

(i) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(ii) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(t)). A contract liability is also 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(m)).

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note (see Note 2(v)).

(q) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(k)(ii)).

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

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

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income

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

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

(i) Revenue from contracts with customers

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 such as value added tax or other sales taxes.

(a) Sale of testing kits and testing devices, instruments and consumables

Revenue is recognised when the customer takes possession of and accepts the products, depending on the terms set forth in the customer contracts. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the group generally provides credit terms to customers within six months upon customer acceptance. The group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(b) Service income

The Group earns revenue by provision of services to its customers through contracts. Revenue from rendering of services is recognised over time by measuring the progress of that performance obligation.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Revenue from other sources and other income (Continued)

(c) 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 as deferred income and subsequently recognised in profit or loss over the useful life of the asset.

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) 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;

— 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 at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

Where an operation is classified as discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

Research and development expenses

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

(b) Sources of estimation uncertainty

Note 29(e) contains information about the assumptions and risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

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

(ii) Provision for expected credit losses on trade receivables

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables are disclosed in Note 29(a).

(iii) Income tax

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

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

(iv) Impairment of non-current assets

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

4 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

	2023 RMB'000	2022 RMB'000
Continuing operations		
Revenue from contracts with customers within the scope of IFRS 15		
Sales of testing kits	**115,001**	97,281
Sales of testing devices, instruments and consumables	**83,324**	43,620
Others	**9,651**	—
	207,976	140,901
Disaggregated by timing of revenue recognition		
— Point in time	**202,138**	140,901
— Over time	**5,838**	—
	207,976	140,901
Disaggregated by geographical location of customers		
— The PRC (country of domicile)	**163,276**	140,901
— Other overseas countries	**44,700**	—
	207,976	140,901

The above table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of external customers is based on the location at which the goods delivered or services are provided.

(b) Information about major customers

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

	2023 RMB'000	2022 RMB'000
Continuing operations		
Customer A	**16,786**	17,938
Customer B	**28,460**	24,101
	45,246	42,039

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(c) Segment reporting

Based on the manner in which information is reported internally, the Group's most senior executive management manages the Group's businesses and reviews the Group's operation by geographic areas, for the purposes of resource allocation and performance assessment. Specifically, the Group's reportable segments under IFRS 8 are as follows:

- The PRC
- Australia

	2023		
	The PRC RMB'000	**Australia RMB'000**	**Total RMB'000**
Disaggregated by timing of revenue recognition			
Point in time	163,194	38,944	202,138
Over time	–	5,838	5,838
Revenue from external customers	163,194	44,782	207,976
Inter-segment revenue	–	17,361	17,361
Reportable segment revenue	163,194	62,143	225,337
Reportable segment loss before taxation	(162,515)	(25,370)	(187,885)
Interest income from bank deposits	38,308	201	38,509
Interest expense	2,566	44	2,610
Depreciation and amortisation for the year	11,396	8,445	19,841
Impairment loss recognised/(reversed) on trade and other receivables	6,339	(779)	5,560
Reportable segment assets	1,559,660	354,586	1,914,246
Additions to non-current segment assets during the year	139,821	1,311	141,132
Reportable segment liabilities	420,708	91,127	511,835

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(d) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2023 RMB'000
Revenue	
Reportable segment revenue	225,337
Elimination of inter-segment revenue	(17,361)
Consolidated revenue (Note 4(a))	207,976
Profit or loss	
Total reportable segments' loss before taxation	(187,885)
Elimination of inter-segment transaction	(3,759)
Unallocated expenses	(4,675)
Consolidated loss before taxation	(196,319)
Assets	
Total reportable segments' assets	1,914,246
Elimination of inter-segment balance	(16,159)
Consolidated total assets	1,898,087
Liabilities	
Total reportable segments' liabilities	511,835
Elimination of inter-segment balance	(11,854)
Consolidated total liabilities	499,981

5 OTHER NET INCOME

	2023 RMB'000	2022 RMB'000
Continuing operations		
Government grants (i)	**4,559**	4,528
Interest income from bank deposits	**38,509**	23,616
Net realised and unrealised (losses)/gains on financial assets measured at FVPL	**(2,404)**	3,399
Net foreign exchange gains	**11,855**	62,905
Others	**1,724**	2,238
	54,243	96,686

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

6 LOSS BEFORE TAXATION

(a) Finance costs

	2023 RMB'000	2022 RMB'000
Continuing operations		
Interest on bank loans	**6,572**	2,950
Interest on lease liabilities	**238**	159
Total finance costs on financial liabilities not at FVPL	**6,810**	3,109
Less: borrowing costs capitalised into properties under construction	**(4,200)**	(2,613)
	2,610	496

(b) Staff costs

	2023 RMB'000	2022 RMB'000
Continuing operations		
Salaries, wages and other benefits	**139,035**	105,596
Contributions to defined contribution retirement plan (i)	**14,825**	9,527
	153,860	115,123

6 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs *(Continued)*

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

Employees of the Group's Australian subsidiaries are members of a state-managed retirement scheme in Australia. The Group's Australian subsidiaries are required to contribute a certain percentage of staff payroll costs to the retirement scheme to fund the benefits, which is the only obligation of the Group with respect to the retirement benefit scheme.

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

(c) Other items

	2023	2022
	RMB'000	RMB'000
Continuing operations		
Depreciation of property, plant and equipment	**8,756**	4,755
Depreciation of right-of-use assets	**5,309**	3,021
Amortisation of intangible assets	**5,776**	5
Total amortisation and depreciation	**19,841**	7,781
Less: depreciation expense of land use rights capitalised into properties under construction	**(274)**	(280)
Amortisation and depreciation charged directly to profit or loss	**19,567**	7,501
Impairment losses on trade and other receivables	**5,560**	26,725
Auditors' remuneration		
— audit services	**3,305**	1,595
— non-audit services	**1,249**	980
Research and development expenses (i)	**129,566**	119,773
Cost of inventories (ii)	**107,002**	77,258
Expense relating to short-term leases	**1,426**	1,449
Donations	**220**	1,041

(i) During the year ended 31 December 2023, research and development expenses include staff costs and depreciation expenses of RMB62,400,000 (2022: RMB45,670,000), which amounts are also included in the respective total amounts disclosed separately above.

(ii) During the year ended 31 December 2023, cost of inventories includes staff costs and depreciation expenses of RMB7,232,000 (2022: RMB6,510,000), which amounts are also included in the respective total amounts disclosed separately above.

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

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

	2023 RMB'000	2022 RMB'000
Continuing operations		
Current tax — PRC Tax	**—**	4,498
Current tax — other overseas countries	**234**	—
Over-provision in respect of prior years	**(1,382)**	—
Deferred tax	**(1,822)**	1,515
Total	**(2,970)**	6,013

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

	2023 RMB'000	2022 RMB'000
Continuing operations		
Loss before taxation	**(196,319)**	(126,614)
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned (i)	**(50,999)**	(31,653)
Effect of preferential tax rate (ii)	**18,823**	19,714
Effect of additional deduction on research and development expenses	**(13,020)**	(7,221)
Tax effect of other non-deductible expenses	**234**	168
Tax effect of tax losses not recognised	**42,980**	29,712
Tax effect of utilisation of tax losses not recognised in prior years	**—**	(10,823)
Tax effect of deductible temporary differences not recognised	**394**	3,850
Over-provision in respect of prior years	**(1,382)**	—
Others	**—**	2,266
Actual tax expense	**(2,970)**	6,013

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

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

(i) Statutory tax rate

Under the Corporate Income Tax Law of the PRC (the "**CIT Law**"), the PRC statutory income tax rate is 25% under the CIT Law. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

Pursuant to the income tax rules and regulations of Australia, the Group's subsidiaries in Australia are subject to the Australian Income Tax at a rate of 30%. No provision for Australian Income Tax was made for the Group's subsidiaries in Australia, as these subsidiaries did not have assessable profits for Australia Income Tax for the year ended 31 December 2023.

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) Preferential tax

Under the CIT Law of the PRC and its relevant regulation, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Suzhou Basecare Medical Device Co., Ltd. obtained its renewed certificate of high-technology enterprise on 6 November 2023 and is subject to income tax at 15% for a three-year period.

Under the CIT Law of the PRC and its relevant regulation, an additional 100% of qualified research and development expenses incurred would be allowed to be deducted from the taxable income for the year ended 31 December 2023.

8 DIRECTORS' EMOLUMENTS

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2023 Total RMB'000
Executive directors					
Dr. Liang Bo	–	2,571	429	46	3,046
Mr. Kong Lingyin	–	1,239	114	46	1,399
Ms. Yang Ying (i)	–	545	86	46	677
	–	4,355	629	138	5,122
Non-executive directors					
Mr. Xu Wenbo	–	–	–	–	–
Mr. Wang Weipeng	–	–	–	–	–
Mr. Ling Yang (ii)	–	–	–	–	–
Mr. Zhang Jiecheng (iii)	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Dr. Huang Taosheng (iv)	110	–	–	–	110
Dr. Kang Xixiong	180	–	–	–	180
Mr. Chau Kwok Keung (v)	82	–	–	–	82
Dr. Yang Shubiao (vi)	70	–	–	–	70
Mr. Lin Zhaorong (vii)	84	–	–	–	84
	526	–	–	–	526
Supervisors					
Ms. Shi Lijuan (viii)	–	149	21	16	186
Ms. Zong Qiuping (viii)	–	140	31	18	189
Ms. Zhu Tingting (viii)	–	124	19	27	170
Ms. Huang Bing (viii)	–	104	16	22	142
Ms. Lin Yi	–	–	–	–	–
	–	517	87	83	687

8 DIRECTORS' EMOLUMENTS *(Continued)*

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

8 DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

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

(ii) Mr. Ling Yang was appointed as a non-executive director of the Company on 10 August 2023.

(iii) Mr. Zhang Jiecheng resigned as a non-executive director of the Company on 11 January 2023.

(iv) Dr. Huang Taosheng resigned as an independent non-executive director of the Company on 10 August 2023.

(v) Mr. Chau Kwok Keung resigned as an independent non-executive director of the Company on 14 June 2023.

(vi) Dr. Yang Shubiao was appointed as an independent non-executive director of the Company on 10 August 2023.

(vii) Mr. Lin Zhaorong was appointed as an independent non-executive director of the Company on 13 July 2023.

(viii) Ms. Shi Lijuan and Ms. Zong Qiuping were appointed as supervisors of the Company on 14 July 2023, while Ms. Zhu Tingting and Ms. Huang Bing resigned as supervisors of the Company on 14 July 2023.

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

During the year ended 31 December 2023, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2022: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2022: three) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**3,455**	2,708
Discretionary bonuses	**1,042**	1,365
Retirement scheme contributions	**186**	127
	4,683	4,200

The emoluments of the three (2022: three) individuals with the highest emoluments are within the following bands:

	2023 Number of Individuals	2022 Number of Individuals
HKD1,000,001 — HKD1,500,000	**—**	2
HKD1,500,001 — HKD2,000,000	**2**	1
HKD2,000,001 — HKD2,500,000	**1**	—

10 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2023 is based on the loss attributable to equity shareholders of the Company of RMB191,685,000 from continuing operations (2022: loss of RMB131,784,000 from continuing operations and profit of RMB9,120,000 from discontinued operations) and the weighted average of 273,526,000 ordinary shares (2022: 273,526,000) in issue.

There were no potential dilutive ordinary shares for the year ended 31 December 2023 and 2022, and therefore dilutive loss per share are the same as the basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT

The Group	Office equipment and furniture	Motor vehicle	Medical equipment and instrument	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2022	2,600	1,270	32,954	19,427	6,981	63,232
Additions	2,294	–	21,199	146,950	–	170,443
Transfers	–	–	–	(606)	606	–
Disposals	(212)	–	(275)	–	–	(487)
At 31 December 2022 and 1 January 2023	4,682	1,270	53,878	165,771	7,587	233,188
Additions	1,012	912	19,938	120,888	1,213	143,963
Additions through acquisition of subsidiaries (Note 30)	132	–	4,706	621	–	5,459
Transfers	34	–	4,201	(5,586)	1,351	–
Disposals	(8)	(920)	(1,234)	–	–	(2,162)
Exchange adjustment	(15)	–	(194)	(19)	(10)	(238)
At 31 December 2023	5,837	1,262	81,295	281,675	10,141	380,210
Accumulated depreciation:						
At 1 January 2022	(993)	(318)	(13,300)	–	(6,981)	(21,592)
Charge for the year	(649)	(225)	(3,814)	–	(67)	(4,755)
Written back on disposals	158	–	114	–	–	272
At 31 December 2022 and 1 January 2023	(1,484)	(543)	(17,000)	–	(7,048)	(26,075)
Charge for the year	(906)	(407)	(6,429)	–	(1,014)	(8,756)
Written back on disposals	8	505	590	–	–	1,103
Exchange adjustment	9	–	164	–	10	183
At 31 December 2023	(2,373)	(445)	(22,675)	–	(8,052)	(33,545)
Net book value:						
At 31 December 2023	3,464	817	58,620	281,675	2,089	346,665
At 31 December 2022	3,198	727	36,878	165,771	539	207,113

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company	Office equipment and furniture RMB'000	Motor vehicle RMB'000	Medical equipment and instrument RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost:						
At 1 January 2022	149	417	345	19,427	–	20,338
Additions	–	–	–	144,994	–	144,994
Disposals	(86)	–	(2)	–	–	(88)
At 31 December 2022 and 1 January 2023	63	417	343	164,421	–	165,244
Additions	–	797	2,283	120,790	259	124,129
Transfers	–	–	3,590	(3,590)	–	–
Disposals	(5)	(416)	(166)	–	–	(587)
At 31 December 2023	58	798	6,050	281,621	259	288,786
Accumulated depreciation:						
At 1 January 2022	(142)	(173)	(328)	–	–	(643)
Charge for the year	–	(99)	–	–	–	(99)
Written back on disposals	82	–	2	–	–	84
At 31 December 2022 and 1 January 2023	(60)	(272)	(326)	–	–	(658)
Charge for the year	–	(237)	(46)	–	(102)	(385)
Written back on disposals	5	396	157	–	–	558
At 31 December 2023	(55)	(113)	(215)	–	(102)	(485)
Net book value:						
At 31 December 2023	3	685	5,835	281,621	157	288,301
At 31 December 2022	3	145	17	164,421	–	164,586

12 RIGHT-OF-USE ASSETS

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

The Group	**Office Building** RMB'000	**Land use rights** RMB'000	**Total** RMB'000
At 1 January 2022	4,824	7,739	12,563
Additions	768	243	1,011
Lease modification	(814)	—	(814)
Charge for the year	(2,741)	(280)	(3,021)
At 31 December 2022 and 1 January 2023	2,037	7,702	9,739
Additions	9,720	—	9,720
Additions through acquisition of subsidiaries (Note 30)	5,817	—	5,817
Charge for the year	(5,035)	(274)	(5,309)
Exchange adjustment	(29)	—	(29)
At 31 December 2023	12,510	7,428	19,938

The Company	**Office Building** RMB'000	**Land use rights** RMB'000	**Total** RMB'000
At 1 January 2022	4,074	7,739	11,813
Additions	188	243	431
Lease modification	(814)	—	(814)
Charge for the year	(1,796)	(280)	(2,076)
At 31 December 2022 and 1 January 2023	1,652	7,702	9,354
Additions	5,153	—	5,153
Charge for the year	(2,225)	(274)	(2,499)
At 31 December 2023	4,580	7,428	12,008

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

	2023 **RMB'000**	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**274**	280
Properties leased for own use	**5,035**	2,741
Total amortisation and depreciation	**5,309**	3,021
Interest on lease liabilities (Note 6(a))	**238**	159
Expense relating to short-term leases	**1,426**	1,449

12 RIGHT-OF-USE ASSETS *(Continued)*

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

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(d) and 25, respectively.

13 INTANGIBLE ASSETS

	Software RMB'000	Patent and patent applications RMB'000	Contractual rights and customer relationships RMB'000	Trademarks RMB'000	Total RMB'000
Cost:					
At 1 January 2022	—	—	—	—	—
Additions	56	—	—	—	56
At 31 December 2022	56	—	—	—	56
At 1 January 2023	56	—	—	—	56
Additions through acquisition of subsidiaries (Note 30)	75	72,624	25,833	26,320	124,852
Exchange adjustment	—	(383)	(136)	(139)	(658)
At 31 December 2023	131	72,241	25,697	26,181	124,250
Accumulated amortisation					
At 1 January 2022	—	—	—	—	—
Charge for the year	(5)	—	—	—	(5)
At 31 December 2022	(5)	—	—	—	(5)
At 1 January 2023	(5)	—	—	—	(5)
Charge for the period	(42)	(3,731)	(1,327)	(676)	(5,776)
Exchange adjustment	—	(109)	(39)	(20)	(168)
At 31 December 2023	(47)	(3,840)	(1,366)	(696)	(5,949)
Net book value:					
At 31 December 2023	84	68,401	24,331	25,485	118,301
At 31 December 2022	51	—	—	—	51

The patents and technology know-how, contractual rights and customer relationships and trademarks were acquired through acquisition of subsidiaries (see Note 30), with an estimated useful life of 10 to 20 years.

(Expressed in Renminbi Yuan unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

(a) Information about subsidiaries

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

Company name	Date of incorporation/ establishment	Place of incorporation and business	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
				As at 31 December 2023	As at 31 December 2022	
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	RMB970,503,000/ RMB970,503,000	**100%**	100%	Research, development, manufacturing, and sales of testing kits, testing devices and instruments
Suzhou Basecare Intelligent Manufacturing Co., Ltd. ("**Basecare Intelligent Manufacturing**") ("蘇州貝康智能製造有限公司") (i)(ii)	10 Apr 2019	The PRC	RMB10,000,000/ RMB10,000,000	**100%**	100%	Research, development, manufacturing and sale of testing devices and instruments
Shanghai Basecare Biological Technology Co., Ltd. ("**Basecare Shanghai**") ("上海貝康生物科技有限公司") (i)(ii)	9 Jul 2021	The PRC	RMB15,000,000/ RMB15,000,000	**100%**	100%	Research and development, of software for testing devices and instruments
Suzhou Industrial Park Basecare Biological Industry Co., Ltd. ("**Basecare Industrial Park**") ("蘇州工業園區貝康生物產業有限公司") (i)(ii)	24 Jun 2021	The PRC	RMB10,000,000/ RMB8,000,000	**80%**	80%	Provision of marketing service
Suzhou Basecare Deyu Biotechnology Co., Ltd. ("**Basecare Deyu**") ("蘇州貝康德譽生物科技有限公司") (i)(ii)	8 Mar 2023	The PRC	RMB1,000,000/ RMB800,000	**80%**	–	Research and development, of testing devices and instruments
Basecare Guoxin (Chongqing) Translational Medicine Technology Co., Ltd. ("**Basecare Guoxin**") ("貝康國信(重慶)轉化醫學科技有限公司") (i)(ii)(iii)	18 Dec 2022	The PRC	RMB10,000,000/ RMB5,100,000	**–**	51%	Research and development, of testing devices and instruments
BMX Holdco Pte. Ltd. ("**BMX**") (Note 30)	28 Jul 2022	Singapore	SGD3,199,980.97 &USD5,506,589.2/ SGD3,199,980.97& USD5,506,589.2	**100%**	–	Investment holding

(Expressed in Renminbi Yuan unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES *(Continued)*

(a) Information about subsidiaries *(Continued)*

Company name	Date of incorporation/ establishment	Place of incorporation and business	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
				As at 31 December 2023	As at 31 December 2022	
Genea Biomedx Pty Ltd.	26 Nov 2003	Australia	AUD10/ AUD10	**100%**	–	Research, development, manufacturing and sale of testing devices, instruments and consumables
Genea IP Holdings Pty Ltd.	18 Dec 2014	Australia	AUD100/ AUD100	**100%**	–	Research and development, of testing devices, instruments and consumables
Biomedx Innovations SL	22 Nov 2019	Spain	EUR3,000/ EUR3000	**100%**	–	Provision of marketing service
Genea Biomedx UK Ltd.	30 Nov 2012	The United Kingdom	GBP1/ GBP1	**100%**	–	Provision of marketing service
Genea Hong Kong Limited	31 Jul 2014	Hong Kong	AUD8,274,142/ AUD8,274,142	**100%**	–	Provision of marketing service
Biomedx Innovations Pty Ltd	18 Dec 2014	Australia	AUD100/ AUD100	**100%**	–	Provision of marketing service
Biomedx Innovations	20 Jul 2021	France	EUR1000/ EUR1000	**100%**	–	Provision of marketing service
Biomedx US LLC	30 Nov 2023	The United States	USD10/ USD10	**100%**	–	Provision of marketing service

Notes:

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

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

(iii) Basecare GuoXin was deregistered on 13 October 2023. The Company recognised a loss on deregistration of approximately RMB1,732,000 in profit and loss.

14 INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

	2023 RMB'000	2022 RMB'000
Unlisted, at cost		
Basecare Medical Device	**971,883**	600,000
Basecare Intelligent Manufacturing	**10,000**	1,000
Basecare Shanghai	**15,000**	15,000
Basecare Industrial Park	**8,000**	8,000
Basecare Guoxin	**—**	5,100
Basecare Deyu	**800**	—
BMX Group	**288,637**	—
	1,294,320	629,100

15 GOODWILL

	RMB'000
Cost:	
At 1 January 2023	**—**
Addition through acquisition (Note 30)	**148,774**
Exchange adjustment	**(784)**
At 31 December 2023	**147,990**

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to country of operation and operating segment as follows:

	2023 RMB'000
Australia	**147,990**

The recoverable amount of the CGU is determined based on value-in-use calculations. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a six-year period. The key assumptions used in estimating the recoverable amount are as follows:

	At 31 December 2023
Annual revenue growth rate during the forecast period	**13.00%-59.22%**
Gross profit margin	**48.52%-59.04%**
Steady growth rate used in the extrapolation after forecast period	**1.70%**
Pre-tax discount rate	**20.06%**

15 GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill *(Continued)*

The recoverable amount of the CGU is estimated to exceed the carrying amount of the CGU at 31 December 2023 by RMB43,252,000.

The recoverable amount of the CGU would equal its carrying amount if key assumptions were changed to the following rates:

	At 31 December 2023
Steady growth rate used in the extrapolation after forecast period	**-0.80%**
Pre-tax discount rate	**21.48%**

16 FINANCIAL ASSETS MEASURED AT FVPL

	2023 RMB'000	2022 RMB'000
Non-current assets		
Unlisted fund investment (i)	**3,250**	2,576
Derivative financial instrument (ii)	**13,155**	14,975
Unlisted equity investment (ii)	**17,168**	17,808
	33,573	35,359

(i) On 10 August 2022, the Group entered into a subscription agreement with an independent third party pursuant to which the Group agreed to subscribe the limited partnership interest in TruMed Health Innovation Fund LP, a Cayman Islands exempted limited partnership (the "**Fund**") represented by a total commitment of USD1.50 million (equivalent to approximately RMB10,447,000). The Fund principally makes equity and equity-related investments in healthcare industry.

As at 31 December 2023, the Group has contributed USD585,000 (equivalent to approximately RMB3,997,000) (31 December 2022: USD350,000 (equivalent to approximately RMB2,425,000)) to the fund, representing 1.03% (31 December 2022: 1.26%) of the total size of the fund. The total carrying amount of the Group's fund investment was RMB3,250,000 as at 31 December 2023 (2022: RMB2,576,000) and recorded a net unrealised loss on financial assets measured at FVPL of RMB898,000 (2022: a net gain of RMB151,000) for the year ended 31 December 2023.

(ii) As at 31 December 2023, the unlisted equity investment and the derivative financial instrument represent the Group's remaining interests in Zhejiang Cellpro Biotech Corporation Limited ("**Cellpro Biotech**") and a put option granted by Cellpro Biotech and its original shareholders, which were recognised as a financial asset measured at FVPL (see Note 29(e)).

17 OTHER NON-CURRENT ASSETS

The Group

	2023 RMB'000	2022 RMB'000
Value-added tax recoverable	**14,164**	—
Others	**1,871**	—
	16,035	—

The Company

	2023 RMB'000	2022 RMB'000
Value-added tax recoverable (Note 33)	**14,164**	—
	14,164	—

18 INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**20,588**	12,923
Finished goods	**21,721**	5,218
Devices and instruments	**41,314**	29,341
Others	**10,486**	642
	94,109	48,124

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

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	**107,002**	77,258

19 TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables		
Trade receivables from third parties	**126,754**	100,946
Trade receivables from related parties (Note 32(c))	**69,375**	62,154
Less: losses allowance on trade receivables	**(43,088)**	(31,068)
Trade receivables, net	**153,041**	132,032
Bill receivables	**2,904**	—
Trade and bill receivables, net	**155,945**	132,032
Prepayments to suppliers	**12,495**	8,732
Deposits	**2,496**	1,269
Interest receivables	**981**	3,679
Other receivables	**2,049**	4
Trade and other receivables, net	**173,966**	145,716

(a) Ageing analysis of trade and bill receivables

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

	2023 RMB'000	2022 RMB'000
Within 6 months	**104,285**	79,775
6 ~ 12 months	**44,341**	35,042
12 ~ 18 months	**4,727**	13,564
18 ~ 24 months	**2,125**	3,651
Over 2 years	**467**	—
	155,945	132,032

Trade receivables are generally due within 60 to 360 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 29(a).

20 OTHER CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Value-added tax recoverable	**1,710**	1,610
Income tax recoverable (Note 26)	**1,172**	—
	2,882	1,610

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group	2023 RMB'000	2022 RMB'000
Cash at banks (i)	**887,547**	1,190,301
Time deposits with banks	**56,662**	141,845
Less: Restricted cash	**(993)**	—
Cash and cash equivalents	**943,216**	1,332,146

(i) As at 31 December 2023, cash and cash equivalents situated in Mainland China amounted to RMB469,634,000 (2022: RMB700,779,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

The Company	2023 RMB'000	2022 RMB'000
Cash at banks	**649,910**	1,125,478
Time deposits with banks	**56,662**	141,845
Cash and cash equivalents	**706,572**	1,267,323

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

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

	Note	**2023 RMB'000**	2022 RMB'000
Loss before taxation		**(196,319)**	(117,150)
— from continuing operations		**(196,319)**	(126,614)
— from discontinued operations		**—**	9,464
Adjustments for:			
Depreciation of property, plant and equipment		**8,756**	5,415
Depreciation of right-of-use assets		**5,035**	2,941
Amortisation of intangible assets		**5,776**	31
Net losses on disposal of property, plant and equipment and right-of-use assets		**179**	64
Finance costs	6(a)	**2,610**	527
Foreign exchange gains	5	**(11,855)**	(62,905)
Interest income	5	**(38,509)**	(23,634)
Net realised and unrealised losses/(gains) on financial assets measured at FVPL	5	**2,404**	(3,399)
Net gains on disposal of a subsidiary		**—**	(8,761)
Operating loss before changes in working capital		**(221,923)**	(206,871)
Changes in working capital:			
Increase in inventories		**(21,152)**	(14,738)
Increase in operating receivables		**2,141**	(15,069)
(Decrease)/Increase in operating payables		**(22,393)**	30,182
(Decrease)/Increase in contract liabilities		**(1,570)**	1,617
Increase in other non-current liabilities		**1,717**	380
(Increase)/Decrease in restricted cash		**(793)**	15,730
Cash used in operations		**(263,973)**	(188,769)

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

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans RMB'000 (Note 24)	Interest payables on bank loans RMB'000 (Note 22)	Leases liabilities RMB'000 (Note 25)	Total RMB'000
At 1 January 2023	**73,394**	**102**	**2,146**	**75,642**
Changes from financing cash flows:				
Proceeds from bank loans	196,738	–	–	196,738
Bank borrowing cost paid	–	(6,264)	–	(6,264)
Payment for capital element of lease liabilities	–	–	(4,785)	(4,785)
Payment for interest element of lease liabilities	–	–	(238)	(238)
Total changes from financing cash flows	196,738	(6,264)	(5,023)	185,451
Other changes:				
Interest expense	–	2,372	238	2,610
Capitalised borrowing costs	–	4,200	–	4,200
Increase in lease liabilities from entering into new leases during the year	–	–	9,720	9,720
Additions through acquisition of subsidiaries	–	–	4,720	4,720
Exchange adjustment	–	–	(16)	(16)
Total other changes	–	6,572	14,662	21,234
At 31 December 2023	270,132	410	11,785	282,327

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

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

	Bank loans RMB'000 (Note 24)	Interest payables on bank loans RMB'000 (Note 22)	Leases liabilities RMB'000 (Note 25)	Total RMB'000
At 1 January 2022	43,645	47	4,921	48,613
Changes from financing cash flows:				
Proceeds from bank loans	49,749	—	—	49,749
Repayments of bank loans	(20,000)	—	—	(20,000)
Bank borrowing cost paid	—	(2,895)	—	(2,895)
Payment for capital element of lease liabilities	—	—	(3,150)	(3,150)
Payment for interest element of lease liabilities	—	—	(190)	(190)
Total changes from financing cash flows	29,749	(2,895)	(3,340)	23,514
Other changes:				
Interest expense	—	337	159	496
Capitalised borrowing costs	—	2,613	—	2,613
Increase in lease liabilities from entering into new leases during the year	—	—	768	768
Lease modification	—	—	(814)	(814)
Disposal of a subsidiary	—	—	452	452
Total other changes	—	2,950	565	3,515
At 31 December 2022	73,394	102	2,146	75,642

(d) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**1,498**	1,976
Within financing cash flows	**5,023**	3,340
	6,521	5,316

All these amounts relate to the lease rentals paid.

22 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables (i)	**40,733**	16,038
Amount due to related parties (Note 32(c))	**2,949**	6,005
Payroll payables	**20,989**	16,223
Payables for marketing expenses	**589**	6,476
Interest payables	**410**	102
Payables for purchases of property, plant and equipment	**88,039**	40,338
Other payables and accruals	**26,018**	21,109
	179,727	106,291

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

	2023 RMB'000	2022 RMB'000
Within 3 months	**30,340**	15,654
3 ~ 6 months	**3,631**	5
6 ~ 9 months	**4,355**	240
9 ~ 12 months	**37**	123
Over 1 year	**2,370**	16
	40,733	16,038

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

23 CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Advanced receipts from customers for sales of medical devices and instruments	**47**	1,617

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**1,617**	—
Addition	**47**	1,617
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(1,617)**	—
Balance at 31 December	**47**	1,617

24 BANK LOANS

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

The Group and the Company	**2023** **RMB'000**	2022 RMB'000
Within 1 year or on demand	**10,500**	—
More than 2 years but less than 5 years	**130,000**	—
After 5 years	**129,632**	73,394
	270,132	73,394

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

The Group and the Company	**2023** **RMB'000**	2022 RMB'000
Secured bank loans (i)	**140,132**	73,394
Unsecured bank loans (ii)	**130,000**	—
	270,132	73,394

(i) As at 31 December 2023, the secured bank loans were pledged by the Group's land use right of RMB7,428,000 (2022: RMB7,702,000) and buildings under construction of RMB271,199,000 (2022: RMB164,421,000) with an interest at 3.90% – 4.00% per annum (2022: 4.15% – 4.50%).

(ii) As at 31 December 2023, the unsecured bank loans represent the utilised bank facilities of RMB130 million with an interest at 3.55% per annum for the acquisition of subsidiaries (Note 30).

25 LEASE LIABILITIES

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

	31 December 2023		31 December 2022	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**4,686**	**5,098**	2,146	2,174
After 1 year but within 2 years	**4,371**	**4,586**	—	—
After 2 year but within 5 years	**2,728**	**2,771**	—	—
	7,099	**7,357**	—	—
	11,785	**12,455**	2,146	2,174
Less: total future interest expenses		**(670)**		(28)
Present value of lease liabilities		**11,785**		2,146

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

The Group

	2023 RMB'000	2022 RMB'000
Provision for the year	**305**	4,498
Income tax recoverable	**1,172**	—

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

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

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

	Credit loss allowance RMB'000	Right-of-use assets RMB'000	Fair value adjustments in respect of net assets acquired in business combinations RMB'000	Lease liabilities RMB'000	Unrealised profit RMB'000	Employee benefits RMB'000	Others RMB'000	Total RMB'000
Deferred tax assets/(liabilities) arising from								
At 1 January 2022	1,394	(112)	–	117	44	–	72	1,515
(charged)/Credited to profit or loss	(1,394)	112	–	(117)	(44)	–	(72)	(1,515)
At 31 December 2022 and 1 January 2023	–	–	–	–	–	–	–	–
Additions through acquisition of subsidiaries (Note 30)	39	–	(37,433)	–	–	248	29	(37,117)
Credited/(charged) to profit or loss	15	–	1,720	–	–	115	(28)	1,822
Exchange adjustment	–	–	248	–	–	2	(1)	249
At 31 December 2023	54	–	(35,465)	–	–	365	–	(35,046)

Reconciliation to the consolidated statement of financial position:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**419**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(35,465)**	–
	(35,046)	–

(c) Deferred tax assets not recognised

As at 31 December 2023, the Group has not recognised deferred tax assets of certain entities in respect of their respective cumulative tax losses and temporary differences of RMB795,776,000 (2022: RMB479,973,000), in accordance with the accounting policy set out in Note 2(r), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company	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 2022	273,526	1,677,279	7,905	(39,157)	1,919,553
Changes in equity for 2022:					
Total comprehensive income for the year	–	–	–	64,805	64,805
Balance at 31 December 2022 and 1 January 2023	273,526	1,677,279	7,905	25,648	1,984,358
Changes in equity for 2023:					
Total comprehensive income for the year	–	–	–	(2,081)	(2,081)
At 31 December 2023	273,526	1,677,279	7,905	23,567	1,982,277

(b) Share capital and share premium

	Numbers of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid				
At 31 December 2022 and 31 December 2023	273,526,000	273,526	1,677,279	1,950,805

(c) Dividends

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

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group made no changes to its capital management objectives, policies or processes during 2022 and 2023.

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

28 DISCONTINUED OPERATIONS

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

Pursuant to the above investment agreement, the Company has been granted with a put option to require Cellpro Biotech and its original shareholders to repurchase any or all of the investments in Cellpro Biotech held by the Company. The Group recognised the put option as derivative financial instruments measured at FVPL.

On 29 July 2022, the Company entered into a share transfer agreement with Ningbo Huoke Investment Management Partnership (Limited Partnership) ("**Huoke Investment**") to sell its 35% of the equity interests in Cellpro Biotech for a cash consideration of RMB64,170,000. Upon the completion of the disposal on 29 July 2022, the Group's equity interest in Cellpro Biotech decreased from 51% to 16%. The transaction was accounted for as a disposal of Cellpro Biotech, and the Group's remaining interests in Cellpro Biotech together with the put option granted by Cellpro Biotech and its original shareholders were recognised as financial assets measured at FVPL (see Note 16).

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are reputable banks or financial institution, for which the Group considered have low credit risks.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry or country in which the customers operate also has an influence on credit risk. As at 31 December 2023 and 2022, 48.1% and 52.6% of the total trade receivables were due from the Group's top five largest customers. Trade receivables are generally due within 60 to 360 days from the date of billing.

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

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

The Group measures loss allowances for trade receivables individually or at an amount equal to lifetime ECL which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases. The customer bases consist of the following groups:

Group 1: Customers from the operating segments of: The PRC
Group 2: Customers from the operating segments of: Australia

Trade receivables of RMB196,129,000 (2022: RMB163,100,000) are assessed based on provision matrix within lifetime ECLs.

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

(a) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2023		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Group 1 customers			
Current (not past due)	**6.0%**	**109,070**	**(6,543)**
Within 6 months past due	**35.8%**	**38,893**	**(13,926)**
6 ~ 12 months past due	**74.3%**	**7,899**	**(5,866)**
12 ~ 18 months past due	**90.6%**	**7,894**	**(7,151)**
18 ~ 24 months past due	**100.0%**	**961**	**(961)**
Over 2 years past due	**100.0%**	**2,960**	**(2,960)**
		167,677	**(37,407)**
Group 2 customers			
Current (not past due)	**0.5%**	**12,400**	**(61)**
Within 6 months past due	**10.2%**	**10,461**	**(1,064)**
6 ~ 12 months past due	**62.2%**	**2,262**	**(1,408)**
12 ~ 18 months past due	**84.6%**	**1,177**	**(996)**
18 ~ 24 months past due	**100.0%**	**1,389**	**(1,389)**
Over 2 years past due	**100.0%**	**763**	**(763)**
		28,452	**(5,681)**
		196,129	**(43,088)**

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

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's shareholders when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities as of the end of the reporting periods of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current as at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Lease liabilities	**5,098**	**4,586**	**2,771**	**–**	**12,455**	**11,785**
Trade and other payables	**179,727**	**–**	**–**	**–**	**179,727**	**179,727**
Bank loans	**10,639**	**10,610**	**161,860**	**156,818**	**339,927**	**270,132**
	195,464	**15,196**	**164,631**	**156,818**	**532,109**	**461,644**

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Lease liabilities	2,174	–	–	–	2,174	2,146
Trade and other payables	106,291	–	–	–	106,291	106,291
Bank loans	3,281	3,290	9,844	86,430	102,845	73,394
	111,746	3,290	9,844	86,430	211,310	181,831

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, bank loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial assets and liabilities as of the end of the reporting period.

	2023		2022	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate instruments:				
Lease liabilities	**3.70% – 4.50%**	**(11,785)**	4.50%	(2,146)
Bank loans	**3.55% – 4.00%**	**(270,132)**	4.15% – 4.50%	(73,394)
		(281,917)		(75,540)
Variable rate instruments:				
Cash at bank	**0.001% – 2%**	**886,554**	0.001% – 0.3%	1,190,301
Time deposits with banks	**5.30%**	**56,662**	2.15% – 4.22%	141,845
		943,216		1,332,146

(ii) Sensitivity analysis

The following table details the effect on the Group's loss after tax for the reporting period and accumulated losses as at the end of the reporting period that an increase/decrease of 100 basis points in interest rates would have.

	As at 31 December 2023			As at 31 December 2022		
	Increase/ (decrease) of basis point	**Effect on loss after tax RMB'000**	**Effect on accumulated losses RMB'000**	Increase/ (decrease) of basis point	Effect on loss after tax RMB'000	Effect on accumulated losses RMB'000
Interest rates	**100**	**(6,576)**	**6,576**	100	(9,559)	9,559
	(100)	**6,576**	**(6,576)**	(100)	9,559	(9,559)

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

(c) Interest rate risk *(Continued)*

(ii) ***Sensitivity analysis*** *(Continued)*

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax and accumulated losses is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily from (i) sales and purchases which give rise to receivables, payables 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 EUR and USD and (ii) the cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate, in the PRC subsidiaries, whose functional currency is RMB and overseas subsidiaries, whose functional currency is AUD. The currencies giving rise to this risk are primarily USD and EUR.

(i) ***Exposure to currency risk***

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities 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 CNY, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)		
	As at 31 December 2023		
	USD RMB'000	EUR RMB'000	KRW RMB'000
Cash and cash equivalents	468,849	3,583	–
Trade and other receivables	4,591	15,308	–
Restricted cash	–	785	–
Lease liabilities	–	(1,261)	–
Trade and other payables	(626)	(12,875)	(1,151)
Net exposure arising from recognised (liabilities) and assets	472,814	5,540	(1,151)

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

(d) Currency risk *(Continued)*

(i) ***Exposure to currency risk*** *(Continued)*

	Exposure to foreign currencies (expressed in Renminbi)		
	As at 31 December 2022		
	USD RMB'000	EUR RMB'000	KRW RMB'000
Cash and cash equivalents	748,180	—	—
Net exposure arising from recognised (liabilities) and assets	748,180	—	—

(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.

	2023		2022	
	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 (against CNY)	**10%**	**(47,281)**	10%	(74,818)
	(10)%	**47,281**	(10%)	74,818
EUR (against CNY)	**10%**	**(554)**	—	—
	(10)%	**554**	—	—
KRW (against CNY)	**10%**	**115**	—	—
	(10)%	**(115)**	—	—

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.

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

(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 with assistance of external valuers, performing valuations for the financial instruments, including unlisted equity investment and put options which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial assets:				
Unlisted fund investments	3,250	–	3,250	–
Derivative financial instrument	13,155	–	–	13,155
Unlisted equity investment	17,168	–	–	17,168
	33,573	–	3,250	30,323

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Renminbi Yuan unless otherwise indicated)

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

(e) Fair value measurement *(Continued)*

(i) ***Financial assets and liabilities measured at fair value*** *(Continued)*

Valuation techniques and inputs used in Level 2 fair value measurements

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

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Derivative financial instrument	Black-Scholes model	Expected volatility	44.60% (31 December 2022: 55.35%)	1% increase/(decrease) in expected volatility would result in increase/(decrease) in fair value by RMB18,000 (31 December 2022: RMB63,000).
Unlisted equity investment	Market method	LoMD	20% (31 December 2022: 20%)	1% increase/(decrease) in discount rate would result in (decrease)/increase in fair value by RMB300,000 (31 December 2022: RMB1,325,000).

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

(e) Fair value measurement *(Continued)*

(i) ***Financial assets and liabilities measured at fair value*** *(Continued)*

Information about Level 3 fair value measurements (Continued)

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

	2023 RMB'000
Derivative financial instrument	
At 1 January	**14,975**
Changes in fair value recognised in profit or loss during the year	**(1,820)**
At 31 December	**13,155**
Total gains or losses for the year included in profit or loss from continuing operations	**(1,820)**

	2023 RMB'000
Unlisted equity investment	
At 1 January	**17,808**
Changes in fair value recognised in profit or loss during the year	**(640)**
At 31 December	**17,168**
Total gains or losses for the year included in profit or loss from continuing operations	**(640)**

(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 2023 and 2022.

30 ACQUISITION OF SUBSIDIARIES

On 14 May 2023, the Company entered into a share purchase agreement with the original shareholders of BMX, pursuant to which the Company agreed to acquire 100% equity interests in BMX and its subsidiaries (together, "**BMX Group**") at a cash consideration of USD40,000,000, subject to adjustment. The transaction was completed on 21 June 2023 with total consideration of USD40,470,000 (approximately RMB288,637,000).

Identifiable assets acquired and liabilities assumed

The following table summarises the provisional fair value of identifiable assets acquired and liabilities assumed at the date of acquisition.

	Pre-acquisition carrying amount RMB'000	**Fair value adjustment** RMB'000	**Recognised value on acquisition** RMB'000
Property, plant and equipment, net	5,459	—	5,459
Right-of-use assets	5,817	—	5,817
Intangible assets (Note 13)	75	124,777	124,852
Inventories	24,588	—	24,588
Trade and other receivables	37,223	—	37,223
Cash and cash equivalents	30,752	—	30,752
Trade and other payables	(47,820)	—	(47,820)
Deferred tax liabilities	—	(37,433)	(37,433)
Other net identifiable liabilities	(3,575)	—	(3,575)
Net identifiable assets			139,863

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

Goodwill arising from the acquisition has been recognised as follows:

	RMB'000
Total consideration, in cash	**288,637**
Fair value of identifiable net assets	**(139,863)**
Goodwill as at the date of acquisition and 21 June 2023	**148,774**
Exchange adjustment	**(784)**
Goodwill as at the date of acquisition and 31 December 2023	**147,990**

30 ACQUISITION OF SUBSIDIARIES *(Continued)*

Identifiable assets acquired and liabilities assumed *(Continued)*

An analysis of the cash flow in respect of the acquisition of BMX is as follows:

	RMB'000
Total consideration, in cash	**288,637**
Less: Cash and cash equivalents acquired	**(30,752)**
Net cash outflow in acquisition	**257,885**

For the period from the date of acquisition to 31 December 2023, BMX contributed revenue of RMB44,782,000 and loss for the period of RMB27,542,000 to the Group's results. Had the acquisition occurred on 1 January 2023, management estimated that consolidated revenue would have been RMB249,162,000, and consolidated loss for the year ended 31 December 2023 would have been RMB234,033,000. In determining these amounts, management had assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

31 COMMITMENTS

Capital commitments outstanding at 31 December 2023 and 2022 not provided for in the consolidation financial statements were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Authorised and contracted for		
— Property, plants and equipment	**10,236**	64,725
— Fund investment (Note 16)	**6,648**	8,004
	16,884	72,729

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9 is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**6,570**	6,070
Discretionary bonuses	**1,340**	1,919
Retirement scheme contributions	**258**	228
	8,168	8,217

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

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

Name of party	Relationship
Liang Bo	Controlling Shareholder
Liang Ling (Former Name: Liang Ping) 梁铃（曾用名:梁萍）	Close family member of the Controlling Shareholder
Benxi Shengjing Medical Laboratory Co., Ltd. ("**Benxi Medical Laboratory**") 本溪盛京醫學檢驗所有限公司(i)	Associate of Liang Ping
Shandong Beikang Medical Laboratory Co., Ltd. ("formerly known as: Linyi Double Helix Medical Laboratory Co., Ltd.") ("**Shandong Medical Laboratory**") 山東貝康醫學檢驗所有限公司 (原名為: 臨沂雙螺旋醫學檢驗所有限公司") (i)	Associate of Liang Ping
Suzhou Beikang Medical Laboratory Co., Ltd. ("**Suzhou Medical Laboratory**") 蘇州貝康醫學檢驗實驗室有限公司 (i)	Associate of Liang Ping
Suzhou Double Helix Medical Laboratory Co., Ltd. ("**Suzhou Double Helix**") 蘇州雙螺旋醫學檢驗所有限公司 (i)	Associate of Liang Ping

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

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

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

Sales of testing kits

	2023	2022
	RMB'000	RMB'000
Shandong Medical Laboratory	**26,264**	20,493
Suzhou Medical Laboratory	**16,786**	10,802
Benxi Medical Laboratory	**3,940**	4,938
	46,990	36,233

Sales of testing devices and instruments

	2023	2022
	RMB'000	RMB'000
Shandong Medical Laboratory	**2,196**	3,608
Suzhou Medical Laboratory	**–**	7,136
Benxi Medical Laboratory	**298**	442
	2,494	11,186

Service fee charged by related parties

	2023	2022
	RMB'000	RMB'000
Shandong Medical Laboratory	**5,468**	7,701
Suzhou Medical Laboratory	**11,524**	9,511
Benxi Medical Laboratory	**54**	884
	17,046	18,096

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party balances

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

	2023 **RMB'000**	2022 RMB'000
Amounts due from related parties		
Trade related:		
Shandong Medical Laboratory	**35,792**	29,937
Benxi Medical Laboratory	**9,299**	8,505
Suzhou Medical Laboratory	**24,284**	23,712
	69,375	62,154
Amounts due to related parties		
Non-trade related:		
Shandong Medical Laboratory	**1,840**	1,223
Benxi Medical Laboratory	**45**	884
Suzhou Medical Laboratory	**1,064**	3,898
	2,949	6,005

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	11	**288,301**	164,586
Right-of-use assets	12	**12,008**	9,354
Interest in subsidiaries	14	**1,294,320**	629,100
Financial assets measured at fair value through profit or loss (FVPL)	16	**33,573**	35,359
Other non-current assets	17	**14,164**	—
		1,642,366	838,399
Current assets			
Trade and other receivables		**6,916**	8,451
Other current assets		**—**	1,610
Cash and cash equivalents	21	**706,572**	1,267,323
Income tax recoverable	26(a)	**1,172**	—
		714,660	1,277,384
Current liabilities			
Trade and other payables		**99,753**	51,357
Lease liabilities		**1,667**	1,796
Bank loans	24	**10,500**	—
Income tax payable	26(a)	**—**	4,498
		111,920	57,651
Net current assets		**602,740**	1,219,733
Total assets less current liabilities		**2,245,106**	2,058,132

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
Non-current liabilities			
Bank loans	24	**259,632**	73,394
Deferred Income		**250**	380
Lease liabilities		**2,947**	—
NET ASSETS		**1,982,277**	1,984,358
CAPITAL AND RESERVES	27		
Share capital		**273,526**	273,526
Reserves		**1,708,751**	1,710,832
TOTAL EQUITY		**1,982,277**	1,984,358

Approved and authorised for issue by the board of directors on 28 March 2024.

Liang Bo
Director

Kong Lingyin
Director

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

(Expressed in Renminbi Yuan unless otherwise indicated)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*	1 January 2024
Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*	1 January 2024
Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to IAS 7, Statement of cash flows and HKFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025
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 developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

"AGM"	the annual general meeting to be held on Thursday, June 6, 2024 at No. 77 Jingu Road, Suzhou Industrial Park, Suzhou Jiangsu Province, PRC or any adjournment thereof
"ART"	assisted reproductive technology(ies)
"Articles of Association"	articles of association of our Company adopted on August 31, 2020, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Basecare Intelligent Manufacturing"	Suzhou Basecare Intelligent Manufacturing Co., Ltd. (蘇州貝康智能製造有限公司), a company established in the PRC with limited liability on April 10, 2019 and a wholly-owned subsidiary of our Company
"Basecare Investment"	Suzhou Basecare Investment Management Enterprise (Limited Partnership) (蘇州貝康投資管理企業(有限合夥)), a limited partnership established on May 23, 2016, through which, certain former employees, employees and advisors of our Group were indirectly beneficially interested in approximately 13.19% of the equity interests in our Company as of the date of this annual report. Basecare Investment is one of our Controlling Shareholders
"Basecare Medical Device"	Suzhou Basecare Medical Device Co., Ltd. (蘇州貝康醫療器械有限公司), a company established in the PRC with limited liability on February 25, 2015 and a wholly-owned subsidiary of our Company
"BMX"	BMX Holdco Pte. Ltd., a company incorporated in Singapore and a wholly owned subsidiary of the Company as of the date of this annual report
"BMX Acquisition"	the acquisition of BMX and its seven subsidiaries by the Company, which was completed on June 21, 2023
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"Broad Vision Harmony"	Zhangjiagang Broad Vision Harmony Shareholding Investment Fund (Limited Partnership) (張家港博華和瑞股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on July 2, 2020
"Broad Vision Investment"	Zhangjiagang Broad Vision Investment Fund (Limited Partnership) (張家港博華創業投資合夥企業(有限合夥)), previously known as Ningbo Meishan Free Trade Port Area Bohua Guangzheng Venture Capital Partnership (Limited Partnership) (寧波梅山保税港區博華光證創業投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on May 11, 2018
"CE"	European conformity (conformité européenne)

Definitions

"Company", "our Company" or "the Company"	Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司)
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Liang and/or Basecare Investment
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this annual report, for the purposes of this annual report, our Core Product refers to our PGT-A kit
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors
"Dr. Liang"	Dr. LIANG Bo (梁波), our founder, executive Director, chairman of the Board, general manager and Controlling Shareholder
"FDA"	The United States Food and Drug Administration
"Global Offering"	the offer of H Shares for subscription as described in the Prospectus
"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group", "we" or "us"	the Company and its subsidiaries
"H Shares"	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars
"Hillhouse HK"	HH SPR-XIV HK Holdings Limited, a limited company incorporated in Hong Kong on July 12, 2018 and a Pre-IPO Investor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"iARMS"	intelligent assisted reproduction management system
"IFRS"	International Financial Reporting Standards
"IVF"	*in vitro* fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy
"IVM"	*in vitro* maturation
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	February 8, 2021, being the date on which the H Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"LPR"	Loan Prime Rate
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board
"OPM"	OrbiMed Partners Master Fund Limited, an exempted company incorporated under the laws of Bermuda
"PGT"	pre-implantation genetic testing, 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)
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Prospectus"	the prospectus issued by the Company dated January 27, 2021
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2023
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board

Definitions

"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"sq.m"	square meter(s)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares, Unlisted Foreign Shares and H Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Suzhou 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
"TGA"	The Therapeutic Goods Administration of Australia
"Unlisted Foreign Shares"	unlisted ordinary Share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than RMB
"%"	per cent